

NEW ISSUE - Book-Entry-Only

RATINGS:
Moody's: "Aa3"
S&P: Applied For
 (See "OTHER INFORMATION – Ratings" herein)

In the opinion of Bond Counsel (defined below), interest on the Certificates (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

\$143,860,000*
CITY OF BROWNSVILLE, TEXAS
(A Home-Rule City of the State of Texas Located in Cameron County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025A

Dated: September 25, 2025

Due: February 15, as shown on page ii

Interest to accrue from the Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the \$143,860,000* City of Brownsville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025A (the "Certificates") will accrue from the date of initial delivery thereof to the Initial Purchasers (as defined herein), which is anticipated to be September 25, 2025 (the "Delivery Date"), will be payable on February 15 and August 15 of each year, commencing February 15, 2026, and will be calculated on the basis of a 360-day year of twelve 30-day months. The City of Brownsville, Texas (the "City" or the "Issuer") intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Certificates, but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof initially registered and delivered only to Cede & Co., as registered owner of DTC. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, redemption premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar, initially UMB Bank, N.A., Houston, Texas, to Cede & Co., which will make distribution of the amounts so paid to participating members of DTC who will in turn make distribution to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System" and "THE CERTIFICATES – Paying Agent/Registrar" herein).

AUTHORITY FOR ISSUANCE; SECURITY . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, and 1371 of the Texas Government Code, each as amended, and an ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance"), to be adopted by the City Commission on September 2, 2025 (see "THE CERTIFICATES - Authority for Issuance"). As permitted by Chapter 1371 of the Texas Government Code, in the Certificate Ordinance, the City Commission will delegate authority to certain City officials to execute an "Approval Certificate" to establish final sale terms for the Certificates (the Certificate Ordinance and the Approval Certificate are jointly referred to herein as the "Ordinance"). The Certificates are direct obligations of the City, payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City, and (ii) a pledge of surplus revenues of the City's municipal landfill system, as provided in the Ordinance (see "THE CERTIFICATES – Security for the Certificates").

PURPOSE . . . Proceeds from the sale of the Certificates will be used as described herein under "PLAN OF FINANCE – Purpose of the Certificates".

RATINGS . . . The Certificates have been rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "____" by S&P Global Ratings ("S&P"). The presently outstanding tax supported debt of the City has an underlying rating of "Aa3" by Moody's and "____" by S&P (see "OTHER INFORMATION – Ratings" herein).

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchasers of the Certificates (the "Initial Purchasers") and subject to the approving opinion of the Attorney General of the State and the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel (see "OTHER INFORMATION — Legal Opinions and No-Litigation Certificate" and APPENDIX C, "Form of Bond Counsel's Opinions" herein).

DELIVERY . . . It is expected that the Certificates will be tendered for delivery to the Initial Purchasers through the services of DTC on or about September 25, 2025.

BIDS DUE THURSDAY, SEPTEMBER 4, 2025 AT 10:00 AM CDT

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sales would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$143,860,000*
CITY OF BROWNSVILLE, TEXAS
(A Home-Rule City of the State of Texas Located in Cameron County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025A

Maturity Schedule*, Interest Rates, Initial Yields, and CUSIP⁽¹⁾ Numbers for the Certificates
CUSIP⁽¹⁾ Prefix: 116405

Maturity (Feb. 15)	Principal Amount	Interest Rate	Initial Price or Yield ⁽²⁾	CUSIP ⁽¹⁾ Suffix	Maturity (Feb. 15)	Principal Amount	Interest Rate	Initial Price or Yield ⁽²⁾	CUSIP ⁽¹⁾ Suffix
2027	\$ 250,000				2037	\$ 7,495,000			
2028	1,340,000				2038	7,880,000			
2029	4,250,000				2039	8,285,000			
2030	5,280,000				2040	8,710,000			
2031	5,555,000				2041	9,155,000			
2032	5,840,000				2042	9,625,000			
2033	6,135,000				2043	10,120,000			
2034	6,450,000				2044	10,640,000			
2035	6,780,000				2045	11,185,000			
2036	7,130,000				2046	11,755,000			

(Interest accrues from the Delivery Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Fact Set Research Systems, Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Initial Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ The initial yields are established by and are the sole responsibility of the Initial Purchasers and may subsequently be changed. The initial yields shown above represent the lower of the yields resulting when priced to maturity or first optional redemption date.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES - Redemption of the Certificates – Optional Redemption"). In the event the Initial Purchasers elect to combine two or more consecutive maturities to form one or more term certificates (the "Term Certificates"), such Term Certificates will be subject to mandatory sinking fund redemption (see "THE CERTIFICATES – Redemption of the Certificates – Mandatory Sinking Fund Redemption").

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12") and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the City with respect to the Certificates that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page, and the Appendices hereto, and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesperson, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchasers. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Initial Purchasers after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Initial Purchasers. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "OTHER INFORMATION - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE CITY, THE FINANCIAL ADVISOR OR THE INITIAL PURCHASERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12.

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The cover page hereof, this page, and the appendices included herein, the financial statements and any addenda, supplement or amendment hereto, are part of this Official Statement.

CITY OFFICIALS AND CONSULTANTS

ELECTED OFFICIALS

<u>City Commission</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
John Cowen, Jr. Mayor	6 Years	May 2027	Entrepreneur
Bryan L. Martinez Commissioner District 1	2 Years	May 2027	Entrepreneur
Linda C. Macias Commissioner District 2	2 Years	May 2027	Licensed Professional Counselor
Gustavo De León Commissioner District 3	Newly Elected	May 2029	Supervisory - U.S. Customs and Border Protection (CBP)
Pedro Cardenas Commissioner District 4	4 Years	May 2029	Entrepreneur
Nurith Galonsky Pizana ⁽¹⁾ Commissioner at Large "B"	Newly Elected	May 2029	Attorney
Tino Villarreal, Jr. Commissioner at Large "A"	2 Years	May 2027	Educator

⁽¹⁾ Nurith Galonsky Pizana had a break in service; she served from 2019 to 2023 and was reelected in 2025.

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service in Current Position</u>
Helen Ramirez	City Manager	2 Years 5 Years with the City
Guillermo “Will” Trevino	City Attorney	2 Years 3 Years with the City

HIRED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Alan Guard	Chief Financial Officer and Deputy City Manager	2 Years 36 Years local government experience
Marina Zolezzi	Chief of Staff	4 Years 16 Years with the City
Doroteo Garica Jr.	Assistant City Manager/ Engineering & Public Works	Less than 1 Year 22 Years with the City
Felix Saucedo	Assistant City Manager Chief of Police	2 Years 34 Years with the City
Stephen Muse	Interim Finance Director	Less than 1 Year 13 Years local government experience

CONSULTANTS AND ADVISORS

Bond CounselMcCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants Carr, Riggs, & Ingram, LLC
Brownsville, Texas

Financial AdvisorEstrada Hinojosa
Dallas, Texas

For additional information regarding the City, please contact:

Alan Guard		Dave Gordon
Chief Financial Officer		Estrada Hinojosa
1001 E. Elizabeth Street, 3rd Floor	or	600 N. Pearl Street, Suite 2100
Brownsville, Texas 78520		Dallas, Texas 75201
(956) 548-6009		(214) 658-1670
(956) 546-2270 - Fax		(214) 292-8849 – Fax

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PRELIMINARY OFFICIAL STATEMENT

Relating to

\$143,860,000*

CITY OF BROWNSVILLE, TEXAS

(A Home-Rule City of the State of Texas Located in Cameron County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,

SERIES 2025A

INTRODUCTION

This Official Statement, which includes the cover page, and Appendices hereto, provides certain information in connection with the issuance by the City of Brownsville, Texas (the “City” or the “Issuer”) of its Combination Tax and Revenue Certificates of Obligation, Series 2025A (the “Certificates”).

There follows in this Official Statement information regarding the Certificates and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the City’s Financial Advisor, Estrada Hinojosa, 600 N. Pearl Street, Suite 2100, Dallas, Texas 75201, by electronic mail or upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The final Official Statement will be deposited with the Municipal Securities Rulemaking Board, (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “OTHER INFORMATION - Continuing Disclosure of Information” for a description of the City’s undertaking to provide certain information on a continuing basis.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

PLAN OF FINANCE

PURPOSE OF THE CERTIFICATES . . . Proceeds from the sale of the Certificates will be used to (i) acquire, construct, improve, repair and equip public safety facilities and facilities physically attached thereto, including police department facilities and fire department facilities; (ii) acquire, construct, improve, repair, and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, and lighting improvements; (iii) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public; (iv) acquire, construct, improve, repair, and equip improvements to the Brownsville/South Padre Island International Airport; (v) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements; and (vi) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance.

THE CERTIFICATES

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code and 1371, Texas Government Code, each, as amended, and an ordinance authorizing the issuance of the Certificates (the “Certificate Ordinance”) anticipated to be adopted by the City Commission on September 2, 2025 (see “THE CERTIFICATES - Authority for Issuance”). In the Certificate Ordinance, the City Commissioners will delegate authority to certain City officials to execute an “Approval Certificate” to establish final sale terms for the Certificates, which will complete the sale of the Certificates (the Certificate Ordinance and the Approval Certificate are jointly referred to as the “Ordinance”).

GENERAL DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 25, 2025 (the “Dated Date”). The Certificates will accrue interest from the date of initial delivery thereof to the Initial Purchasers, which is anticipated to be September 25, 2025 (the “Delivery Date”), and such interest shall be payable on February 15 and August 15 in each year, commencing February 15, 2026, until maturity or prior redemption. The Certificates will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page ii of this Official Statement.

* Preliminary, subject to change.

The Certificates will be issued in fully registered form and will be in denominations of \$5,000 or any integral multiple thereof. Principal and interest on the Certificates are payable in the manner described herein under "THE CERTIFICATES – Book-Entry-Only System." In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by the Paying Agent/Registrar, as of the Record Date (hereinafter defined), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

SECURITY FOR THE CERTIFICATES . . . Ad valorem tax pledge for the Certificates: In the Ordinance, the City covenants that it will levy and collect an annual ad valorem tax, within the limitations prescribed by law, against all taxable property located within the City sufficient to meet the debt service requirements on the Certificates.

Pledge of Surplus Revenues for the Certificates: Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are additionally secured with a pledge of "Surplus Revenues" derived from the City's municipal landfill system as provided in the Ordinance.

TAX RATE LIMITATIONS . . . The City operates under a home-rule charter as authorized by Article XI, Section 5 of the Constitution of the State. The Constitution of the State and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's tax-supported indebtedness must not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction, City Charter provision, or the Texas Attorney General's administrative policy. (See "AD VALOREM PROPERTY TAXATION - Tax Rate Limitation").

REDEMPTION OF THE CERTIFICATES . . . Optional Redemption: The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates of a maturity are to be redeemed, the Paying Agent/Registrar will determine by lot the particular Certificates, or portions thereof, within such maturity to be redeemed. Certificates of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Certificates to be partially redeemed may be surrendered in exchange for one or more new Certificates in authorized denominations of the same stated maturity and interest rate for the unredeemed portion of the principal of such Certificates.

Mandatory Sinking Fund Redemption. In the event the Initial Purchasers or Initial Bond Purchasers, as applicable, designate principal amounts of any two or more consecutive maturities of the Certificates to be combined into one or more term obligations (the "Term Certificates"), each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate.

Notice of Redemption: Not less than 30 days prior to a redemption date for the Certificates, the City will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. Any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the owner of the Certificates. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption relating to the Certificates, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "THE CERTIFICATES - Book-Entry-Only System" herein.)

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are outstanding and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Certificate over any other Certificate, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Certificates required for consent to any such amendment, change, modification, or rescission.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

LIMITATION ON TRANSFER OF THE CERTIFICATES . . . Neither the City nor the Paying Agent/Registrar will be required to exchange any Certificates to an assignee of the owner of the Certificates (i) during the period commencing with the close of business on the Record Date (defined herein) and ending with the opening of business on the next interest payment date, and (ii) with respect to Certificates called for redemption, within 45 days of the redemption date for such Certificates.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the person to whom the interest payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of past due interest ("Special Payment Date," which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

DEFAULT AND REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for 30 days after the City has received written notice of such defaults, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificates holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) (“Tooke”), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, as amended, Texas Government Code which pertains to the issuance of public securities by issuers such as the City, permits City to waive governmental immunity in the proceedings authorizing the issuance of its debt. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Certificates (as further described under the caption “THE CERTIFICATES – Authority for Issuance”), the City has not waived the defense of governmental immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the City’s governmental immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

In *Tooke*, the Court noted the enactment in 2005 of Sections 271.151- 160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for procuring goods or services. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) (“*Wasson I*”) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”, and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

DEFEASANCE OF THE CERTIFICATES . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities, (defined herein) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. City officials are authorized to limit such eligible Defeasance Securities in connection with the sale of the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates will no longer be regarded to be outstanding or unpaid. However, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption, at an earlier date, those Certificates which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

SOURCES AND USES OF FUNDS . . . The proceeds of the Certificates will be applied approximately as follows:

Sources:	
Par amount of the Certificates	
[Net] Premium	
Total Sources of Funds	<u>\$ -</u>
Uses:	
Deposit to Project Fund	
Costs of Issuance	
Total Uses of Funds	<u>\$ -</u>

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Initial Purchasers believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings' rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Initial Purchasers believe to be reliable, but the City, the Financial Advisor, and the Initial Purchasers take no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to "registered owners" should be read to include only DTC as the sole registered owner of the Certificates and, accordingly (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, (ii) all payments with respect to the Certificates will be made to DTC in its capacity as sole registered owner of the Certificates and (iii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Cameron Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subject Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – City's Rights in the Event of Tax Delinquencies."

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED. . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "AD VALOREM PROPERTY TAXATION – Table 1" for the reduction in taxable valuation, if any, attributable to the freeze on taxes for the elderly and disabled.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the "production of income" from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025 but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

FREEPORT PROPERTY AND GOODS-IN-TRANSIT EXEMPTIONS. . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify the "damage" for the purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and the city or county, together with overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION – The Tax Code as it Applies to the City" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – The Tax Code as it Applies to the City" for descriptions of any of the City's tax abatement agreements. For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – The Tax Code as it Applies to the City" herein.

CHAPTER 380 AGREEMENTS. . . Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published edition of the Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration as well as appraisal formulas developed by the State Comptroller. The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) of the delinquent tax, penalty, and interest collected if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by Disaster" for a discussion of the applicability of this section of the Property Tax Code.

MUNICIPAL SALES TAX . . . The City has adopted the provisions of Texas Tax Code § 321.001 *et seq.*, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and may not legally be pledged to payment of the Certificates or any other debt of the City. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, which monthly remits the proceeds of the tax, after deduction of a 2% service fee, to the City.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

For more information regarding the sales and use taxes levied by the City, see "Table 11 - Municipal Sales Tax History" herein.

THE TAX CODE AS IT APPLIES TO THE CITY . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$6,000.

The City has adopted an ordinance providing a limitation on tax increases for the elderly and disabled as authorized by Article VIII, Section 1-b (h) of the Texas Constitution and Section 11.261 of the Property Tax Code.

The City does not grant any additional optional homestead exemptions other than noted above.

The City does not tax freeport property. See Table 1 for a listing of the amounts of the exemptions described above.

The City has elected not to tax non-business vehicles and boats owned as non-business property; and the Cameron County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are allowed.

The City has adopted a tax abatement policy with respect to certain areas within the City.

The City taxes goods-in-transit.

The City has created four TIRZs since 2004. The City created TIRZ #1, covering approximately 289 acres, in October 2004. TIRZ #1 shall terminate on December 31, 2035. The City committed to contribute to TIRZ #1 fifty percent (50%) of its annual tax increment revenues up to \$5,500,000 or until TIRZ #1's termination date. The total amount paid into TIRZ #1 by the City through fiscal year 2023 is \$1,650,631. TIRZ #2 was created by the City in November 2004; however, due to inactivity, TIRZ #2 was dissolved via ordinance in 2023. TIRZ #3 was created by the City in December 2019. TIRZ #3 consists of approximately 440 acres in the general downtown area and is scheduled to terminate on December 31, 2049. The City committed to contribute to TIRZ #3 seventy-five percent (75%) of its annual tax increment revenues through the term of TIRZ #3. In December 2020, the City approved the creation of TIRZ #4. TIRZ #4 encompasses approximately 1,330 acres on the southeast portion of the City and is scheduled to terminate in December 2050. The City committed to contribute to TIRZ #4 fifty percent (50%) of its annual tax increment revenues through the term of TIRZ #4.

2025 LEGISLATIVE SESSION . . . The 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 ("89th Regular Session"). When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session are collectively referred to herein as the "2025 Legislative Sessions"). The Governor called a special session which will convene on July 21, 2025. During the 2025 Legislative Sessions, the Legislature may enact laws that materially affect the City and its finances. The City can make no representations or predictions regarding any actions the Legislature may take during the 2025 Legislative Sessions concerning the substance or the effect of any legislation that may be passed during this session or a future session of the Legislature.

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TABLE 1 - VALUATION, EXEMPTIONS AND DEBT OBLIGATIONS

2025/2026 Market Valuation Established by Cameron Appraisal District		\$ 16,231,763,211
Less Exemptions/Reductions at 100% of Market Value:		
Over 65 and Disabled	\$ 67,084,094	
Disabled Veterans Exemptions	9,727,240	
Disabled Veterans Homestead Exemption	207,041,913	
Charitable	13,293,836	
Freeport Exemptions Loss	267,549,768	
First Responder Surviving Spouse	568,686	
Pollution Control Loss	290,791	
Productivity Loss	100,416,616	
Exempt Property	1,661,618,774	
Personal Pvt Vehicle	1,176,168	
Member Armed Services Surviving Spouse	566,528	
Homestead Cap	<u>1,492,738,071</u>	<u>3,822,072,485</u>
2025/2026 Taxable Assessed Valuation ⁽¹⁾		\$ 12,409,690,726
City Funded Debt Payable From Ad Valorem Taxes		
The Certificates	\$ 143,860,000 ⁽¹⁾	
Outstanding Bonds and Certificates		
of Obligation (as of 9/25/25):	<u>233,094,000</u>	
Total Funded Debt Payable From Ad Valorem Taxes		\$ 376,954,000 ⁽¹⁾
Interest and Sinking Fund (as of 9/30/2024)		\$ 6,396,666
Ratio Funded Debt to Taxable Assessed Valuation		3.04%
2025 Estimated Population -	191,774	
Per Capita Taxable Assessed Valuation - \$	64,710	
Per Capita Funded Debt - \$	1,966	

⁽¹⁾ Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 9,354,882,060	57.63%	\$ 9,134,846,970	58.15%	\$ 7,917,868,720	58.67%
Real, Residential, Multi-Family	779,359,323	4.80%	715,508,409	4.56%	524,993,126	3.89%
Real, Vacant Lots/Tracts	463,698,344	2.86%	438,647,667	2.79%	345,196,425	2.56%
Real, Acreage (Land Only)	105,250,808	0.65%	95,811,218	0.61%	91,475,465	0.68%
Real, Farm and Ranch Improvements	65,403,173	0.40%	64,452,052	0.41%	39,299,936	0.29%
Real, Commercial	2,265,175,352	13.96%	2,173,109,506	13.83%	1,797,334,882	13.32%
Real, Industrial	123,663,067	0.76%	125,631,929	0.80%	74,281,075	0.55%
Real and Tangible Personal, Utilities	89,114,117	0.00%	92,933,944	0.59%	90,074,633	0.67%
Tangible Personal, Commercial	697,018,347	0.07%	679,804,766	4.33%	654,972,430	4.85%
Tangible Personal, Industrial	525,066,576	0.20%	506,333,490	3.22%	392,824,893	2.91%
Tangible Personal, Mobile Homes	20,376,878	0.13%	19,724,829	0.13%	14,315,885	0.11%
Intangible Personal	-	0.00%	-	0.00%	-	0.00%
Real Property, Inventory	20,334,790	0.13%	2,468,003	0.02%	2,927,016	0.02%
Exempt Property	1,661,027,854	10.23%	1,602,546,783	10.20%	1,494,132,780	11.07%
Special Inventory	61,392,522	0.38%	55,996,174	0.36%	55,338,540	0.41%
Total Appraised Value Before Exemptions	\$ 16,231,763,211	92.19%	\$ 15,707,815,740	100.00%	\$ 13,495,035,806	100.00%
Less: Total Exemptions/Reductions	3,822,072,485		4,188,234,059		3,440,122,458	
Taxable Assessed Value	<u>\$ 12,409,690,726</u>		<u>\$ 11,519,581,681</u>		<u>\$ 10,054,913,348</u>	

Category	Taxable Appraised Value For Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,401,976,679	51.17%	\$ 4,776,931,481	48.74%
Real, Residential, Multi-Family	494,678,812	4.69%	450,361,977	4.60%
Real, Vacant Lots/Tracts	274,971,900	2.60%	264,975,017	2.70%
Real, Acreage (Land Only)	88,197,165	0.84%	88,828,403	0.91%
Real, Farm and Ranch Improvements	34,779,996	0.33%	31,896,233	0.33%
Real, Commercial	1,652,149,685	15.65%	1,720,559,331	17.56%
Real, Industrial	75,555,984	0.72%	77,023,054	0.79%
Real and Tangible Personal, Utilities	82,771,608	0.78%	78,891,622	0.81%
Tangible Personal, Commercial	560,941,178	5.31%	497,659,843	5.08%
Tangible Personal, Industrial	421,261,449	3.99%	376,039,582	3.84%
Tangible Personal, Mobile Homes	14,150,210	0.13%	13,472,698	0.14%
Intangible Personal	-	0.00%	-	0.00%
Real Property, Inventory	575,659	0.01%	3,538,245	0.04%
Exempt Property	1,403,124,287	13.29%	1,377,439,446	14.06%
Special Inventory	52,081,160	0.49%	42,299,878	0.43%
Total Appraised Value Before Exemptions	\$ 10,557,215,772	100.00%	\$ 9,799,916,810	100.00%
Less: Total Exemptions/Reductions	2,179,325,934		1,952,792,253	
Taxable Assessed Value	<u>\$ 8,377,889,838</u>		<u>\$ 7,847,124,557</u>	

Note: The values shown in this table are calculated at the beginning of each tax year and are subject to appeal and therefore may change.
Source: Cameron Appraisal District.

TABLE 3 – VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Ad Valorem Tax Debt Outstanding at End of Year	Ratio Funded	
					Debt to Taxable Assessed Valuation	Ad Valorem Debt Per Capita
2017	183,823	\$ 6,292,702,609	\$ 34,378	\$ 147,160,000	2.34%	\$ 804
2018	183,299	6,466,309,561	34,794	143,200,000	2.21%	771
2019	183,292	6,685,286,108	35,972	167,925,000	2.51%	904
2020	182,781	7,136,996,284	38,402	161,690,000	2.27%	870
2021	186,738	7,246,442,694	38,482	155,360,000	2.14%	825
2022	187,831	7,847,124,557	41,672	175,406,000	2.24%	931
2023	189,382	8,377,889,838	44,238	190,902,000	2.28%	1,008
2024	191,774	10,054,913,348	52,431	196,593,000	1.96%	1,025
2025	192,260	11,519,581,681	59,917	376,954,000 ⁽³⁾	3.27%	1,961 ⁽³⁾
2026	193,500	12,409,690,726	64,133	358,001,000 ⁽³⁾	2.88%	1,850 ⁽³⁾

⁽¹⁾ Estimates from the City.

⁽²⁾ Includes annexations.

⁽³⁾ Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2016	\$ 0.70061	\$ 0.45291	\$ 0.24087	\$ 42,219,131	95.77%	99.74%
2017	0.70061	0.44931	0.24770	43,504,244	95.92%	99.68%
2018	0.70061	0.44962	0.25130	44,614,444	95.98%	99.66%
2019	0.70061	0.44605	0.25457	45,952,908	95.68%	99.14%
2020	0.70061	0.44543	0.25518	49,194,494	96.22%	99.30%
2021	0.69796	0.44283	0.25513	51,805,997	96.99%	99.38%
2022	0.69711	0.44197	0.25515	53,864,255	97.34%	99.14%
2023	0.69192	0.42754	0.26438	57,574,412	97.21%	98.94%
2024	0.60799	0.37009	0.23790	63,138,396	96.19%	98.58%
2025	0.60350	0.35777	0.24574	68,251,904	93.66% ⁽¹⁾	93.66% ⁽¹⁾

⁽¹⁾ Collections as of June 2025.

Property within the City is assessed as of January 1 of each year (except for business inventory which may, at the option of the taxpayer, be assessed as of September 1); taxes become due January 1, or when billed, whichever comes later, of the following year, and become delinquent on February 1 of the following year. Split payments are not permitted. Discounts of 3% for October, 2% for November, and 1% for December are allowed. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, and up to 20% (of delinquent tax, penalty, and interest collected) attorney's collection fee is added to the total tax penalty and interest charge.

TABLE 5 - TEN LARGEST TAXPAYERS

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Walmart Inc.	Retail	\$ 71,540,024	0.58%
Trico Products Corp.	Manufacturing	63,672,159	0.51%
CBL SM Brownsville LLC	Real Estate	42,483,338	0.34%
Phoenix JCR Brownsville	Real Estate	35,683,725	0.29%
Kimco Brownsville LP	Real Estate	26,490,260	0.21%
Columbia Valley Healthcare Sys	Healthcare	26,363,980	0.21%
AEP Texas Inc-07C	Utility	25,112,930	0.20%
VHS Brownsville Hospital Company LLC	Health Care	24,991,156	0.20%
Rich-Seapak Corp	Seafood Packaging	22,825,974	0.18%
PV Brownsville LLC	Real Estate	21,377,497	0.17%
		<u>\$ 360,541,043</u>	<u>2.91%</u>

Source: Cameron Appraisal District.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the Constitutional provisions. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction, City Charter provision, or the Texas Attorney General's administrative policy.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS. . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax" rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. (See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

TABLE 6 –PRO FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Existing Debt Service			The Certificates ⁽¹⁾			Total Debt Service Requirements	% of Principal Retired
9/30	Principal	Interest	Total	Principal	Interest	Total		
2025	\$ 18,544,000	\$ 8,613,162	\$ 27,157,162	\$ -	\$ -	\$ -	\$ 27,157,162	
2026	18,953,000	9,433,940	28,386,940	-	6,393,778	6,393,778	34,780,718	
2027	15,693,000	8,699,391	24,392,391	250,000	7,186,750	7,436,750	31,829,141	
2028	14,778,000	8,057,443	22,835,443	1,340,000	7,147,000	8,487,000	31,322,443	
2029	13,363,000	7,465,541	20,828,541	4,250,000	7,007,250	11,257,250	32,085,791	22.72%
2030	12,038,000	6,935,146	18,973,146	5,280,000	6,769,000	12,049,000	31,022,146	
2031	12,553,000	6,423,299	18,976,299	5,555,000	6,498,125	12,053,125	31,029,424	
2032	12,593,000	5,898,901	18,491,901	5,840,000	6,213,250	12,053,250	30,545,151	
2033	11,628,000	5,388,522	17,016,522	6,135,000	5,913,875	12,048,875	29,065,397	
2034	11,518,000	4,895,419	16,413,419	6,450,000	5,599,250	12,049,250	28,462,669	46.06%
2035	12,013,000	4,391,681	16,404,681	6,780,000	5,268,500	12,048,500	28,453,181	
2036	11,873,000	3,875,569	15,748,569	7,130,000	4,920,750	12,050,750	27,799,319	
2037	11,548,000	3,367,494	14,915,494	7,495,000	4,555,125	12,050,125	26,965,619	
2038	12,053,000	2,856,194	14,909,194	7,880,000	4,170,750	12,050,750	26,959,944	
2039	11,163,000	2,366,388	13,529,388	8,285,000	3,766,625	12,051,625	25,581,013	71.14%
2040	11,173,000	1,912,563	13,085,563	8,710,000	3,341,750	12,051,750	25,137,313	
2041	10,609,000	1,458,781	12,067,781	9,155,000	2,895,125	12,050,125	24,117,906	
2042	10,675,000	1,008,800	11,683,800	9,625,000	2,425,625	12,050,625	23,734,425	
2043	9,705,000	584,100	10,289,100	10,120,000	1,932,000	12,052,000	22,341,100	
2044	5,205,000	274,772	5,479,772	10,640,000	1,413,000	12,053,000	17,532,772	96.05%
2045	3,960,000	84,150	4,044,150	11,185,000	867,375	12,052,375	16,096,525	
2046	-	-	-	11,755,000	293,875	12,048,875	12,048,875	100.00%
	<u>\$ 251,638,000</u>	<u>\$ 93,991,256</u>	<u>\$ 345,629,256</u>	<u>\$ 143,860,000</u>	<u>\$ 94,578,778</u>	<u>\$ 238,438,778</u>	<u>\$ 584,068,034</u>	

⁽¹⁾ Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING AD VALOREM TAX DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities may have issued additional debt since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Fiscal Year 2025 Taxable Assessed Valuation	Fiscal Year 2025 Tax Rate	As of 9/02/2025 Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As Of 9/25/2025	Authorized But Unissued Tax Debt As Of 7/15/2025
City of Brownsville	\$ 11,519,581,681 ⁽¹⁾	\$ 0.60350	\$ 376,954,000 ⁽²⁾	100.00%	\$ 376,954,000 ⁽¹⁾	\$ -
Brownsville Independent School District	8,537,775,315	1.02866	\$21,120,000 ⁽³⁾	89.65%	18,934,080	-
Cameron County	32,086,940,133	0.42689	215,940,000	36.99%	79,876,206	-
Laguna Madre Water District	5,541,656,639	0.06200	53,620,000	0.11%	58,982	64,655,000
Los Fresnos Consolidated Independent School District	3,634,962,240	0.88027	69,200,000	44.47%	30,773,240	-
Paseo De La Resaca MUD #1	110,163,364	0.32500	715,000	100.00%	715,000	4,440,000
Paseo De La Resaca MUD #2	200,512,409	0.30000	1,120,000	100.00%	1,120,000	7,415,000
Paseo De La Resaca MUD #3	169,388,437	0.33000	1,365,000	100.00%	1,365,000	2,840,000
Point Isabel Independent School District	6,647,149,276	0.74740	38,095,000	0.18%	68,571	-
San Benito Consolidated School District	1,668,520,185	1.02880	72,845,000	0.63%	458,924	-
Texas Southmost College District	22,540,874,472	0.11512	12,970,000	54.68%	7,091,996	-
Valley Mud #2	460,498,176	0.35000	6,129,000	25.52%	1,564,121	60,208,000
Total Direct and Overlapping Tax Debt					<u>\$ 518,980,119 ⁽³⁾</u>	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation						4.51% ⁽²⁾
Per Capita Overlapping Tax Debt						\$ 2,728 ⁽²⁾

Source: "Texas Municipal Reports" published by the Municipal Advisory Council of Texas.

⁽¹⁾ The City's Fiscal Year 2026 taxable assessed valuation is approximately \$12,409,690,726.

⁽¹⁾ Includes the Certificates. Preliminary, subject to change.

⁽²⁾ Approximately 11% of the annual debt service requirement of Brownsville Independent School District's currently outstanding tax supported debt is supported with funds received by the Existing Debt Allotment Program and the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Instructional Facilities Allotment Program funds and the Existing Debt Allotment Program funds are subject to biennial appropriation by the Texas legislature.

⁽³⁾ The amount shown does not account for funds received from the Texas Education Agency referenced in footnote 2. The City's overlapping funded debt after the State Aid will be approximately \$464,076,804.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Total Debt Service Requirements, Fiscal Year Ending 9-30-25	\$ 27,157,162
Interest and Sinking Fund, 9-30-24	\$ 6,396,666
2024 Interest and Sinking Fund Tax Levy (\$ 0.24574) @ 95.25% Collection	26,963,580
Budgeted Transfers/Contributions (BCIC/GBIC)	1,559,000
Landfill System Budgeted Transfer for the Certificates	227,651
Estimated Investment Income	<u>500,000</u>
	<u>35,646,897</u>
Estimated Balance, 9-30-2025	<u>\$ 8,489,734</u>

AUTHORIZED BUT UNISSUED TAX BONDS . . . The City has no authorized but unissued tax bonds.

FUTURE ISSUES . . . The City anticipates the issuance of approximately \$15 million of ad valorem tax debt within the next 12 months although these plans may change as the City reviews its Capital Improvement Program.

TABLE 9 - OTHER OBLIGATIONS**Capital Leases:**

The following is a schedule of minimum future lease payments from lease agreements as of September 30, 2024:

<u>For the years ending September 30,</u>	<u>Principal Payments</u>	<u>Interest Expense</u>	<u>Total</u>
2025	\$ 1,581,310	\$ 143,978	\$ 1,725,288
2026	1,589,116	107,498	1,696,614
2027	1,626,445	70,169	1,696,614
2028	1,634,120	32,011	1,666,131
2029	500,404	3,001	503,405
Total	<u>\$ 6,931,395</u>	<u>\$ 356,657</u>	<u>\$ 7,288,052</u>

The following obligations, among others, may be issued by the City:

Ad valorem tax-supported debt may be issued to finance capital improvements and to refund obligations previously issued for such purpose. A majority vote of the qualified voters is ordinarily required to authorize the issuance of ad valorem tax-supported debt, other than refunding bonds, certificates of obligation, tax anticipation notes, and public property finance contractual obligations.

Certificates of obligation may be issued for the purpose of paying contractual obligations incurred in the construction of public works or the purchase of land, materials, and other supplies or services for the City's needs and for professional services without an election except under certain circumstances. The certificates of obligation may be refunded by ad valorem tax-supported bonds without an election. In addition, the City may issue certificates of obligation with a pledge of both tax and revenues derived from the operation of the facility to be acquired, or from any other lawful source, provided that the City otherwise has the right to pledge the revenues involved. Authority for the issuance of certificates of obligation is subject to notice by publication and right of referendum by the voters.

Contractual obligations, generally to finance personal property, and tax anticipation notes payable from ad valorem taxes, may be issued for capital improvements. The contractual obligations and tax anticipation notes may be refunded by ad valorem tax-supported bonds without an election. The issuance of contractual obligations and tax anticipation notes does not require publication of notice or voter approval. Tax anticipation notes are limited to seven years amortization or less.

Revenue bonds may be issued for certain purposes which include the financing of the water, municipal drainage and sanitary sewer systems, electric and gas systems, convention centers, airports and parking systems, and other economic development projects. The revenue bond indebtedness is not considered in determining the legal debt margin on ad valorem tax-supported obligations. Revenue bond indebtedness, in certain cases, can be refunded by ad valorem tax-supported bonds without an election.

PENSION FUND**Texas Municipal Retirement Plan**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of over 887 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Plan members can retire at ages 60 and above with 5 or more years of service or at any age with 20 or more years of service. The plan also provides death and disability benefits. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.14% and 18.10% for calendar years 2023 and 2024, respectively. The City's contributions to TMRS in the fiscal year ended September 30, 2024, were \$13,697,146 and were equal to the required contributions. Under the State law governing TMRS, the City and the TMRS contribution rate is annually determined by the actuary. (For more detailed information regarding the City's pension plan see APPENDIX B, "Excerpts from the City of Brownsville, Texas Annual Financial Report" – Note 9.)

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the pension benefits described above, the City provides certain other post-retirement benefits to retired employees and their dependents that fall within the scope of Governmental Standards Board's Statement of General Accounting Standards No. 75 ("GASB 75"). For additional information concerning the City's other post retirement benefits see APPENDIX B, "Excerpts from the City of Brownsville, Texas Annual Financial Report" - Note 10.

FINANCIAL INFORMATION

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Taxes	\$ 83,427,859	\$ 79,540,911	\$ 76,228,541	\$ 70,107,199	\$ 62,652,864
Licenses and Permits	2,417,281	2,595,325	3,039,199	2,713,012	2,449,699
Intergovernmental	3,790,725	11,556,637	10,481,204	14,054,962	4,464,638
Fees and Services	14,693,841	11,694,557	10,584,219	9,282,541	10,301,239
Fines and Forfeitures	2,103,689	2,034,368	2,240,373	1,983,154	2,302,081
Miscellaneous	2,866,939	3,151,232	2,451,303	1,884,338	2,391,408
Utility Services from PUB	5,855,908	5,837,521	5,334,271	4,452,208	4,422,971
Surplus funds from PUB	10,979,270	12,173,509	11,974,092	20,524,044	11,170,348
Contributions and donations	1,126,699	753,800	626,202	1,065,904	635,781
Oklahoma sale funds from PUB	-	-	-	-	-
Rentals	98,499	96,255	134,108	53,488	100,962
Interest Income	2,363,709	2,446,878	486,144	244,821	555,238
Total Revenues	\$ 129,724,419	\$ 131,880,993	\$ 123,579,656	\$ 126,365,671	\$ 101,447,229
Expenditures					
General Government	\$ 29,287,963	\$ 27,626,259	\$ 23,053,551	\$ 24,399,850	\$ 20,047,105
Public Safety	74,145,244	76,242,897	73,753,392	63,462,309	59,528,260
Public Health	3,629,959	3,050,679	3,149,220	4,403,578	11,132,892
Public Works	8,361,885	8,109,763	7,109,069	6,105,871	6,480,758
Culture and Recreation	11,409,800	10,923,712	9,506,445	8,810,192	9,349,266
Capital Outlay	4,355,038	2,338,233	1,772,969	960,453	580,291
Sanitation	-	175,862	187,184	290,223	323,670
Economic Development	2,228,752	419,800	24,616	524,358	-
Subscription financing principal	609,859	478,973	-	-	-
Subscription financing interest	21,971	10,367	-	-	-
Total Expenditures	\$ 134,050,471	\$ 129,376,545	\$ 118,556,446	\$ 108,956,834	\$ 107,442,242
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (4,326,052)	\$ 2,504,448	\$ 5,023,210	\$ 17,408,837	\$ (5,995,013)
Budgeted Transfers In	9,500,000	10,850,000	9,075,000	11,400,000	10,700,000
Budgeted Transfers Out	(10,644,884)	(17,930,597)	(21,616,566)	(5,636,126)	(3,697,752)
Proceeds from subscription asset	1,620,436	534,868	-	-	-
Sale of Capital Assets	248,077	-	-	-	49,850
Total Transfers	\$ 723,629	\$ (6,545,729)	\$ (12,541,566)	\$ 5,763,874	\$ 7,052,098
Net Increase/Decrease	\$ (3,602,423)	\$ (4,041,281)	\$ (7,518,356)	\$ 23,172,711	\$ 1,057,085
Beginning Fund Balance	49,361,509	53,402,790	60,921,146	38,745,711	37,688,626
Prior Period Adjustment	-	-	-	(997,276)	-
Ending Fund Balance ⁽¹⁾	\$ 45,759,086 ⁽²⁾	\$ 49,361,509 ⁽³⁾	\$ 53,402,790 ⁽⁴⁾	\$ 60,921,146 ⁽⁵⁾	\$ 38,745,711

Source: Annual Comprehensive Financial Reports

- (1) The City estimates that its General Fund Balance will be approximately \$47,900,000 at Fiscal Year Ended 2025. Approximately \$3.2 million was used at the midyear amendment and \$7 million was used at the end of year amendment for a total of \$10.3 million being used in Fiscal Year Ended 2025.
- (2) Per the City's financial policies, any surplus funds and days exceeding the required 90-day fund balance may be used for one-time projects. Amendments to the budget to use excess days towards one-time projects were done at mid and end-of year.
- (3) The City maintains a 90 day unassigned fund balance of approximately \$39.4 million. Any amounts in excess of the 90 day fund balance are used to fund non-recurring projects.
- (4) The City maintains a financial policy of maintaining 90 days of General Fund coverage by its unrestricted fund balance. FY21 to FY22 funds were budgeted for one-time expenditures to bring the General Fund balance in line with the City's policy.
- (5) Increase in fund balance was due to the receipt of ARPA funding from the federal government which contributed to revenue growth of \$24.9 million year over year.

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. In addition, at an election held on August 10, 1991, the voters approved an additional one-half cent sales tax, the proceeds of which are used to offset ad valorem taxes and reduce the property tax (the "Ad Valorem Tax Reduction Sales Tax"). The Ad Valorem Tax Reduction Sales Tax began to be collected on October 1, 1992. Proceeds from the Ad Valorem Tax Reduction Sales Tax are accounted for as revenues of the City and are included in the figures in the table below. In addition, at the same election the voters also approved an additional one-half cent sales tax, the proceeds of which are transferred to a non-profit corporation created under the Development Corporation Act known as the Greater Brownsville Incentive Corporation and used for economic development purposes (the "Economic Development Sales Tax"). The Economic Development Sales Tax began to be collected on January 1, 1992. In November 2001 the voters of the City approved an amendment to the economic development sales tax which reallocated a portion of such tax to be used for broader purposes than were originally approved in 1991, however the total tax rate of ½ of 1% was not changed. Proceeds from the Economic Development Sales Tax are not accounted for as revenues of the City and do not appear in the table below. Collections and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenue from the 1% City Sales and Use Tax and the ½ of 1% Ad Valorem Tax Reduction Sales Tax received by the City, for the years shown, has been:

Fiscal Year Ended	Total	% of Ad Valorem	Equivalent of Ad Valorem	Per Capita ⁽¹⁾
9-30	Collected	Tax Levy	Tax Rate	
2015	\$ 27,287,637	66.00%	\$ 0.4560	\$ 150
2016	27,601,124	65.38%	0.4596	152
2017	27,164,020	62.44%	0.4317	148
2018	28,533,025	63.95%	0.4413	156
2019	29,935,981	65.14%	0.4478	163
2020	30,412,964	61.82%	0.4261	166
2021	35,587,955	68.69%	0.4911	191
2022	40,733,137	75.62%	0.5191	217
2023	43,103,339	74.87%	0.5145	228
2024	45,466,608	72.01%	0.4522	237

⁽¹⁾ Based on estimated population for all years.

The sales tax breakdown for the City is as follows:

Ad Valorem Tax Reduction	0.50%
Economic/Industrial Dev. Sec. 4A	0.25%
Economic/Industrial Dev. Sec. 4B	0.25%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	<u>8.25%</u>

FINANCIAL ADMINISTRATION . . . The City adheres to financial policies as established by the Governmental Accounting Standards Board and the Government Finance Officers Association. Objectives of financial management include: exercise a discipline which will allow the City to retain a good financial position; strive to retain the best possible bond rating; give recognition to the community's needs and ability to pay; and provide future generations with the ability to borrow capital without severe financial burden. These objectives are accomplished by prudent budgeting and effective budget control, budgeted replacement of capital equipment as the need arises, providing working capital in all funds sufficient to meet current operating needs, financial accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board and the Government Finance Officers Association and making such reports available to bond rating agencies and other financially interested organizations, and trying to achieve and maintain an unassigned General Fund balance equivalent to at least 90-days of operating expenditures and transfers out of the general operating budget. It is anticipated that this is sufficient to provide financing for necessary projects and to meet unanticipated needs.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . The governmental funds utilize the modified accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they become both available and measurable to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Accounts receivable for services are recorded when billed.

GENERAL FUND BALANCE . . . The City's policy is to achieve and maintain an unassigned General Fund balance equivalent to at least 90-days operating expenditures and transfers out of the general operating budget. This should be sufficient to provide financing for necessary projects and meet unanticipated contingencies or fiscal emergencies.

DEBT SERVICE FUND BALANCE . . . During the budget adoption process, the property tax rate distribution between the maintenance and operations and debt service funds ensures sufficient funds are allocated for debt service requirements. The City does not have a minimum debt service fund balance requirement policy; however, each year the City adopts its debt service fund budget with an estimated budget surplus.

USE OF DEBT PROCEEDS, GRANTS, ETC . . . Debt proceeds are utilized to fund capital improvement projects. Grant proceeds are generally utilized for capital improvement projects unless otherwise specifically required under the terms of grant.

BUDGETARY PROCEDURES . . . The City adheres to the following procedures in establishing the operating budget reflected in the general purpose financial statements:

- (1) Sixty (60) days prior to the beginning of each fiscal year, the City Manager submits to the City Commission a proposed budget for the fiscal year beginning October 1.
- (2) Public hearings are conducted at which all interested persons may comment concerning the proposed budget.
- (3) City Commission adopts the budget on or before the last day of the month of the fiscal year currently ending through passage of an appropriation ordinance and tax levying ordinance. If the City Commission fails to adopt the budget at that time, the budget of the previous year is deemed to be adopted.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Commission of the City. Both State law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality

of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and authorized obligations, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES. . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Commission detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Commission.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Commission; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 12 - CURRENT INVESTMENTS

The City's deposits were fully insured by federal depository insurance and collateralized by financial institutions. These collateralizations were U.S. Government, Government Agency or U.S. Government obligations by the Federal Reserve Bank in the City's name. All deposits with financial institutions were carried at cost. As of June 2025 (unaudited), the City had the following investments:

Investment Type	Governmental Activities	Business-Type Activities	Total Value	Weighted Avg Maturity (Days)	Allocation	Rating
Local Government Investment Pools	\$ 106,332,873	\$ 18,428,839	\$ 124,761,712	27	52.89%	AAAm
Money market Accounts	76,004,733	15,111,494	91,116,227	30	38.62%	A+
U.S. Treasury Notes	20,027,588	-	20,027,588	365	8.49%	AA+
Total	\$ 202,365,194	\$ 33,540,333	\$ 235,905,527		100.00%	

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of book value. No funds of the City are invested in derivative securities; i.e, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

OPINION...On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See "APPENDIX C - Form of Bond Counsel's Opinion."

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the Issuer is conditioned on compliance by the Issuer with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT... The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES... The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES. . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING. . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION. . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS . . . The Certificates have been rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "____" by S&P Global Ratings ("S&P"). The other presently outstanding tax supported debt of the City have an underlying rating of "Aa3" by Moody's and "____" by S&P. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies if, in the judgment of any of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates. A rating is not a recommendation to buy, hold, or sell securities.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LITIGATION . . . It is the opinion of the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE . . . The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided by Section 3(a)(2) thereunder; and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Initial Purchasers to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Initial Purchasers' written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. Section 271.051, Texas Local Government Code, provides that the Certificates (i) are legal and authorized investments for (A) banks, savings banks, trust companies, and savings and loan associations; (B) insurance companies; (C) fiduciaries, trustees, and guardians; and (D) sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State, and (ii) are eligible to secure deposits of public funds of the State or a municipality, county, school district, or other political corporation or subdivision of the State to the extent of their face value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities, or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE . . . The City will furnish the Initial Purchasers a complete transcript of proceedings relating to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of Texas approving the initial Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel to like effect and to the effect that interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Though it represents the Financial Advisor and the Initial Purchasers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been retained by and only represents the City in connection with the issuance of the Certificates.

Bond Counsel was not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, has reviewed the information (other than any financial, statistical, or technical data) under the captions "PLAN OF FINANCE," "THE CERTIFICATES" (other than the information under the subcaptions "Default and Remedies", "Sources and Uses of Funds" and "Book-Entry-Only System"), "AD VALOREM PROPERTY TAXATION – Tax Rate Limitation", "TAX MATTERS", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Registration and Qualification of Certificates for Sale", "OTHER INFORMATION - Continuing Disclosure of Information" (other than the subcaption "Compliance with Prior Undertakings"), and "OTHER INFORMATION - Legal Opinions and No-Litigation Certificate" in the Official Statement, and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on definitive Certificates in the event of discontinuance of the Book-Entry-Only System. The fees to be paid to Bond Counsel are contingent upon sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION . . . In the Ordinance, the City has made the following agreement for the benefit of the owners and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB through its EMMA system at www.emma.msrb.org, as further described below under "Availability of Information."

Annual Reports. The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 12 (the "Annual Operating Reports") and in APPENDIX B. The City will update the information provided in the Annual Operating Reports within six months after the end of each fiscal year ending in and after 2025 and will provide audited financial statements within 12 months of the end of each fiscal year ending in and after 2025. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA system or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information in the Annual Operating Reports by the last day of March in each year and the audited financial statements (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Occurrence of Certain Events. The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the paying agent/registrar, if material; (15) incurrence of a "financial obligation" of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and the definition of "financial obligation" above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Notice of Failure to Timely File. The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

Availability of Information. Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of its EMMA system, at www.emma.msrb.org. EMMA is the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Issuer in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments. The City has agreed to update information and to provide notices of events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the owners of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that such amendment or repeal would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings. During the last five years, the City has complied materially with all continuing disclosure agreements made by it in accordance with the Rule, except for an untimely filing on November 24, 2020 with respect to a private placement loan, Combination Tax and Revenue Certificates of Obligation, Series 2020, placed with the Texas Water Development Board. The City has modified its prior continuing disclosure practices and believes that it has implemented procedures that will help to ensure that filings in the future are made appropriately in compliance with its continuing disclosure undertakings.

FINANCIAL ADVISOR . . . Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa".

Estrada Hinojosa is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Estrada Hinojosa, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASERS OF THE CERTIFICATES . . . After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchasers") to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of ____% of par. Neither the City nor the Initial Purchasers can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchasers. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchasers.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Certificates, the Initial Purchasers will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2024, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

FORWARD LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

AUTHORIZATION OF THE OFFICIAL STATEMENT . . . In the Certificate Ordinance, the City Commission authorized certain City officials to approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Initial Purchasers' use of this Official Statement in connection with the public offering and the sale of the Certificates.

Authorized Representative
City of Brownsville, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Brownsville (the “City”) is a political subdivision of the State of Texas operating as a home-rule city and is the county seat of Cameron County. It is the southernmost city in Texas and the largest city in the lower Rio Grande Valley. The City is located about 25 miles inland from the Gulf of Mexico on the north bank of the Rio Grande directly across from Matamoros, Mexico, which it joins by three international bridges. The City serves as a trade center for much of the lower Rio Grande Valley.

PRIMARY EMPLOYERS ⁽¹⁾

Name	Classification	Employees
Brownsville ISD	Education	5,656
SpaceX	Space Research and Technology	3,800
Southwest Key Programs	Residential Care	2,440
Cameron County	Government	1,948
Bechtel	Natural Gas	1,800
Caring for You Home Health	Home Health Care Services	1,500
UT Rio Grande Valley	Education	1,400
City of Brownsville	Government	1,234
Wal-Mart	Retail	1,192
Valley Regional Medical Center	Medical Healthcare	1,100
Total		22,070

Source: Greater Brownsville Incentives Corp. and City of Brownsville.

⁽¹⁾ As of September 30, 2024.

TRANSPORTATION

The City is the only location on the U.S./Mexican border offering all modes of transportation including highway, air, railroad and shipping. The City is the terminus of U.S. Highways 77, 83, and 281. Three international bridges, B & M, a privately owned bridge, Veterans' Bridge at Los Tomates, and Gateway International, owned by Cameron County, connect the City with Matamoros, Mexico. Several bus companies including Greyhound Bus Line and Valley Transit, and motor freight carriers also serve the area. Two international airports are within a 30-mile area, including the Brownsville/South Padre Island International Airport, which now services international flights through United Airlines and American Airlines, and the Valley International Airport serviced by Southwest, United and two seasonal airlines (Delta and Sun Country Airlines). Air cargo is provided by South Texas Xpress, Inc..

Railroad needs are met by Union Pacific and Ferrocarriles Nacionales de Mexico. Shipping is provided through the Port of Brownsville.

TOURISM

Tourism is one of the area's biggest industries. The City ranks among the top five cities in Texas for long- and short-term stays, with the Rio Grande Valley as the number one area in the State of Texas as a destination point for automobile tourist traffic entering Texas. The Brownsville area has 32 hotels and motels with 2,142 rooms and two country clubs. Vacationers are attracted by subtropical climate, proximity to Mexico and access to South Padre Island. In addition to a rich historical past, Brownsville has one of the finest zoos in the nation, the Gladys Porter Zoo, donated by the Sams Foundation. Also the Laguna-Atascosa Wildlife Refuge, Confederate Airforce Flying Museum and the Port Isabel Lighthouse are open for tourists.

Source: The City of Brownsville.

BRIDGE BORDER TRAFFIC

Gateway Bridge Border Traffic at Brownsville			Veteran's Bridge Border Traffic at Brownsville		
Fiscal Year Ended	Vehicles ⁽¹⁾	Pedestrians ⁽¹⁾	Fiscal Year Ended	Vehicles ⁽¹⁾	Pedestrians ⁽¹⁾
2015	1,334,443	1,959,648	2015	1,313,545	944
2016	1,300,963	2,028,000	2016	1,433,830	978
2017	1,367,316	2,185,403	2017	1,547,673	913
2018	1,349,115	2,258,090	2018	1,789,396	1,248
2019	1,247,467	2,311,480	2019	1,714,485	1,815
2020	946,364	1,483,643	2020	1,334,714	1,869
2021	935,870	941,271	2021	1,121,015	2,247
2022	1,231,484	1,218,010	2022	1,828,174	1,872
2023	1,292,830	1,706,531	2023	1,854,902	2,669
2024	1,149,933	1,874,000	2024	1,770,520	4,653

⁽¹⁾ These figures include people crossing from Brownsville to Matamoros, Mexico only.

"IN-BOND" INDUSTRIALIZATION PROGRAM

The two cities, Brownsville, Texas, U.S.A. and H. Matamoros, Tamaulipas, Mexico have established over the past 40 years the "In-Bond" Industrialization or "Maquiladora" program. This program allows the assembly of labor intensive products at advantageous costs; thus, allowing North American products to be more competitive on a world-wide basis. Since its inception in 1966, the "In-Bond" program has grown to an estimated 108 companies, expanding to a total of 4,300,000 square feet of manufacturing space, and employing approximately 52,000 people.

Brownsville gains greatly from these operations since all of the Mexican plants have offices, warehouses, or twin plants on the U.S. side; U.S. management and technical personnel live in Brownsville; goods and services are purchased in Brownsville for use in the Matamoros facilities.

EDUCATION

The City is encompassed by the Brownsville Independent School District (the "District"). The District is currently comprised of 37 elementary schools, seven high schools, 11 middle schools, and three alternative schools.

In addition to the public schools, there are several private schools ranging from kindergarten through high school available in the City. St. Joseph's Academy, its most prominent parochial school, provides education from 7th to 12th grades.

SECONDARY EDUCATION

The University of Texas Rio Grande Valley was created by the Texas Legislature in 2013 after combining the resource and assets of the UT Brownsville campus and UT Pan American located approximately 60 miles from Brownsville in Edinburg, Texas.

Within the City of Brownsville is Texas Southmost College. The College formally opened on September 28, 1926 with the Southmost Union Junior College District being created in November 1949, separating the college from the public schools. The College is a two-year comprehensive community college with boundaries encompassing all of the Brownsville, Point Isabel and Los Fresnos Independent School Districts and part of the San Benito Independent School District.

Texas State Technical Institute, located in Harlingen (25 miles from the City), is a vocational/technical school that offers a full curriculum of programs. An industrial start-up program implemented through TSTI, is designed to reduce the start-up training costs of new and expanding industries. The Institute's administration actively works with representatives of companies who have specific labor training needs in order to design training courses which meet the requirements of each company.

MEDICAL FACILITIES

The Valley Baptist Medical Center (243 beds) and the Valley Regional Medical Center (214 beds) are accredited by the Joint Commission on Accreditation of Health Care Institutions. Both hospitals offer full emergency room facilities, lab work facilities, and the latest heart and radiology equipment. Several bacteriological, clinical, and medical laboratories are also available. The City has several nursing homes and is a member of the Texas Visiting Nurse Services, Inc., with complete nurse service and medical supplies.

BUILDING PERMITS (CITY OF BROWNSVILLE)

Fiscal Year	New Residential	Total Value	New Commercial	Total Value
2015	504	68,822,317	94	52,531,425
2016	496	46,162,399	54	48,699,936
2017	506	48,736,975	56	26,354,137
2018	596	56,516,702	45	57,491,091
2019	643	58,691,377	67	108,901,822 ⁽¹⁾
2020	737	56,459,341	58	42,309,341
2021	903	71,772,700	43	45,361,170
2022	888	205,132,194	66	85,355,391
2023	652	159,201,314	45	48,868,335
2024	683	124,462,924	57	97,573,534

⁽¹⁾ Includes Airport Terminal valued at \$45 million

ELECTRIC, WATER AND SEWER SYSTEM

The City owns and operates a combined electric, water and sewer utilities system (the "System") serving the City and certain areas outside the City. The City's authority with regard to public utility ownership and services is generally exercised through the Public Utilities Board (the "Board" or the "BPUB"). The Board, created and established by Article VI of the amended charter of the City (the "Charter") as a separate and distinct agency of the City, has authority to control, manage and operate the System and to expand and apply System revenues, subject to certain limitations. The Charter provides that the power to issue bonds, to encumber, sell or hypothecate the System and to fix rates, fees and charges of the System is retained by the City.

Included below is a very brief summary of information regarding the Board and its electric, water and wastewater systems. Additional information regarding the Board can be found in the official statements related to the City's outstanding Utility System Revenue Bonds, which are on file with the MSRB through EMMA, and the annual continuing disclosure provided by the Board through EMMA. The base CUSIP number for such outstanding Utility System Revenue Bonds is 116475.

ELECTRIC SYSTEM GENERALLY . . . The electric system provides retail electric service through its electric facilities to consumers inside and outside the city limits. The existing customer service area of the electric facilities encompasses approximately 128.59 square miles of Cameron County, including substantially the entire City (estimated by the Board at over 96%). This includes approximately 45.71 miles of transmission lines and 15 substations helping to provide electrical service to the City.

Electric service to unincorporated areas surrounding the City are provided by AEP Texas Central Company ("AEP") and Magic Valley Electric Cooperative, Inc. ("MVEC"). Each entity also has customers inside the City limits as part of their customer base and share substantial service areas with the BPUB Board.

On June 2, 1999, Senate Bill 7 (as amended, "the Bill" or "the Act") was enacted by the Texas Legislature, relating, in part, to electric utility restructuring. The Public Utility Commission of Texas ("PUCT" or "Commission") was charged with implementation and oversight of the provisions of the Act. The Bill provided mandatory retail competition in areas served by investor-owned utilities, and structural unbundling of generation, transmission/distribution, and retail services of these utilities. It further provided for the mitigation of market power of dominant investor-owned utilities through auctions or capacity auctions of their generation resources. It also provided for new classes of participants in retail competition, including aggregators, power brokers, qualified scheduling entities, and retail electric providers.

The Commission has imposed the terms of the Act upon the areas within the Electric Reliability Council of Texas ("ERCOT"), which the BPUB Board area is situated within.

The Bill also gave municipally owned utilities and electric cooperatives the option to allow retail electric competition within their own certificated service area. At the present time, the BPUB Board nor MVEC (an electrical cooperative) has elected to opt into retail competition.

The BPUB Board's preparations for possible retail competition include negotiations for more economical power sources, term contracts with key customers, customer education and communication emphasizing the BPUB Board is a local utility affording hands-on local service to its customers.

ERCOT transitioned from a zonal to a nodal wholesale market in December 2010. Numerous modifications have been proposed and many adopted to improve the operation and administration of the nodal protocols. For the fiscal year 2023, the BPUB Board spent \$536,268 for pre-assigned congestion revenue rights (PCRR). The BPUB Board may participate in the annual, monthly and daily markets to manage its congestion costs.

The electric system's maximum peak electrical demand during fiscal year 2024 was 332 MW. Total sales during that period, as reported by the Board, were 1,328,891 MWh to 54,122 customers (excluding municipal), resulting in operating revenues of \$170,630,907 from the sale of electricity (excludes revenues from electric service to the City or the Board).

ELECTRIC POWER SUPPLY . . . The Public Utilities Board met its power supply obligations through a combination of resources: (i) the operation of the Silas Ray Power Production Facilities owned and operated by the Public Utilities Board (composed of one conventional steam turbine unit and a re-powered steam turbine in Combined Cycle with a combustion turbine and a GE LM6000 gas turbine generator for an estimated gas fired capability of 115 MW), (ii) the operation of the Calpine/Hidalgo combined cycle Power Plant in which the Public Utilities Board has an ownership interest entitling it to 105 MW of capacity, (iii) a Power Purchase Agreement with Constellation Energy Generation, LLC, formerly Exelon Corporation, entitling the Public Utilities Board to purchase 78 MW of renewable energy, (iv) a Power Purchase Agreement with AEP Energy Partners, Inc entitling the Board to an estimated 65MW of energy, and (v) economy energy purchases through an economy power interchange arrangement.

The Board currently has a gas transportation agreement with Texas Gas Services Company ("TGS"), a division of ONE Gas, Inc. and a gas supply agreement with Tenaska Marketing Ventures ("TMV") for service to its Silas Ray Generation units, and a gas supply agreement with Calpine Energy Services, LP for service to its Calpine/Hidalgo Plant.

The Board evaluated renewable energy opportunities, and on January 23, 2014, entered into a Power Purchase Agreement ("PPA") with Sendero Wind Energy, LLC ("SWE") which entitles the Board to purchase 78 MW of renewable electric energy. On December 19, 2014, Exelon Corporation acquired the Sendero Wind Energy Project. The PPA shall remain in full force and effect until the twenty-fifth (25th) anniversary of the commercial operation date of the wind turbine facility. Constellation Energy Generation, LLC, formerly Exelon Corporation, owns, operates, and maintains the facility, which consists of thirty-nine (39) General Electric 2.0 MW wind turbines and associated equipment having a designed output of approximately 78.0 MW. Constellation Energy Generation, LLC, formerly Exelon Corporation, achieved, at its sole cost and expense, commercial operation of the facility during December 2015 and is delivering to the Board the full energy output of the facility.

The Board owned an undivided 17.97% ownership in the Oklaunion Power Station, a coal-fired steam electric generating unit. The Operating Agreement between the Board and three other owners was set to expire on April 26, 2020 and continue beyond that date from year to year unless two owners owning in the aggregate 60% or more of the plant voted to terminate the Operating Agreement. On August 1, 2018, the Board engaged an independent and nationally recognized consulting and engineering firm to evaluate the impact on the Board's electric power system of a potential shutdown and decommissioning of the plant in 2020. On August 29, 2018, based upon the results of the report and in accordance with Bond Covenants, the Board adopted a resolution that recommended the City Commission approve and adopt findings as necessary to implement the Board's recommendation regarding disposition of Oklaunion. On September 4, 2018, the City Commission approved a resolution authorizing the Board's plan for disposition of the City's ownership in Oklaunion. On September 19, 2018, at an ownership meeting, a motion was passed, by the vote of two owners owning more than 60% of the plant, to cease operations permanently and dispose of the plant not later than October 1, 2020.

ELECTRIC RATES . . . The Board's electric rate schedules provide for a monthly fuel and purchased energy charge that automatically flows through to the customer all fuel and purchased energy costs. The Board analyzes and adjusts the fuel and purchase energy charge (FPEC) on a monthly basis. Beginning in April 2016, the Board implemented a bill reduction plan which set the FPEC at a rate that maintains an average residential electric bill at \$102.00 based on 1,000 kWh of electric consumption. The plan was implemented to maintain a competitive alignment with other local providers. The Board utilized rate stabilization funds of \$21,500,000 and \$25,900,000 in fiscal years ending September 30, 2019 and 2018 respectively, to supplement actual FPEC collections. The rates and conditions of service of the electric system are established by the City Commission and the Board, respectively. The City Commission, however, by ordinance granted authority to the Board to adjust electric rates within certain defined parameters. The rates established by the City Commission for electric usage by ratepayers within the boundaries of the City are not subject to review by the Public Utility Commission of Texas or any other state or federal regulatory agency.

WATER SYSTEM GENERALLY . . . The raw water system draws water from the Rio Grande River and consists of a river rock weir, a river pump station, two reservoirs providing 187 million gallons total capacity, and a raw water transport system. Surface water treatment is achieved by two water treatment plants providing 40 million gallons per day (MGD) of total capacity, 20 MGD treatment capacity each. Two clear wells provide 6.84 million gallons storage capacity, and four elevated storage tanks provide 7.0 million gallons of elevated storage capacity. Water is pumped by three high-service pumping stations into the distribution system which consists of 731 miles of transmission and distribution mains. For the fiscal year ended 2024, the Board's 55,469 water customers (excluding municipal) were composed of residential and commercial within the City and adjacent unincorporated areas. The Board also sells treated water at wholesale to three water distribution systems, and in fiscal year 2024 these sales accounted for approximately 5.63% of the water system's operating revenues and 8.89% of its sales volume. The Board coordinated the creation of the Southmost Regional Water Authority which built a 7.5 million gallon per day (Design Capacity) reverse osmosis water treatment plant of which the Board has 92.91% ownership. This plant includes a 7.5 million gallon storage tank and one high service pump station. SRWA completed construction on a microfiltration pretreatment and capacity expansion in November 2015. BPUB's share of SRWA capacity increased from 7.0 MGD to 9.3 MGD. With completion of the plant expansion at SRWA, BPUB's combined treatment capacity, which was at 47.0 MGD, increased to 49.3 MGD.

The Board is subject to regulation of water quality by the Texas Commission of Environmental Quality (TCEQ). The Board presently has a "Superior" water system as rated by TCEQ.

WATER RATES . . . Monthly charges are levied for the actual units of service rendered to individual customers. All non-residential retail customers pay a uniform rate per thousand gallons of water consumed. For residential retail customers, the volume rate increases 50% for water used above 16,000 gallons per month. Certain wholesale customers have special rate agreements with the Board. Connection charges include both front footage and meter installation charges and are designed to recover the capital costs of installing the distribution system. These charges are adjusted periodically to reflect inflation as evidenced by changes in the actual cost of meters, pipe, labor and miscellaneous appurtenances necessary to connect an individual customer to the distribution system. The rates for water service are established by the City Commission upon recommendation of the Board. The rates established by the City Commission for water service to ratepayers within the boundaries of the City, other than certain wholesale water utilities and contract customers, are not subject to review by the Texas Commission on Environmental Quality (the "TCEQ") or any other state or federal regulatory agency. Rates established for water service to ratepayers situated outside the boundaries of the City and to certain wholesale water utilities are subject to review for justness, reasonableness and nondiscriminatory effect by the TCEQ under its appellate jurisdiction.

WASTEWATER SYSTEM GENERALLY . . . The wastewater system, consisting of collection and treatment facilities, includes gravity wastewater collection lines, 177 lift stations and two treatment plants. Wastewater is transported by lift stations and associated force mains to the South Plant or the Robindale Plant.

The South Plant, the wastewater system’s first treatment facility, has a 12.8 MGD treatment capacity. The South Plant uses a complete mix activated sludge treatment process and a mechanical sludge dewatering process via a 2-meter belt press. Sludge is disposed at the City of Brownsville Solid Waste Landfill. The Robindale Plant underwent a renovation and expansion project, funded in part with \$15.4 million from the EPA, which was completed in June 2014 and increased the treatment capacity to 14.5 MGD. The Robindale Plant provides secondary waste treatment utilizing a Modified Ludzack-Ettinger (MLE) process (anoxic and aerobic with an internal nitrate cycle) of activated sludge, turbo blowers (with magnetic bearings) with auto dissolved oxygen control, secondary settling, ultra-violet light system (as alternate source of disinfection), effluent cascade aeration system, sludge thickening, aerobic digestion, mechanical sludge dewatering (via a 2-meter belt filter press) and land disposal of sludge (City of Brownsville Solid Waste Landfill). The wastewater system provided service to 56,224 customers (excluding municipal) during fiscal year 2024 and accounted for approximately 12.66% of the Board’s total operating revenues during that period.

The wastewater system is subject to regulation by the EPA and the TCEQ with regards to operations of the facilities and the water quality of the wastewater plants' effluent.

WASTEWATER RATES . . . The Board imposes two types of charges to reflect wastewater costs: monthly charges and connection charges. Each customer's monthly bill contains a billing charge plus a rate per thousand gallons of metered water used and returned to the wastewater system. Approximately 95% of all wastewater system customers are also customers of the Board's water system. Commercial customers are billed 95% of their metered water usage as wastewater while residential customers are charged 80% of their water usage as wastewater. The rates for wastewater service are established by the City Commission upon recommendation of the Board. The rates established by the City Commission for wastewater service by ratepayers within the boundaries of the City, other than certain sewer utilities, are not subject to review by the TCEQ or any other state or federal regulatory agency. Rates established for wastewater service to ratepayers situated outside the boundaries of the City and to certain sewer utilities are subject to review for justness, reasonableness and nondiscriminatory effect by the TCEQ under its appellate jurisdiction.

GROWTH INDICES⁽¹⁾

Fiscal Year Ended	Water	Sewer	Electric
9-30	Connections	Connections	Connections
2015	48,997	49,041	47,671
2016	49,598	49,693	48,196
2017	50,153	50,329	48,726
2018	50,771	51,366	49,455
2019	51,441	52,137	50,209
2020	52,331	53,075	51,406
2021	53,114	53,863	52,008
2022	53,601	54,339	52,410
2023	54,310	55,056	53,138
2024	55,469	56,224	54,122

⁽¹⁾ Source: Monthly Financial Reports.

THE PUBLIC UTILITY BOARD CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Total Operating Revenues	\$ 243,979,037	\$ 277,159,664	\$ 286,333,321	\$ 458,612,661	\$ 221,049,977
Total Operating Expenses	(175,565,840)	(194,526,307)	(186,847,892)	(283,585,888)	(141,472,692)
Other Income (net)	2,349,714	1,576,171	(3,370,237)	(3,205,450)	(3,365,453)
Balances Available for Debt Service	\$ 70,762,911	\$ 84,209,528	\$ 96,115,192	\$ 171,821,323	\$ 76,211,832

Average Annual Number of Customers	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Water Customers	55,469	54,310	53,601	53,114	52,331
Wastewater Customers	56,224	55,056	54,339	53,863	53,075
Electric Customers	54,122	53,138	52,410	52,008	51,406

THE PORT OF BROWNSVILLE

The Port of Brownsville is not liable in any way on the Certificates and the information contained herein is solely for background information concerning the area.

LOCATION . . . The Port is the southernmost port in Texas and the western terminus of the Gulf Intracoastal Waterway System. The Port, a man-made basin 3,500 feet by 1,200 feet, three miles north of the Rio Grande and the Mexican border, five miles east of the City of Brownsville, and seven miles from the rail and highway border crossing. The Port is connected with the Gulf of Mexico by a 17-mile long ship channel. Entrance from the Gulf of Mexico is at Brazos-Santiago Pass (Latitude 26 degrees 04 mins. North; Longitude 97 degrees 08 mins. 30 sec. West).

CHANNELS . . . The Entrance Channel is protected by two rock jetties each over 5,000 feet in length and 1,200 feet apart. The 17-mile ship channel has no bridges or other obstructions for the entire length of this virtually straight waterway. Currently the channel has a depth of 42 feet to within .85 mile of the Turning Basin, and a depth of 36 feet to and through the Turning Basin. The channel has a controlling (or minimum) width of 250 feet. The Turning Basin has a width of 1,200 feet.

HARBOR FACILITIES . . . The Main Harbor consists of the Turning Basin and Approach, containing over five miles of improved frontage. The Turning Basin is 3,500 feet long and 1,200 feet wide and contains ten General Cargo Docks aggregating 5,200 lineal feet plus a 30-foot small craft dock. Four Oil Docks, a 400 foot Bulk Cargo Dock serving the Grain Elevator and Bulk Plant, a Liquid Cargo Dock, an Express Dock and the newly completed 600 foot by 280 foot General Cargo Dock are located in the Turning Basin Approach which is 7,000 feet long with a 650 foot bank width and a 500 foot controlling bottom width. A privately-owned 3,750,000 bu. capacity grain elevator as well as corrugated iron sprinklered cargo transfer sheds; open, surfaces storage yards; 41 miles of railroad trackage and mechanical freight handling equipment augment the Port's ability to handle a wide variety of cargos.

A complete new, modern shrimp and Fishing Harbor, separate and apart from the Main Harbor, was completed and placed in service in mid-summer 1953. A second phase was finished in December, 1968. All docks were completely rebuilt in a project that was completed in 1993. Located four miles east of the main Turning Basin, with a protected entrance to the Ship Channel, this basin measures 2,100 feet by 1,600 feet overall with two 300 feet by 1,200 foot peninsulas in the center. The channel connecting with the Ship Channel is 200 feet wide and 600 feet long. Controlling depth in the Fishing Harbor is 14 feet. This basin provides 12,000 lineal feet of dock space for trawlers, tugs, and other small craft and is equipped with all necessary facilities for handling and processing fish and shrimp, as well as maintaining and servicing shrimp vessels. More than 200 shrimp trawlers are home-ported at the Fishing Harbor, more than double that number of foreign trawlers call regularly for repairs, fuel and stores.

TERMINAL OPERATIONS . . . All waterfront facilities on the Brownsville Ship Channel, at the Main Harbor and the Fishing Harbor, are owned by the Brownsville Navigation District (the "District"). Certain small craft facilities are leased to private operators, but all deep-water facilities at the Main Harbor are operated as public facilities. Vessels and agents are assigned berths at the discretion of the District. Vessel loading and discharge is performed by stevedoring contractors. Rail car and truck loading and unloading is customarily performed by stevedoring contractors.

Around-the-clock supervision of vessels and vehicle traffic at the Port is provided by the District. The Harbormaster's Office schedules vessel arrivals and departures, maintains radio contact with the pilot boat of the Brazos-Santiago Pilots' Association and provides up-to-the-minute information on schedules useful to agents, stevedores, tugboats, line-runners and the general public. Vessels can call on Channel 16 twenty-four hours a day.

All General Cargo Sheds, except Shed No. 2, are protected with automatic fire sprinkler systems, hose stations, and fire extinguishers suitable for the type of cargo normally handled through the particular shed. Fire hydrants are located on wharf aprons and throughout the Port's storage facilities. Water supply is from a 16-inch main connecting with the City of Brownsville Public Utilities Board's distribution system. Storage capacity and pressure equalization are provided by one 500,000 gallon and one 1,000,000 gallon elevated water storage tank. Around-the-clock guard service is provided to all general cargo facilities.

The District's Administration Offices are located at the Port. These offices handle inquiries on trade and industrial development, environmental issues, accounting, purchasing, credit, traffic, personnel, and engineering.

All docks at the Port of Brownsville are equipped with electric lights, light and power lines, and fresh water. All docks are served by rail. Wastewater and ballast facilities are available. All of the facilities are operated for hire on a first-come, first-served basis.

The dry dock Los Alamos has been signed over to the District by the Navy. It is leased at present to AMFELS for operation as a dry dock to repair drilling rigs. It was placed into service by AMFELS in May, 1996, and is now one of the few dry docks carrying out oilrig repairs.

The District owns and controls approximately 50,000 acres of land adjoining the Turning Basin and Ship Channel, and approximately 18,000 acres of this land have been developed as an industrial park with additional land available for development. In recent years over \$150 million worth of industrial development has been located on Port property, including petro-chemical plants, tank farms, heavy and light manufacturing, seafood processing, steel fabrication, and a grain elevator and storage facility. Plant sites of virtually any size, with access to the deep-water harbor, rail connections, paved highways, and utilities may be rented on long-term leases at attractive prices from the District.

FOREIGN TRADE ZONE . . . On October 20, 1980, U. S. Customs created Foreign Trade Zone ("FTZ") Number 62 with the District as the Grantee and operator. There is a total of 2,680 acres available for FTZ status at the Port, the Brownsville/South Padre Island International Airport, the Harlingen Industrial Park and the NAFTA Industrial Park. The District receives fees from tenants utilizing the District's zone status. There are currently six Foreign Trade Zone tenants operating within the FTZ with general purpose warehousing and liquid bulk storage available.

CARGO TONNAGE OF THE PORT OF BROWNSVILLE

Fiscal Year	Inbound Tonnage	Outbound Tonnage	Total Tonnage	Number of Vessels	Foreign Trade Zone Traffic Value (000)
2015	5,616,936	1,458,518	7,075,454	1,140	3,219,785
2016	5,719,732	1,235,014	6,954,746	1,091	2,796,318
2017	6,194,867	1,137,640	7,332,507	1,317	3,693,770
2018	7,204,403	1,068,820	8,273,223	1,306	3,863,908
2019	5,620,456	958,943	6,579,399	1,566	4,385,555
2020	5,736,934	1,415,384	7,152,318	1,671	3,576,401
2021	7,520,467	1,254,909	8,775,376	1,854	5,142,177
2022	7,691,793	1,314,559	9,006,352	1,754	6,907,274
2023	9,840,099	1,294,956	11,135,055	2,561	7,055,609
2024	9,320,677	1,319,307	10,639,984	2,322	4,077,656

Source: Brownsville Navigation District - Traffic Department.

CAMERON COUNTY

Cameron County is not liable in any way on the Certificates and the information contained herein is solely for background information concerning the area.

Cameron County (the "County") was created in 1848, and is the southernmost county in Texas. The County's 2025 population is estimated to be 426,710. According to the 2010 U.S. Census, the population of the County was 406,220, an increase of 21.18% since 2000. The area of the County is approximately 883 square miles, comprising the Brownsville-Harlingen-San Benito Metropolitan Area. The largest city in the County is Brownsville, which serves as the county seat. The economy is well diversified, based on agricultural production, fishing industries, manufacturing plants and tourism. Major agricultural crops include oranges, grapefruit, cotton, grains and sugar cane. Principal manufacturing products include offshore drilling platforms, fiberglass products, dairy products, clothing, electric equipment and frozen foods. The County is the only port of entry from Mexico that provides all four methods of transportation - sea, air, highway and rail. Tourist attractions include South Padre Island, Laguna-Atascosa Wildlife Refuge, Confederate Air Force Flying Museum and the Gladys Porter Zoo. The Port of Brownsville is one of the world's largest shrimp loading points and a very important link between the United States and Mexico.

The County is traversed by Interstate I-69E and I-2 formerly known as U.S. Highways 77 and 83 as well as U.S. 281; U.S. Highways 77, 83 and 281; State Highways 4, 48, 100, 107 and 245; and nine farm-to-market roads. Fifteen motor freight trucking firms provide service to and from Brownsville. Rail transportation is provided by Union Pacific and National Railways of Mexico. Commercial air service is provided to Brownsville by United Airlines; and to Harlingen by Southwest, American, and United Airlines. Air freight service is provided by Emery, UPS, Kitty Hawk, Casino Express, and Burlington. The Brownsville International Airport also includes an industrial park. The Port of Brownsville is the main shipping port for the Rio Grande Valley and South Texas. Port facilities include a man-made basin connected by 17 miles of channel to the Gulf of Mexico, various docking and terminal facilities, turning basin and approach, fishing harbor, warehousing and railway switching operations, worldwide shipping lines and barge transportation services.

POPULATION STATISTICS

Year		Brownsville	Cameron County
1980	(1)	84,997	209,680
1990	(1)	98,962	260,120
2000	(1)	139,722	335,227
2010	(1)	175,023	406,220
2011		175,023	408,054
2012		178,448	414,123
2013		178,448	415,557
2014		179,834	423,868
2015		181,487	436,584
2016		182,110	420,392
2017		183,823	426,897
2018		183,299	422,135
2019		183,292	423,725
2020		182,781	427,963
2021	(1)	186,738	423,163
2022		187,831	425,208
2023		189,382	425,457
2024		191,774	427,292
2025		192,260	426,710

(1) U.S. Census figures.

EMPLOYMENT STATISTICS

	City of Brownsville			State of Texas		
	May 2025	May 2024	May 2023	May 2025	May 2024	May 2023
Civilian Labor Force	90,187	85,444	83,651	15,826,370	15,501,676	15,119,062
Total Employment	82,714	81,060	79,123	15,194,230	14,913,510	14,528,173
Total Unemployment	7,473	4,384	4,528	632,140	588,166	590,889
Percentage Unemployment	8.3%	5.1%	5.4%	4.0%	3.8%	3.9%

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE CITY OF BROWNSVILLE, TEXAS ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Brownsville, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

At closing, the City will certify that there has been no material adverse change in the financial condition of the City since September 30, 2024.



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Commission
City of Brownsville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brownsville, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brownsville, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Public Utilities Board (BPUB) of the City of Brownsville, Texas, which represents 91 percent, 85 percent, and 94 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the BPUB, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Brownsville, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownsville, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Brownsville, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownsville, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule information, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in total OPEB liability and related ratios on pages 27-47 and 155-166 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brownsville, Texas' basic financial statements. The combining non-major and individual fund financial statements and budget schedules, capital assets used in operation of governmental funds schedules, and component unit section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal/state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Texas Grant Management Standards*, and is also not a required part of the basic financial statements.

The combining non-major and individual fund financial statements and budget schedules, capital assets used in the operation of governmental funds, and the component unit section and the schedule of expenditures of federal/state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining non-major and individual fund financial statements and budget schedules, capital assets used in the operation of governmental funds, and the component unit section and the schedule of expenditures of federal/state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025, on our consideration of the City of Brownsville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownsville, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brownsville, Texas' internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Brownsville, Texas
March 18, 2025

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Management's Discussion & Analysis

This section of the City of Brownsville's (City) annual financial report presents management's discussion and analysis (MD&A) of the City's financial performance during fiscal year ended September 30, 2024. The MD&A should be read in conjunction with the transmittal letter found in the introductory section of this report and the City's financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2024 by \$437,026,407 (net position).
- The fund balance in the General Fund decreased by \$3,602,423 or 7.30% over fiscal year 2023. The ending fund balance for fiscal year 2023 and 2024 was \$49,361,509 and \$45,759,086, respectively. The \$45,759,086 fund balance represented 115 operating days or 31.62% of \$144,695,355 in expenditures and transfers to other funds.
- At the end of fiscal year 2024, the City's governmental funds reported combined fund balances of \$149,605,485 of which \$27,214,958 is available for spending at the City's discretion (unassigned fund balance).
- During the year, the City issued \$23,045,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 for various capital projects.
- The City was allocated \$65,194,854 in Federal Funding from the American Rescue Plan Act (ARPA). \$32,597,427 was received in FY 2021 and an equal amount was received in FY 2022. In FY 2024 the City recognized \$18,274,109 in earned revenue in its governmental funds.
- Additionally, the City was awarded \$14,431,331 in federal and state funding from other sources including the Federal Department of Housing and Urban Development \$5,127,187; Federal U.S. Department of Transportation \$7,057,371; Federal -FEMA \$576,941; State Texas OOG Homeland Security \$1,669,832.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City of Brownsville's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements. Exhibit 1 indicates the relationships among the components of this annual report.

Government-wide Financial Statements

These provide both long-term and short-term information about the City's overall financial status. These statements are presented for both governmental activities and business-type activities. They are designed to provide readers with a broad overview of the City's finances much like a private sector business. Legally separate component units (the Brownsville Public Utilities Board (BPUB), the Greater Brownsville Incentives Corporation, the Brownsville Community Improvement Corporation, Paseo De La Resaca Landscaping and Lighting Maintenance District, and the West Morrison Road Public Improvement District) are also shown in these statements.

- The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The *statement of activities* presents information to show how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Exhibit 1: Required Components of the City's Annual Comprehensive Financial Report

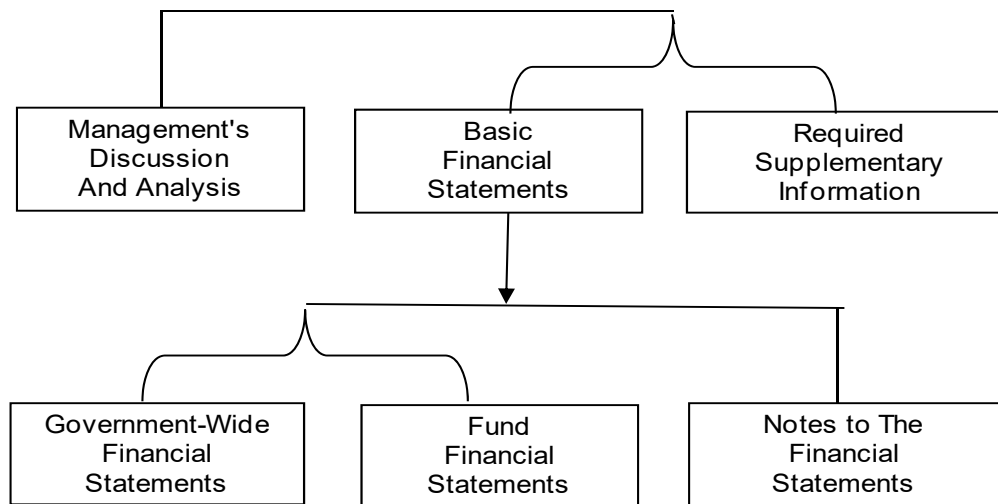


Exhibit 1 shows how the required parts of this annual comprehensive financial report are arranged and relate to one another. Besides these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

Fund Financial Statements

These focus on individual parts of the City, reporting the City's operations in greater detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. But, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-nine individual governmental funds. Major and non-major funds are presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances. The five major governmental funds are the General Fund, the General Bonded Debt Service Fund, the American Rescue Plan Fund, the Series 2023 C.O.'s Fund, and the Series 2024 C.O.'s Fund. Data from the other twenty-four non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information section of this report to demonstrate compliance with this budget. The City also adopts annual appropriated budgets for three special revenue funds, two debt service funds and seven enterprise funds.

There are two types of *proprietary funds* used by the City. These are *enterprise funds* and *internal service funds*.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, parking system, event center, public transit, landfill, golf course, sports park, fiber broadband, and bridge services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City reports the Airport, Landfill, Public Transit, and Fiber Broadband Funds as individual major enterprise funds.
- Internal service funds are an accounting device used to accumulate costs internally among the City's various functions. The City uses internal service funds to account for health insurance benefits, workers' compensation insurance, fleet and facilities services, and information technology.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. These funds provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 67-152 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) containing the City's general fund budgetary comparison schedule with related notes as well as the progress of the City's employee pension obligation and other post-employment obligations.

The combined statements in connection with non-major and enterprise funds, internal service funds, fiduciary funds and non-major component units are presented following the required supplemental information.

Government-wide Financial Analysis

Net Position

At September 30, 2024, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$437,026,407 or a 7.97% increase from prior year. These net positions are \$254,997,559 for governmental activities and \$182,028,848 for business-type activities. The major component of net position is investment in capital assets such as land, infrastructure, buildings, machinery and equipment. The city uses these capital assets to provide services to citizens and therefore these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Brownsville, Texas
Net Position
For Fiscal Years Ending September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 217,060,120	\$ 225,081,599	\$ 48,359,826	\$ 47,054,408	\$ 265,419,946	\$ 272,136,007
Capital, subscription, and right of use assets, net	392,149,379	381,599,247	172,169,120	147,327,188	564,318,499	528,926,435
Total assets	609,209,499	606,680,846	220,528,946	194,381,596	829,738,445	801,062,442
Deferred outflows of resources	53,289,005	65,731,000	7,389,388	9,042,304	60,678,393	74,773,304
Long-term debt outstanding	315,099,699	319,484,371	26,955,015	28,610,253	342,054,714	348,094,624
Other liabilities	55,023,316	70,536,262	7,727,734	5,901,774	62,751,050	76,438,036
Total liabilities	370,123,015	390,020,633	34,682,749	34,512,027	404,805,764	424,532,660
Deferred inflows of resources	37,377,930	35,094,204	11,206,737	11,434,695	48,584,667	46,528,899
Net position						
Net investment in capital assets	256,133,391	247,620,618	171,286,626	147,327,188	427,420,017	394,947,806
Restricted	16,745,807	11,259,017	9,808,936	10,816,967	26,554,743	22,075,984
Unrestricted	(17,881,639)	(11,582,626)	933,286	(666,977)	(16,948,353)	(12,249,603)
Total net position	\$ 254,997,559	\$ 247,297,009	\$ 182,028,848	\$ 157,477,178	\$ 437,026,407	\$ 404,774,187

The table above indicates that at the end of fiscal year 2024, the City reported positive balances in net position for both its governmental and business activities.

A portion of the City's net position, \$26,554,743 represents resources that are subject to external restrictions on how they may be used.

Generally, all assets generated by governmental and business-type activities are either restricted or invested in capital assets. Unrestricted activities net position showed a \$16,948,353 deficit at the end of this year. This deficit indicates that the City has long-term commitments that exceed its related assets. Total long-term commitments were \$289,483,237 consisting of bonds payable \$194,436,635, net pension liability \$27,952,299, other post-employment benefits \$35,843,948, employee leave accruals \$10,374,906, landfill closure and post-closure liability \$13,640,874, lease liability \$5,416,554, and subscription liability \$1,818,021. The portion of long-term commitments paid from next year's resources are \$52,571,477.

The City has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to meet its long-term obligations.

Changes in Net Position

During fiscal year 2024, the total net position of the City increased by \$32,252,220. Governmental activities net position increased by \$7,700,550. Business-type activities net position increased by \$24,551,670. The following table summarizes the changes in net position:

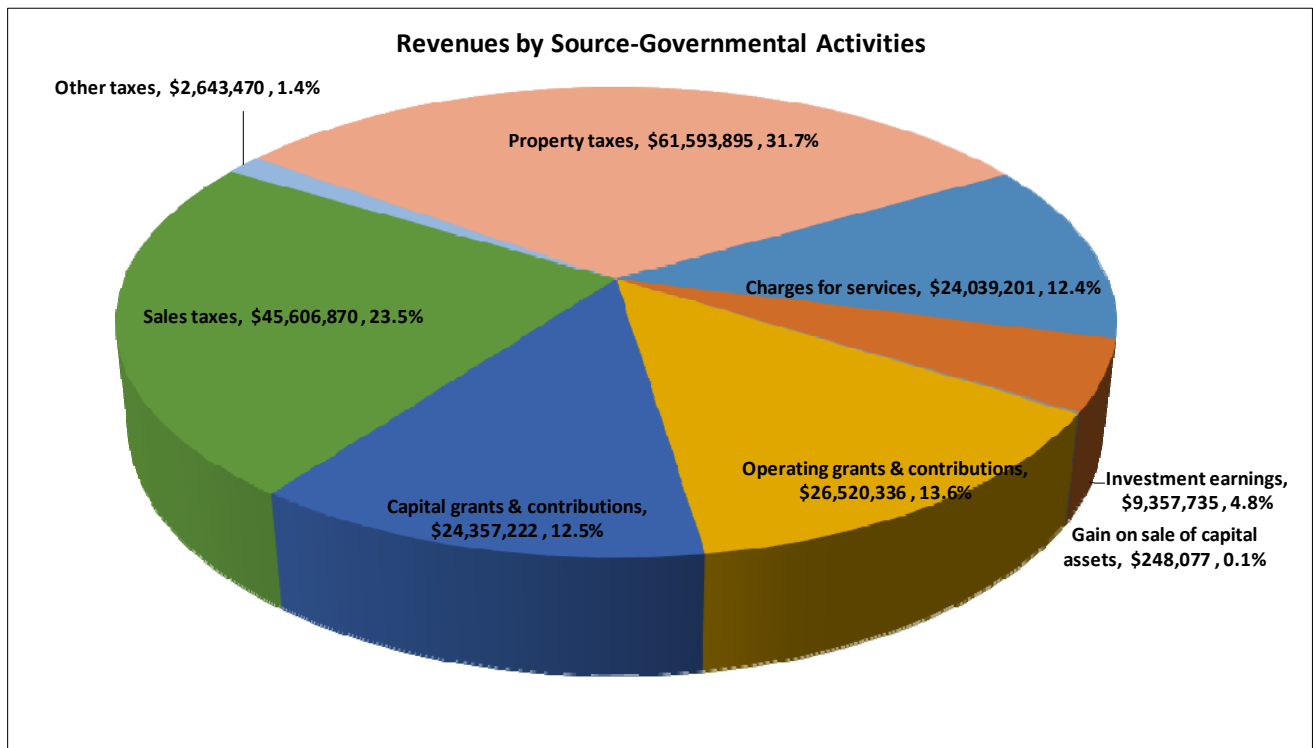
City of Brownsville, Texas
Changes in Net Position
For Fiscal Years Ending September 30, 2024 and 2023

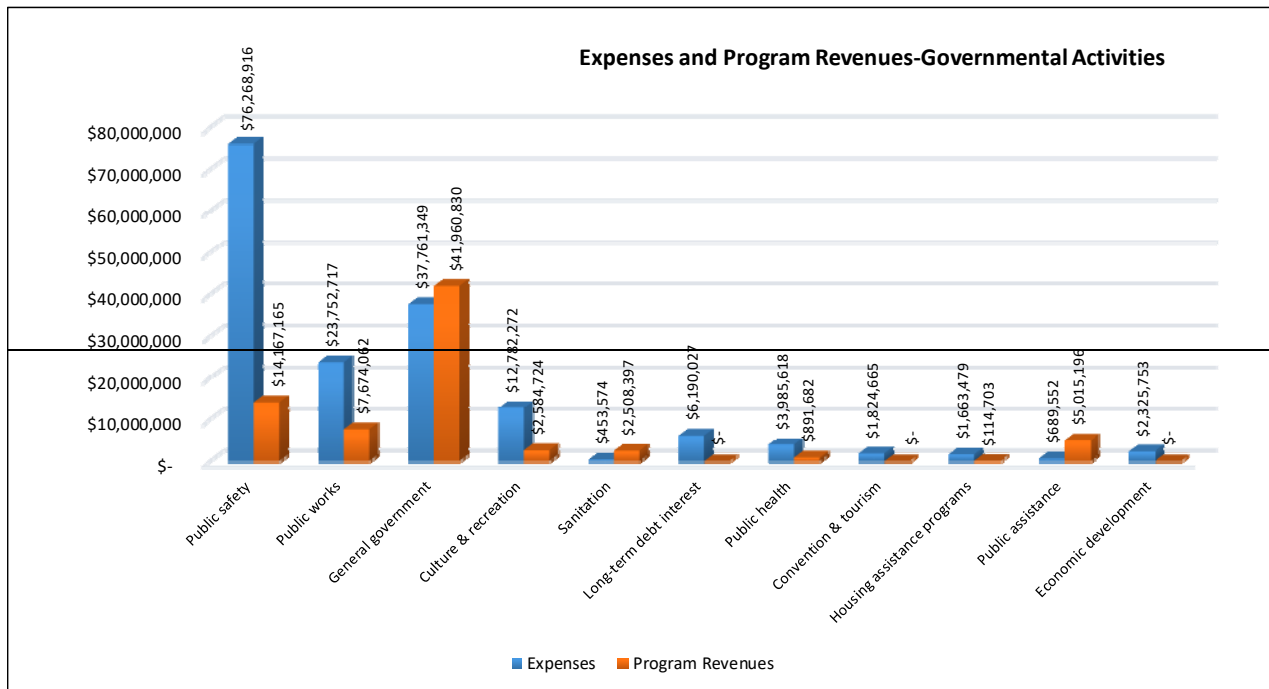
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 24,039,201	\$ 23,510,364	\$ 27,390,164	\$ 25,294,581	\$ 51,429,365	\$ 48,804,945
Operating grants & contributions	26,520,336	41,065,785	8,622,864	11,594,646	35,143,200	52,660,431
Capital grants & contributions	24,357,222	12,392,221	4,419,204	3,561,197	28,776,426	15,953,418
General revenues:						
Property taxes	61,593,895	56,882,007	-	-	61,593,895	56,882,007
Sales taxes	45,606,870	43,756,231	-	-	45,606,870	43,756,231
Other taxes	2,643,470	2,710,367	-	-	2,643,470	2,710,367
Investment earnings	9,357,735	7,764,619	2,031,983	1,389,170	11,389,718	9,153,789
Gain (loss) on termination of lease	-	-	-	2,287	-	2,287
Gain (loss) on disposition of capital assets	248,077	-	-	(15,991)	248,077	(15,991)
Total revenues	194,366,806	188,081,594	42,464,215	41,825,890	236,831,021	229,907,484
Expenses:						
General government	37,761,349	32,219,373	-	-	37,761,349	32,219,373
Public safety	76,268,916	81,183,837	-	-	76,268,916	81,183,837
Public works	23,752,717	27,902,464	-	-	23,752,717	27,902,464
Sanitation	453,574	696,469	-	-	453,574	696,469
Public health	3,985,618	4,614,658	-	-	3,985,618	4,614,658
Housing assistance programs	1,663,479	1,219,702	-	-	1,663,479	1,219,702
Public assistance	689,552	461,628	-	-	689,552	461,628
Culture & recreation	12,782,272	13,216,012	-	-	12,782,272	13,216,012
Convention & tourism	1,824,665	1,952,098	-	-	1,824,665	1,952,098
Economic development	2,325,753	419,800	-	-	2,325,753	419,800
Interest on long-term debt	6,190,027	5,192,327	-	-	6,190,027	5,192,327
Airport & business industrial park	-	-	10,216,167	9,254,791	10,216,167	9,254,791
Parking revenue	-	-	682,354	386,312	682,354	386,312
Public transit	-	-	11,508,881	10,870,908	11,508,881	10,870,908
Landfill	-	-	11,219,194	9,004,819	11,219,194	9,004,819
Brownsville golf center	-	-	944,116	930,476	944,116	930,476
Event Center	-	-	875,510	832,795	875,510	832,795
Bridge fund	-	-	101,843	84,780	101,843	84,780
Brownsville Sports Park	-	-	1,332,814	1,012,879	1,332,814	1,012,879
Total expenses	167,697,922	169,078,368	36,880,879	32,377,760	204,578,801	201,456,128
Excess (deficiency) before transfers	26,668,884	19,003,226	5,583,336	9,448,130	32,252,220	28,451,356
Asset transfers	(21,489,929)	(1,492,620)	21,489,929	1,492,620	-	-
Transfers	2,521,595	6,151,863	(2,521,595)	(6,151,863)	-	-
Increase (decrease) in net position	7,700,550	23,662,469	24,551,670	4,788,887	32,252,220	28,451,356
Net position, beginning	247,297,009	223,634,540	157,477,178	152,688,291	404,774,187	376,322,831
Net position, ending	<u>\$ 254,997,559</u>	<u>\$ 247,297,009</u>	<u>\$ 182,028,848</u>	<u>\$ 157,477,178</u>	<u>\$ 437,026,407</u>	<u>\$ 404,774,187</u>

Governmental Activities

Program and general revenue increased by \$6,285,212 or a 3.34% increase. The increase was largely due to an increase in property and sales tax collections, as well as additional investment earnings and grant funding received during the year. The graph on the following page presents the revenues by sources under the governmental activities.

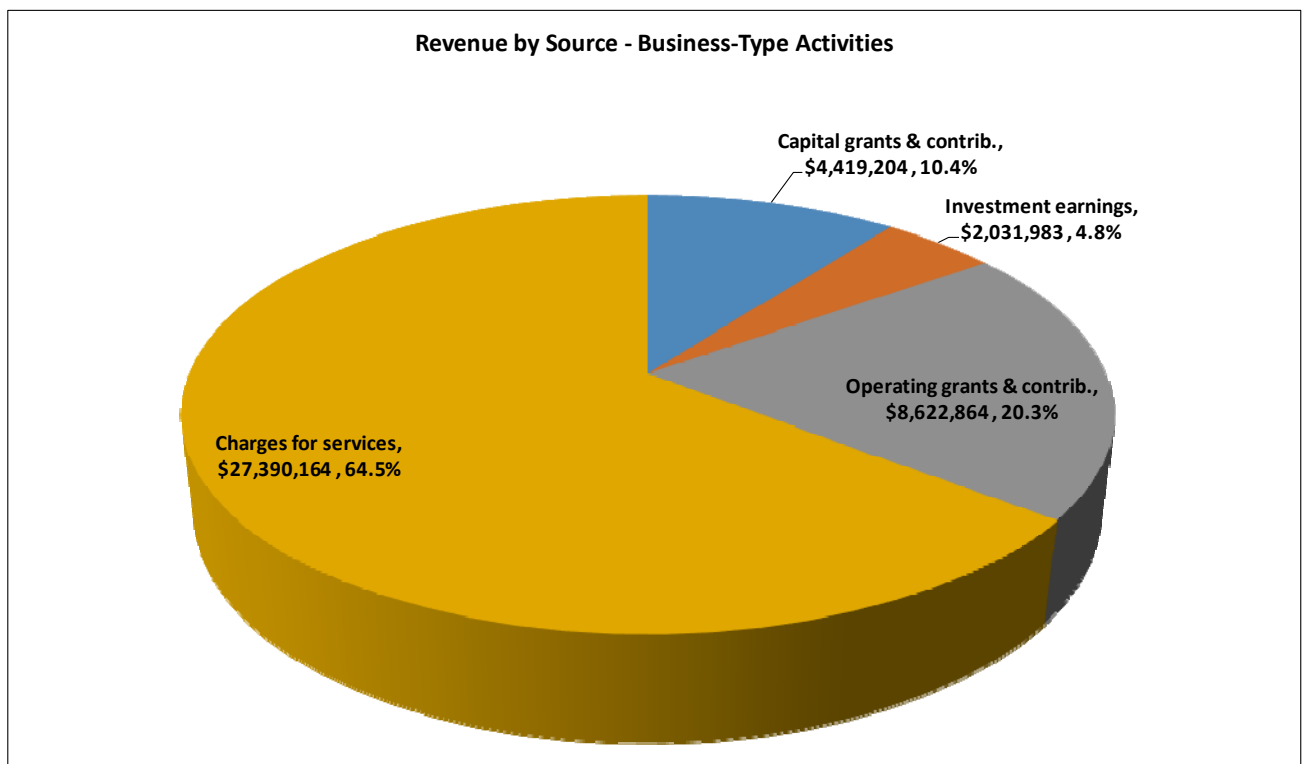
The cost of all governmental activities for fiscal year 2024 decreased by \$1,380,446 or 0.82%. The chart below presents the cost of each of the City's major governmental functions, as well as the associated program revenues. During fiscal year 2024, functional expenses exceeded program revenues by \$92,781,163.





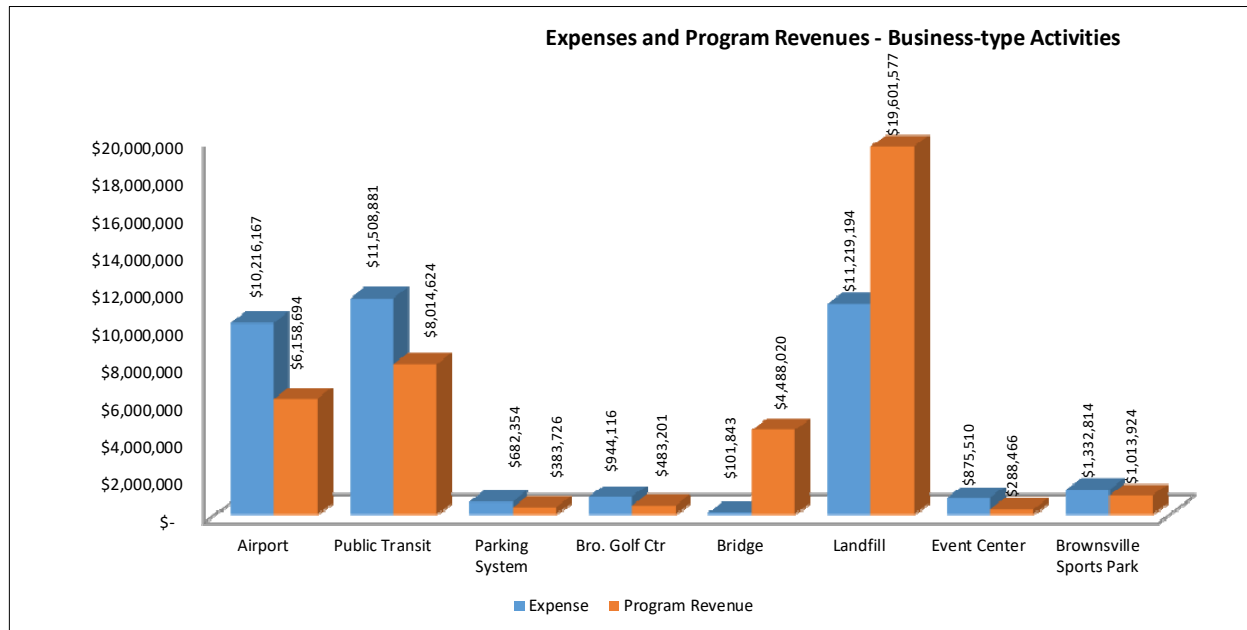
Business-type Activities

The major revenue sources under the business-type activities are shown below:



The cost for all business-type activities for fiscal year 2024 was \$36,880,879 an increase of \$4,503,119 compared to prior year. Expenses under the business-type activities include the public transit, airport & business industrial park, Brownsville Golf Center, parking revenue, landfill, Sports Park, and event center.

The graph below presents the cost of the City's expenses and program revenues for the business-type activities.



During fiscal year 2024, the City's general fund contributed \$504,405 to the airport to subsidize their operations including the airport fire department operations.

The public transit operations are funded by an operating assistance grant from the Federal Transportation Administration (FTA), from a Texas Department of Transportation (TXDOT) operating assistance grant, from fare box revenues, space lease revenues, transfers from other funds, other local revenues and a cash subsidy from the City's general fund. The total transfer during the year was \$3,791,213. This amount included \$478,828 for operations and \$1,107,832 for the local share of planning and capital projects.

A total of \$1,316,000 was also transferred from the City's general fund to the City of Brownsville Capital Projects Fund to subsidize its operations.

The City's general fund also transferred \$1,096,836 to the Street & Drainage Maintenance Fund to subsidize its operations.

Financial Analysis of the City's Funds

Governmental Funds

The City's governmental funds combined ending fund balances were \$149,605,485. The combined non-spendable, restricted, committed, and assigned fund balances were \$122,390,527 and the unassigned fund balance was \$27,214,958.

Governmental Funds
Fund Balances
Fiscal Year 2024

	Nonspendable, Restricted, Committed, and Assigned Fund Balances	Unassigned Fund Balance	Total Fund Balance
Major Funds:			
Fund 01 General Fund	\$ 9,082,885	\$ 36,676,201	\$ 45,759,086
Fund 21 General Bonded Debt Service Fund	6,420,120	-	6,420,120
Fund 26 American Rescue Plan	11,137,017	(6,703,731)	4,433,286
Fund 809 2023 C.O.	21,055,862	-	21,055,862
Fund 810 2024 C.O.	23,990,446	-	23,990,446
Total Major Funds	<u>\$ 71,686,330</u>	<u>\$ 29,972,470</u>	<u>\$ 101,658,800</u>
Non-major Funds:			
Fund 11 Convention & Tourism Fund	\$ 1,460,030	\$ -	\$ 1,460,030
Fund 16/17 Community Development Fund	450,391	(362,927)	87,464
Fund 171 Community Dev Planning Grants	5,001	-	5,001
Fund 172 Tax Increment Reinvestment Zone Incentives	-	64,374	64,374
Fund 20 General Non-bonded Debt Service Fund	12,349	-	12,349
Fund 28 BPD Federal Forfeiture Fund	313,763	-	313,763
Fund 29 BPD Forfeiture Fund	51,615	-	51,615
Fund 33 Streetscape Project Fund	8,433	-	8,433
Fund 40 Street & Drainage Maintenance Fund	5,625,980	-	5,625,980
Fund 42 Street Improvement Fund	59,323	-	59,323
Fund 45 Capital Equipment Fund	1,166,616	(2,040,533)	(873,917)
Fund 451 Capital Outlay Fund	1,226,856	-	1,226,856
Fund 455 Infrastructure Maintenance Fund	5,303,248	-	5,303,248
Fund 82 2008A C.O. Bond Fund	688,232	-	688,232
Fund 87 2012 C.O. Fund	549,380	-	549,380
Fund 89 2015 C.O. Fund	249,282	-	249,282
Fund 801 2016 C.O. Fund	178,202	-	178,202
Fund 803 2017 C.O. Fund	1,922,811	-	1,922,811
Fund 804 2019 C.O. Fund	686,204	(272,297)	413,907
Fund 805 2020 C.O. Fund	7,449,469	-	7,449,469
Fund 806 2020A C.O. Fund	1,977,521	-	1,977,521
Fund 807 2021 C.O. Fund	7,510,680	-	7,510,680
Fund 808 2022 C.O. Fund	13,808,811	-	13,808,811
Fund 811 2025 C.O. Fund	-	(146,129)	(146,129)
Total Non-major Funds	<u>\$ 50,704,197</u>	<u>\$ (2,757,512)</u>	<u>\$ 47,946,685</u>
Total Governmental Funds	<u><u>\$ 122,390,527</u></u>	<u><u>\$ 27,214,958</u></u>	<u><u>\$ 149,605,485</u></u>

Approximately 74.4% or \$90,998,396 of the non-spendable, restricted, committed and assigned fund balances were in capital or construction bond funds. Also, \$6,432,469 or approximately 5.3% of the non-spendable, restricted, committed and assigned fund balances was in the debt service funds.

General Fund

The general fund is the largest operating fund for the City. The general fund ended the fiscal year with a total fund balance of \$45,759,086 of which \$36,676,201 was unassigned. The total and unassigned fund balances of the general fund decreased by 7.3% and 6.8% respectively over the prior year. The decrease in fund balance of \$3,602,423 was attributed mainly to an increase of \$4,673,926 in expenditures during the year, as well as transfers out exceeding transfers in by \$1,144,884 during the year.

The table below shows that the City has maintained healthy fund balances in its general fund for several consecutive fiscal years and as shown on the table on the following page, has maintained its unassigned fund balance above the recommended minimum of 90-days of expenditures and outgoing transfers.

General Fund
Fund Balances for Fiscal Year 2024 & Prior

Fiscal Year	Revenues Plus Transfers In	Expenditures Plus Transfers Out	Fund Balance	Fund Balance In Relation to Revenues Plus Transfers In	Fund Balance In Relation to Expenditures Plus Transfers Out
2015	\$ 104,424,628	\$ 102,363,355	\$ 25,988,409	24.89%	25.39%
2016	\$ 107,149,916	\$ 103,917,189	\$ 29,221,136	27.27%	28.12%
2017	\$ 108,706,465	\$ 108,034,125	\$ 29,893,476	27.50%	27.67%
2018	\$ 106,511,791	\$ 105,495,971	\$ 30,909,296	29.02%	29.30%
2019	\$ 116,805,355	\$ 110,026,025	\$ 37,688,626	32.27%	34.25%
2020	\$ 112,197,078	\$ 111,139,994	\$ 38,745,711	34.53%	34.86%
2021	\$ 137,765,671	\$ 114,592,960	\$ 60,921,146	161 days	194 days
2022	\$ 132,654,656	\$ 140,173,012	\$ 53,402,790	147 days	139 days
2023	\$ 143,265,861	¹ \$ 147,307,142	\$ 49,361,509	126 days	122 days
2024	\$ 141,092,932	² \$ 144,695,355	\$ 45,759,086	118 days	115 days

¹ Includes subscription asset issuance of \$534,868

² Includes subscription asset issuance of \$1,620,436 and sale of capital assets of \$248,077

* Beginning FY2021, fund balance measured in days.

General Fund/Fund Balances
Unassigned Fund Balance for Fiscal Year 2024 & Prior

<u>Fiscal Year</u>	<u>Unassigned Fund Balance</u>	<u>Unassigned Fund Balance In Relation to Revenues Plus Transfers In</u>	<u>Unassigned Fund Balance In Relation to Expenditures Plus Transfers Out</u>
2015	\$ 17,286,676	16.55%	16.89%
2016	\$ 21,024,051	19.62%	20.23%
2017	\$ 21,249,292	19.55%	19.67%
2018	\$ 23,022,895	21.62%	21.82%
2019	\$ 27,264,649	23.34%	24.78%
2020	\$ 27,708,399	24.70%	24.93%
2021	\$ 51,863,207	137 days	165 days
2022	\$ 43,365,209	119 days	113 days
2023	\$ 39,363,981	100 days	98 days
2024	\$ 36,676,201	95 days	93 days

Bonded Debt Service Fund

The bonded debt service fund balance increased by \$1,311,771 or 25.68%. Although a minimum fund balance is not required, the ending fund balance for fiscal year 2024 was \$6,420,120.

The City's ad valorem tax rate for fiscal year 2024 was 60.80 cents per \$100 valuation. During fiscal year 2024, the City dedicated 23.79 cents or 39.13% of the total ad valorem tax rate for debt services; this compares to 26.44 cents or 38.21% during fiscal year 2023.

American Rescue Plan Act Fund

The American Rescue Plan Act fund has total revenues of \$20,233,435. The funding was used for emergency relief to address the impact of COVID-19. The total fund balance increased by \$1,959,326. The increase was primarily from interest income.

2023 C.O.'s Fund

The 2023 C.O. Bond fund has a total fund balance of \$21,055,861. These funds are primarily from the issuance of certificates of obligation bonds restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$4,991,065 due to ongoing project expenditures.

2024 C.O.'s Fund

The 2024 C.O. Bond fund has a total fund balance of \$23,990,446. These funds are primarily from the issuance of certificates of obligation bonds restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$23,990,446 due to the issuance of bonds in FY 2024.

Non-Major Funds

The combined fund balance of the non-major governmental funds was \$47,946,685, a decrease of \$11,232,241 from \$59,178,926 in FY 2023. The decrease was primarily due to construction expenses and capital equipment acquisitions related to various capital projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The combined net position of the proprietary funds excluding internal funds was \$182,028,848 and increased \$24,551,670 or 15.59%. This increase is primarily attributed to the transfer of funds from the capital projects fund. The combined net position is composed of the Airport and Business Industrial Park at \$101,953,299, Landfill at \$5,522,251, Public Transit at \$38,096,583, Parking Revenue at \$827,327, Event Center at \$1,984,493, Brownsville Golf Center at \$1,411,035, Bridge Fund at \$11,155,167, the Brownsville Sports Park at \$1,364,272, and the Fiber Broadband Fund at \$19,714,421.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are shown on table below.

General Fund
Original and Final Budget

	Original Budget	Final Budget	Over (Under) Original Budget
<u>Revenues</u>			
Property Taxes	\$ 37,477,216	\$ 37,477,216	\$ -
Sales Taxes	35,554,010	42,585,010	7,031,000
Nonproperty Taxes	484,114	484,114	-
Fees and Services	9,609,992	9,609,992	-
Intergovernmental	595,063	19,389,550	18,794,487
Fines and Forfeitures	2,343,700	2,343,700	-
Licenses and Permits	2,166,051	2,166,051	-
Contributions and Donations	458,549	666,648	208,099
Rentals	109,394	109,394	-
Interest Income	1,605,000	1,605,000	-
Miscellaneous	2,317,473	2,517,473	200,000
Utility Services from BPUB	6,015,910	6,015,910	-
Surplus Funds from BPUB	9,900,000	9,900,000	-
Total Revenues	<u>108,636,472</u>	<u>134,870,058</u>	<u>26,233,586</u>
<u>Expenditures</u>			
General Government	27,788,251	30,581,500	2,793,249
Public Safety	66,692,827	84,939,775	18,246,948
Public Works	7,839,942	8,472,852	632,910
Sanitation	-	-	-
Public Health	2,624,790	5,548,149	2,923,359
Culture and Recreation	10,825,798	12,017,796	1,191,998
Economic Development	-	2,500,000	2,500,000
Capital Outlay	-	-	-
Total Expenditures	<u>115,771,608</u>	<u>144,060,072</u>	<u>28,288,464</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,135,136)	(9,190,014)	(2,054,878)
<u>Other Financing Sources (Uses)</u>			
Transfers From Other Funds	12,400,000	12,400,000	-
Transfers to Other Funds	(5,264,864)	(10,207,663)	(4,942,799)
Total Other Financing Sources	<u>7,135,136</u>	<u>2,192,337</u>	<u>(4,942,799)</u>
Net Changes in Fund Balance	<u>-</u>	<u>(6,997,677)</u>	<u>(6,997,677)</u>
Fund Balance, October 1, 2023	<u>49,361,509</u>	<u>49,361,509</u>	<u>-</u>
	-		
Fund Balance, September 30, 2024	<u>\$ 49,361,509</u>	<u>\$ 42,363,832</u>	<u>\$ (6,997,677)</u>

Original expenditure budget includes \$5,127,572 of prior year encumbrances carried-over.

During fiscal year 2024, the City amended its General Fund revenue budget by \$26,233,586 and its expenditure budget by \$28,288,464. Major budget amendments can be seen below.

City of Brownsville, Texas
FY 2024 Major Budget Amendments

Department's Name	Account Title	Amount
Airport	Airport Incentives	\$ 2,000,000
Airport	Operating Expenses	350,000
All Dept	Stipend (Non-Civil Service)	2,500,000
City Auditor	Software Implementation	166,000
City Election	City Election MDD	205,650
Event Center	Event Center Operating Expenses	200,000
Information Technology	Software Subscription	288,454
Information Technology	Capital Project 5-G	800,000
Information Technology	Operating Expenses	472,000
Legal	Legal Settlements	255,000
Multimodal Transporation	B-Metro TIGER Project Jose Colunga Overruns	316,780
Multimodal Transporation	Alliance Transportation Group	150,000
OD&HR	Software Implementation	108,100
Parks	Capital Outlay	200,000
Parks	Heavy Equipment	150,000
Planning	Software Annual Subscription	315,068
Total Major Budget Amendments		<u><u>\$ 8,477,052</u></u>

As shown below, total actual revenues were under budget by \$5,145,639. Positive variances were attributed to an increase in sales tax collections, while negative variances were attributed to lower-than-expected intergovernmental revenues. Actual expenditures were less than budget expenditures by \$10,009,601. The drivers included Public Safety which was less than budgeted expenditures by \$10,794,531; General Government by \$921,275, and Public Health by \$1,918,190. Revenue and expenditure activity from FY 2024 decreased the fund balance by \$4,326,052 from the previous fiscal year.

General Fund
Comparison Between Final Amended Budget & Actual Amounts
Fiscal Year 2024

	Final Amended Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>			
Property Taxes	\$ 37,477,216	\$ 37,215,571	\$ (261,645)
Sales Taxes	42,585,010	45,606,870	3,021,860
Nonproperty Taxes	484,114	605,418	121,304
Fees and Services	9,609,992	14,693,841	5,083,849
Intergovernmental	19,389,550	3,790,725	(15,598,825)
Fines and Forfeitures	2,343,700	2,103,689	(240,011)
Licenses and Permits	2,166,051	2,417,281	251,230
Contributions and Donations	666,648	1,126,699	460,051
Rentals	109,394	98,499	(10,895)
Interest Income	1,605,000	2,363,709	758,709
Miscellaneous	2,517,473	2,866,939	349,466
Utility Services from BPUB	6,015,910	5,855,908	(160,002)
Surplus funds from BPUB	9,900,000	10,979,270	1,079,270
Total Revenues	<u>134,870,058</u>	<u>129,724,419</u>	<u>(5,145,639)</u>
<u>Expenditures</u>			
General Government	30,581,500	29,287,963	1,293,537
Public Safety	84,939,775	74,145,244	10,794,531
Public Works	8,472,852	8,361,885	110,967
Public Health	5,548,149	3,629,959	1,918,190
Culture and Recreation	12,017,796	11,409,800	607,996
Economic development	2,500,000	2,228,752	271,248
Capital Outlay	-	4,355,038	(4,355,038)
Subscription financing principal	-	609,859	(609,859)
Subscription financing interest	-	21,971	(21,971)
Total Expenditures	<u>144,060,072</u>	<u>134,050,471</u>	<u>10,009,601</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,190,014)	(4,326,052)	4,863,962
Transfers from other Funds	12,400,000	9,500,000	(2,900,000)
Transfers to other Funds	(10,207,663)	(10,644,884)	(437,221)
Sale of fixed assets	-	248,077	248,077
Issuance of subscription asset	-	1,620,436	1,620,436
Total Other Financing Sources	<u>2,192,337</u>	<u>723,629</u>	<u>(1,468,708)</u>
Net Change in Fund Balance	<u>(6,997,677)</u>	<u>(3,602,423)</u>	<u>3,395,254</u>
Fund Balance, October 1, 2023	49,361,509	49,361,509	-
Fund Balance, September 30, 2024	<u>\$ 42,363,832</u>	<u>\$ 45,759,086</u>	<u>\$ 3,395,254</u>

Capital Asset and Debt Administration

The City's investment in capital, right-of-use, and subscription assets for its governmental and business-type activities (shown below) as of September 30, 2024, totals to \$564,318,502 (net of depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure, as well as right-of-use and subscription assets.

City of Brownsville's Capital, Right-of-Use, and Subscription Assets
(net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Land	\$ 180,551,649	\$ 180,395,978	\$ 17,179,767	\$ 17,179,767	\$ 197,731,416	\$ 197,575,745
Construction in Progress	22,134,515	22,973,543	32,132,477	5,303,806	54,266,992	28,277,349
Buildings	43,734,373	41,567,893	86,220,949	88,309,445	129,955,322	129,877,338
Improvements OT Buildings	12,688,369	12,730,164	14,542,569	15,875,575	27,230,938	28,605,739
Machinery & Equip.	20,483,670	19,000,024	7,952,493	5,838,486	28,436,163	24,838,510
Infrastructure	102,303,999	102,412,021	13,972,783	14,820,109	116,276,782	117,232,130
Right-of-Use Asset	6,845,015	1,141,171	168,085	-	7,013,100	1,141,171
Subscription Asset	3,407,789	1,378,453	-	-	3,407,789	1,378,453
Total	\$ 392,149,379	\$ 381,599,247	\$ 172,169,123	\$ 147,327,188	\$ 564,318,502	\$ 528,926,435

Under the governmental activities, the City spent or acquired \$21,955,323 in capital assets and \$9,038,122 in infrastructure assets in the construction of various streets and drainage projects throughout the City. Major additions to capital assets include \$4,609,266 for city vehicles, \$1,154,488 for various equipment and tools, and \$906,233 for park improvements.

Under the business-type activities, the City acquired \$31,859,870 in capital assets. Major additions include \$18,975,475 for fiber infrastructure, \$6,429,108 for bus shelters and stations, and \$1,900,752 for airport runways and terminals.

Additional information on the City's capital assets can be found in note 6 of this report.

Long-term debt

During the year, the City issued \$23,045,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 for various capital projects.

The City's current debt limit is \$502,745,667, which is more than the City's outstanding general obligation debt of \$212,980,635. Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed value is used. City's long-term liabilities are shown on the following page. Note 8 also discloses the long-term liabilities of the City.

City of Brownsville's
Long Term Liabilities

	Governmental Activities		Business-type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
General Obligation bonds	\$ 51,960,000	\$ 62,275,000	\$ -	\$ -	\$ 51,960,000	\$ 62,275,000
Certificates of Obligation	141,803,000	125,502,000	-	-	141,803,000	125,502,000
Contractual Obligation Bonds	2,830,000	3,125,000	-	-	2,830,000	3,125,000
Plus Unamortized Premium on Refunding	16,387,635	16,673,345			16,387,635	16,673,345
Less Deferred Amounts on Refunding	-	-	-	-	-	-
Less Current Maturities	(18,544,000)	(17,354,000)	-	-	(18,544,000)	(17,354,000)
Total Long-Term Bonds Payable	194,436,635	190,221,345	-	-	194,436,635	190,221,345
Lease Liabilities	6,931,395	1,157,873	131,402	-	7,062,797	1,157,873
Less Current Maturities	(1,581,309)	(499,223)	(64,934)	-	(1,646,243)	(499,223)
Total Lease Liabilities	5,350,086	658,650	66,468	-	5,416,554	658,650
Subscription Liabilities	2,945,733	1,289,612	-	-	2,945,733	1,289,612
Less Current Maturities	(1,127,712)	(628,879)	-	-	(1,127,712)	(628,879)
Total Subscription Liabilities	1,818,021	660,733	-	-	1,818,021	660,733
Compensable Absences	13,968,767	13,315,526	1,345,373	1,023,166	15,314,140	14,338,692
Less Current Maturities	(4,391,502)	(5,729,463)	(547,732)	(645,333)	(4,939,234)	(6,374,796)
Total Compensable Absences	9,577,265	7,586,063	797,641	377,833	10,374,906	7,963,896
Estimated Liability for landfill Closure and Postclosure	-	-	13,640,874	13,321,166	13,640,874	13,321,166
Net Pension Liability	44,668,143	61,997,550	7,462,715	9,838,329	52,130,858	71,835,879
Less Current Maturities	(21,263,619)	-	(2,914,940)	-	(24,178,559)	-
Total Net Pension Liability	23,404,524	61,997,550	4,547,775	9,838,329	27,952,299	71,835,879
OPEB Liability	33,605,026	34,148,465	4,374,651	4,427,592	37,979,677	38,576,057
Less Current Maturities	(1,921,415)	-	(214,314)	-	(2,135,729)	-
Total Net OPEB Liability	31,683,611	34,148,465	4,160,337	4,427,592	35,843,948	38,576,057
Total Long-Term Liabilities	\$ 266,270,142	\$ 295,272,806	\$ 23,213,095	\$ 27,964,920	\$ 289,483,237	\$ 323,237,726

Bond Ratings

The City maintains the following general obligation (G.O.) bond and certificates of obligation (C.O.) credit ratings:

	Moody's Investor Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds	Aa3	AA+	AA-
Certificates of Obligation	Aa3	AA+	AA-

Fiscal Year 2025 Adopted Operating Budget

The General Fund budget for fiscal year 2025, adopted by the City Commission, follows:

General Fund Fiscal Year 2025 Budget

	FY 2024 Actual	FY 2025 Original Budget	FY 2025 Budget Percent of Total
REVENUES:			
Property Taxes	\$ 37,215,571	\$ 39,200,301	29.44%
Sales Taxes	45,606,870	42,642,695	32.01%
Non-Property Taxes	605,418	480,002	0.36%
Fees & Services	14,693,841	12,368,832	9.29%
Intergovernmental	3,790,725	595,063	0.45%
Fines & Forfeitures	2,103,689	2,343,700	1.76%
Licenses & Permits	2,417,281	2,290,700	1.72%
Contributions & Donations	1,126,699	400,000	0.30%
Rentals	98,499	117,881	0.09%
Interest Income	2,363,709	2,000,000	1.50%
Miscellaneous	2,866,939	2,450,369	1.84%
Utility Services from BPUB	5,855,908	6,015,910	4.52%
Surplus Funds from BPUB	10,979,270	9,900,000	7.43%
Transfers From Other Funds	9,500,000	12,400,000	9.31%
Sale of fixed asset	248,077	-	0.00%
Issuance of subscription asset	1,620,436	-	0.00%
Total Revenues	<u>141,092,932</u>	<u>133,205,453</u>	<u>100.02%</u>
EXPENDITURES :			
General Government	29,287,963	32,054,245	24.06%
Public Safety	74,145,244	69,512,906	52.18%
Public Works	8,361,885	10,125,761	7.60%
Sanitation	-	153,125	0.11%
Public Health	3,629,959	3,295,894	2.47%
Culture & Recreation	11,409,800	11,429,275	8.58%
Economic Development	2,228,752	-	0.00%
Capital Outlay	4,355,038	-	0.00%
Subscription financing principal	609,859	-	0.00%
Subscription financing interest	21,971	-	0.00%
Transfers to Other Funds	10,644,884	6,634,247	4.98%
Total Expenditures	<u>144,695,355</u>	<u>133,205,453</u>	<u>100.00%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,602,423)</u>	<u>-</u>	
Fund Balance, October 1	<u>49,361,509</u>	<u>45,759,086</u>	
Fund Balance, September 30	\$ 45,759,086	\$ 45,759,086	
Fund Balance in Days Available As Compared to Actual Expenditures Plus Transfers Out	115	125	

Economic Factors and Next Year's Budget and Rates

During the budget process for fiscal year (FY) 2025, the City consider many factors including projected sales tax growth, assessed property values as well as its commitments for the fiscal year.

Property Taxes - The budget was adopted with a reduced ad valorem tax rate compared to fiscal year 2024 of \$0.603504 per \$100 valuation. Tax year 2024 net taxable value increased by \$1 billion or 9.6% from the previous tax year. The increase is attributed to new residential and commercial properties added to the tax roll as well as to an increased assessed value of existing properties.

Sales Taxes - FY2025 projections reflect a 20% increase from FY2024 adopted budget, this is due to the update to our five-year forecast policy that allows the city to budget sales tax up to 37% of the general fund.

Fees & Services - Projections for FY2025 include an increase of 29% or \$2,817,413 from FY2024 amended budget, this is due to our conservative approach according to our Five-Year Forecast Policy Statement.

Transfers to Other Funds – The budget decrease of \$2.7 million from FY2024 amended budget, this is due to an anticipated increase in enterprise revenue projections.

Public safety budget expenditures reflect a 3% wage increase to the Fire/EMS collective bargaining employees and a 4% increase to the Police collective bargaining employees.

The City monitors it's revenues and expenditures on a monthly basis. Summary financial reports are presented to the City Commission on a quarterly basis. The City will take a proactive approach in monitoring the department's encumbrances. Any unusual balances or encumbrances for items that can be funded from the following year's appropriation will be liquidated at the end of the fiscal year.

Requests for Information

This financial report provides the City Commission, citizens, taxpayers, customers, bondholders, creditors, and other governmental sectors with a general overview of the City's financial condition and demonstrates the City's accountability for the funds it receives.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Lupe Granado, Financial Services Director, Financial Services Department, 1001 E. Elizabeth Street, P.O. Box 911, Brownsville, TX 78522-0911, or visit the City's website at <https://www.brownsvilletx.gov/>.

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BASIC FINANCIAL STATEMENTS

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CITY OF BROWNSVILLE, TEXAS
Government Wide
Statement of Net Position
September 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Public Utilities Board
ASSETS					
Cash and cash equivalents	\$ 78,132,151	\$ 11,900,730	\$ 90,032,881	\$ 12,896,284	\$ 36,719,462
Investments - other	104,206,532	21,376,943	125,583,475	32,282,736	3,328,000
Receivables, net of allowance for uncollectibles:					
Fees and services	-	4,808,862	4,808,862	-	31,712,307
Accounts	19,677,374	2,060,637	21,738,011	23,479	-
Property taxes	3,624,828	-	3,624,828	26,626	-
Intergovernmental	3,756,073	3,505,328	7,261,401	-	978,223
Special assessment	-	-	-	165,539	-
Internal balances	2,962,996	(2,962,996)	-	-	-
Due from component units	4,515,731	-	4,515,731	-	-
Due from primary government	-	-	-	2,432,198	-
Leases receivable	-	7,630,038	7,630,038	-	-
Interest receivable	-	12,059	12,059	-	1,625,842
Inventories	63,499	24,531	88,030	-	10,094,291
Prepaids	120,936	3,694	124,630	-	1,599,637
Restricted assets:					
Cash and cash equivalents	-	-	-	-	136,227,110
Investments	-	-	-	-	57,158,207
Capital assets not being depreciated:					
Land	180,551,649	17,179,767	197,731,416	11,902,248	52,964,668
Construction in progress	22,134,515	32,132,477	54,266,992	-	74,073,190
Capital and right to use assets, net of accumulated depreciation and amortization:					
Buildings and structures	43,734,373	86,220,949	129,955,322	18,506,281	89,684,577
Improvements other than buildings	12,688,369	14,542,567	27,230,936	10,010,359	15,804,832
Machinery and equipment	20,483,670	7,952,491	28,436,161	259,913	63,812,950
Infrastructure and plant	102,303,999	13,972,784	116,276,783	3,018,573	324,753,772
Right of use assets	6,845,015	168,085	7,013,100	-	39,531
Subscription assets	3,407,789	-	3,407,789	-	-
Unamortized regulatory assets	-	-	-	-	2,202,577
Net OPEB asset	-	-	-	-	1,707,000
Total Assets	609,209,499	220,528,946	829,738,445	91,524,236	904,486,176
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to OPEB	5,321,450	675,693	5,997,143	-	3,536,377
Deferred outflows related to pension	47,429,287	6,713,695	54,142,982	-	16,320,803
Deferred charge on refunding	538,268	-	538,268	-	14,499,612
Deferred outflow - other	-	-	-	-	181,968
Total Deferred Outflows of Resources	53,289,005	7,389,388	60,678,393	-	34,538,760
Total Assets and Deferred Outflows of Resources	\$ 662,498,504	\$ 227,918,334	\$ 890,416,838	\$ 91,524,236	\$ 939,024,936
LIABILITIES					
Accounts payable	\$ 18,732,340	\$ 5,838,765	\$ 24,571,105	\$ 1,120,953	\$ 22,137,211
Accrued liabilities	2,772,554	328,642	3,101,196	33,481	-
Accrued interest	972,526	-	972,526	21,214	1,146,131
Due to component units	2,432,198	-	2,432,198	-	-
Due to primary government	-	-	-	1,271,721	3,244,010
Deposits	366,388	90,602	456,990	-	5,835,252
Unearned revenue	29,747,310	1,469,725	31,217,035	-	4,199,039
Commercial paper	-	-	-	-	30,000,000
Accrued vacation and sick leave	-	-	-	-	5,756,657
Noncurrent liabilities:					
Due within one year	48,829,557	3,741,920	52,571,477	61,971	19,836,510
Due in more than one year	266,270,142	23,213,095	289,483,237	1,416,361	316,871,110
Total Liabilities	370,123,015	34,682,749	404,805,764	3,925,701	409,025,920
DEFERRED INFLOWS OF RESOURCES					
Fuel cost over-recovery	-	-	-	-	16,781,978
Deferred inflows related to leases	-	7,103,255	7,103,255	-	-
Deferred inflows related to OPEB	12,150,323	1,353,351	13,503,674	-	12,151,426
Deferred inflows related to pension	24,905,895	2,750,131	27,656,026	-	1,394,514
Deferred charge on refunding	321,712	-	321,712	-	-
Total Deferred Inflows of Resources	37,377,930	11,206,737	48,584,667	-	30,327,918
NET POSITION					
Net investment in capital assets	256,133,391	171,286,626	427,420,017	42,219,042	306,972,182
Restricted for:					
Debt service	5,853,000	-	5,853,000	-	18,235,004
Capital projects	6,058,006	9,808,936	15,866,942	-	2,613,191
Tourism	1,456,256	-	1,456,256	-	-
Law enforcement	361,200	-	361,200	-	-
City programs	3,007,658	-	3,007,658	-	-
Repair and replacement	-	-	-	-	144,901,250
Operating reserve	-	-	-	-	17,142,958
Economic development	9,687	-	9,687	26,796,722	-
Meter deposit	-	-	-	-	1,251,413
OPEB benefits	-	-	-	-	1,707,000
Quality of life projects	-	-	-	17,910,991	-
Unrestricted	(17,881,639)	933,286	(16,948,353)	671,780	6,848,100
Total Net Position	254,997,559	182,028,848	437,026,407	87,598,535	499,671,098
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 662,498,504	\$ 227,918,334	\$ 890,416,838	\$ 91,524,236	\$ 939,024,936

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS
Government Wide
Statement of Activities
For the Fiscal Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 37,761,349	\$ 2,475,218	\$ 20,591,144	\$ 18,894,468
Public safety	76,268,916	11,365,076	2,531,350	270,739
Public works	23,752,717	6,072,441	1,601,621	-
Sanitation	453,574	2,508,397	-	-
Public health	3,985,618	356,103	465,579	70,000
Housing assistance programs	1,663,479	-	13,884	100,819
Public assistance	689,552	-	-	5,015,196
Culture and recreation	12,782,272	1,261,966	1,316,758	6,000
Convention and tourism	1,824,665	-	-	-
Economic Development	2,325,753	-	-	-
Interest on long-term debt	6,190,027	-	-	-
Total governmental activities	<u>167,697,922</u>	<u>24,039,201</u>	<u>26,520,336</u>	<u>24,357,222</u>
Business-type activities:				
Airport and Business Industrial Park	10,216,167	3,483,557	2,065,794	609,343
Parking Revenue	682,354	383,726	-	-
Public Transit	11,508,881	2,135,713	2,069,050	3,809,861
Landfill	11,219,194	19,601,577	-	-
Brownsville Golf Center	944,116	483,201	-	-
Event Center	875,510	288,466	-	-
Bridge Fund	101,843	-	4,488,020	-
Brownsville Sports Park	1,332,814	1,013,924	-	-
Total business-type activities	<u>36,880,879</u>	<u>27,390,164</u>	<u>8,622,864</u>	<u>4,419,204</u>
Total primary government	<u>\$ 204,578,801</u>	<u>\$ 51,429,365</u>	<u>\$ 35,143,200</u>	<u>\$ 28,776,426</u>
Component units:				
West Morrison Public Improvement District	\$ 193,640	\$ -	\$ -	\$ -
Greater Brownsville Incentives Corporation	5,788,471	17,424	-	-
Paseo De La Resaca Landscaping and Lighting Maint. Dist.	1,251,138	-	-	-
Brownsville Community Improvement Corporation	7,315,462	57,179	-	-
Public Utilities Board	229,568,281	230,636,807	-	7,045,858
Total component units	<u>\$ 244,116,992</u>	<u>\$ 230,711,410</u>	<u>\$ -</u>	<u>\$ 7,045,858</u>
General revenues:				
Property taxes				
Sales taxes				
Mixed drink taxes				
Bingo taxes				
Hotel-Motel taxes				
Special assessments				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain (loss) on disposition of capital assets				
Other				
Asset transfers				
Transfers				
Total general revenues, and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Governmental Activities	Public Utilities Board
\$ 4,199,481	\$ -	\$ 4,199,481	\$ -	\$ -
(62,101,751)	-	(62,101,751)	-	-
(16,078,655)	-	(16,078,655)	-	-
2,054,823	-	2,054,823	-	-
(3,093,936)	-	(3,093,936)	-	-
(1,548,776)	-	(1,548,776)	-	-
4,325,644	-	4,325,644	-	-
(10,197,548)	-	(10,197,548)	-	-
(1,824,665)	-	(1,824,665)	-	-
(2,325,753)	-	(2,325,753)	-	-
(6,190,027)	-	(6,190,027)	-	-
<u>(92,781,163)</u>	<u>-</u>	<u>(92,781,163)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	(4,057,473)	(4,057,473)	-	-
-	(298,628)	(298,628)	-	-
-	(3,494,257)	(3,494,257)	-	-
-	8,382,383	8,382,383	-	-
-	(460,915)	(460,915)	-	-
-	(587,044)	(587,044)	-	-
-	4,386,177	4,386,177	-	-
-	(318,890)	(318,890)	-	-
-	3,551,353	3,551,353	-	-
<u>\$ (92,781,163)</u>	<u>\$ 3,551,353</u>	<u>\$ (89,229,810)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (193,640)	\$ -
-	-	-	(5,771,047)	-
-	-	-	(1,251,138)	-
-	-	-	(7,258,283)	-
-	-	-	-	8,114,384
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,474,108)</u>	<u>\$ 8,114,384</u>
\$ 61,593,895	\$ -	\$ 61,593,895	\$ 643,811	\$ -
45,606,870	-	45,606,870	15,202,290	-
506,633	-	506,633	-	-
98,785	-	98,785	-	-
2,038,052	-	2,038,052	-	-
-	-	-	3,332	-
-	-	-	623,455	-
9,357,735	2,031,983	11,389,718	2,267,670	14,771,710
248,077	-	248,077	170,598	(636,520)
-	-	-	-	2,047,426
(21,489,929)	21,489,929	-	-	-
2,521,595	(2,521,595)	-	-	-
<u>100,481,713</u>	<u>21,000,317</u>	<u>121,482,030</u>	<u>18,911,156</u>	<u>16,182,616</u>
7,700,550	24,551,670	32,252,220	4,437,048	24,297,000
<u>247,297,009</u>	<u>157,477,178</u>	<u>404,774,187</u>	<u>83,161,487</u>	<u>475,374,098</u>
<u>\$ 254,997,559</u>	<u>\$ 182,028,848</u>	<u>\$ 437,026,407</u>	<u>\$ 87,598,535</u>	<u>\$ 499,671,098</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Balance Sheet
Governmental Funds
September 30, 2024

	General	General Bonded Debt Service	American Rescue Plan Act Fund	2023 C.O. Fund	2024 C.O. Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 11,034,377	\$ 2,841,502	\$ 484,926	\$ 4,024,254	\$ 23,981,150	\$ 33,307,713	\$ 75,673,922
Investments - other	25,641,119	3,279,082	27,971,247	18,700,578	-	26,043,693	101,635,719
Receivables, (net of allowance for uncollectibles):							
Accounts	15,925,659	-	-	-	9,296	1,637,893	17,572,848
Property taxes	1,576,872	2,047,956	-	-	-	-	3,624,828
Intergovernmental	2,635,092	-	-	-	-	1,120,981	3,756,073
Due from other funds	6,560,020	40,132	-	273,333	-	1,164,161	8,037,646
Due from component units	3,281,464	23,454	-	-	-	1,207,669	4,512,587
Inventories	63,499	-	-	-	-	-	63,499
Prepaid items	120,936	-	-	-	-	-	120,936
Total Assets	<u>\$ 66,839,038</u>	<u>\$ 8,232,126</u>	<u>\$ 28,456,173</u>	<u>\$ 22,998,165</u>	<u>\$ 23,990,446</u>	<u>\$ 64,482,110</u>	<u>\$ 214,998,058</u>
LIABILITIES							
Accounts payable	\$ 7,663,298	\$ -	\$ 1,229,540	\$ 1,942,303	\$ -	\$ 5,447,989	\$ 16,283,130
Deposits	-	-	-	-	-	366,388	366,388
Accrued expenses	2,615,888	-	-	-	-	60,257	2,676,145
Due to other funds	1,297,863	-	-	-	-	4,545,645	5,843,508
Due to component units	2,432,198	-	-	-	-	-	2,432,198
Unearned revenue	963,980	-	22,793,347	-	-	5,989,983	29,747,310
Total Liabilities	<u>14,973,227</u>	<u>-</u>	<u>24,022,887</u>	<u>1,942,303</u>	<u>-</u>	<u>16,410,262</u>	<u>57,348,679</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property taxes	1,205,657	1,812,006	-	-	-	-	3,017,663
Unavailable Revenue - Intergovernmental	35,720	-	-	-	-	125,163	160,883
Unavailable Revenue - EMS	4,865,348	-	-	-	-	-	4,865,348
Total Deferred Inflows of Resources	<u>6,106,725</u>	<u>1,812,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,163</u>	<u>8,043,894</u>
FUND BALANCES							
Nonspendable	184,435	-	-	-	-	-	184,435
Restricted	3,007,658	6,420,120	-	5,305,115	23,990,446	38,723,205	77,446,544
Committed	4,073,851	-	11,137,017	15,750,747	-	11,980,992	42,942,607
Assigned	1,816,941	-	-	-	-	-	1,816,941
Unassigned (deficit)	36,676,201	-	(6,703,731)	-	-	(2,757,512)	27,214,958
Total Fund Balances	<u>45,759,086</u>	<u>6,420,120</u>	<u>4,433,286</u>	<u>21,055,862</u>	<u>23,990,446</u>	<u>47,946,685</u>	<u>149,605,485</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 66,839,038</u>	<u>\$ 8,232,126</u>	<u>\$ 28,456,173</u>	<u>\$ 22,998,165</u>	<u>\$ 23,990,446</u>	<u>\$ 64,482,110</u>	<u>\$ 214,998,058</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2024

Total fund balances - governmental funds (page 54)	\$ 149,605,485
Amounts reported for governmental activities in the statement of net position (page 51) are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds. Not included in this amount are the internal service fund capital, subscription, and right-to-use assets of \$9,641,250.	382,508,129
Deferred debt charges resulting from issuance of advance refunding bonds. These charges have been included in the Statement of Net Position of Governmental Activities but are not reported in the funds.	216,556
Net pension liability and related deferred outflows/deferred inflows of resources for the City's pension plan are reported in the Statement of Net Position of Governmental Activities but are not reported in the funds.	(22,144,751)
Total OPEB liability and related deferred outflows/deferred inflows of resources for the City's OPEB plans are reported in the Statement of Net Position of Governmental Activities but are not reported in the funds.	(40,433,899)
Long-term debt obligations are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the in the Statement of Net Position (excludes net premium noted below). Not included in this amount are internal service fund compensated absences of \$68,057, and lease and subscription liability of \$7,984,130.	(212,386,708)
Bond premiums are recorded as long-term debt on the Statement of Net Position. Bond premiums are expensed during the period incurred in the funds.	(16,387,635)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the balance sheet.	6,949,014
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	8,043,894
Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Position but does not get reported in the funds.	<u>(972,526)</u>
Net position of governmental activities (page 51)	<u><u>\$ 254,997,559</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2024

	General	General Bonded Debt Service	American Rescue Plan Act Fund	2023 C.O. Fund	2024 C.O. Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 37,215,571	\$ 23,798,855	\$ -	\$ -	\$ -	\$ -	\$ 61,014,426
Nonproperty taxes	46,212,288	-	-	-	-	2,038,052	48,250,340
Fees and services	14,693,841	-	-	-	-	3,864,688	18,558,529
Intergovernmental	3,790,725	1,332,454	18,274,109	-	-	5,626,534	29,023,822
Fines and forfeitures	2,103,689	-	-	-	-	272,098	2,375,787
Licenses and permits	2,417,281	-	-	-	-	-	2,417,281
Contributions and donations	1,126,699	-	-	-	-	2,457,024	3,583,723
Rentals	98,499	-	-	-	-	-	98,499
Interest income	2,363,709	498,015	1,959,326	1,271,065	71,151	3,194,469	9,357,735
Miscellaneous	2,866,939	4,150	-	-	-	20,506	2,891,595
	<u>112,889,241</u>	<u>25,633,474</u>	<u>20,233,435</u>	<u>1,271,065</u>	<u>71,151</u>	<u>17,473,371</u>	<u>177,571,737</u>
Utility services from the PUB	5,855,908	-	-	-	-	-	5,855,908
Surplus funds from PUB	10,979,270	-	-	-	-	-	10,979,270
Total Revenues	<u>129,724,419</u>	<u>25,633,474</u>	<u>20,233,435</u>	<u>1,271,065</u>	<u>71,151</u>	<u>17,473,371</u>	<u>194,406,915</u>
EXPENDITURES							
Current:							
General government	29,287,963	-	787,525	1,707,505	-	1,603,649	33,386,642
Public safety	74,145,244	-	-	-	-	260,932	74,406,176
Public works	8,361,885	-	84,801	-	-	6,136,903	14,583,589
Sanitation	-	-	-	-	-	36,500	36,500
Public health	3,629,959	-	59,387	-	-	222,988	3,912,334
Housing assistance programs	-	-	-	-	-	1,668,723	1,668,723
Public assistance	-	-	-	-	-	608,942	608,942
Culture and recreation	11,409,800	-	-	55,921	-	54,904	11,520,625
Convention and tourism	-	-	-	-	-	1,826,418	1,826,418
Economic development	2,228,752	-	-	-	-	-	2,228,752
Debt Service:							
Principal	-	17,354,000	-	-	-	-	17,354,000
Interest and fiscal charges	-	7,217,703	-	-	-	-	7,217,703
Bond issuance costs	-	-	-	-	474,542	-	474,542
Subscription financing principal	609,859	-	-	-	-	43,156	653,015
Subscription financing interest	21,971	-	-	-	-	6,844	28,815
Capital outlay	4,355,038	-	17,342,396	4,498,704	-	17,827,955	44,024,093
Total Expenditures	<u>134,050,471</u>	<u>24,571,703</u>	<u>18,274,109</u>	<u>6,262,130</u>	<u>474,542</u>	<u>30,297,914</u>	<u>213,930,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,326,052)</u>	<u>1,061,771</u>	<u>1,959,326</u>	<u>(4,991,065)</u>	<u>(403,391)</u>	<u>(12,824,543)</u>	<u>(19,523,954)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	9,500,000	250,000	-	-	-	3,402,012	13,152,012
Transfers out	(10,644,884)	-	-	-	-	(1,809,710)	(12,454,594)
Issuance of debt	-	-	-	-	23,045,000	-	23,045,000
Premium on debt	-	-	-	-	1,348,837	-	1,348,837
Proceeds from sale of capital assets	248,077	-	-	-	-	-	248,077
Issuance of subscription asset	1,620,436	-	-	-	-	-	1,620,436
Net Other Financing Sources (Uses)	<u>723,629</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>24,393,837</u>	<u>1,592,302</u>	<u>26,959,768</u>
Net change in fund balances	(3,602,423)	1,311,771	1,959,326	(4,991,065)	23,990,446	(11,232,241)	7,435,814
Fund balances, beginning	<u>49,361,509</u>	<u>5,108,349</u>	<u>2,473,960</u>	<u>26,046,927</u>	<u>-</u>	<u>59,178,926</u>	<u>142,169,671</u>
Fund balances, ending	<u>\$ 45,759,086</u>	<u>\$ 6,420,120</u>	<u>\$ 4,433,286</u>	<u>\$ 21,055,862</u>	<u>\$ 23,990,446</u>	<u>\$ 47,946,685</u>	<u>\$ 149,605,485</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended September 30, 2024

Net change in fund balances--total governmental funds (page 56)	\$ 7,435,814
Amounts reported for governmental activities in the statement of activities (pages 52-53) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital expenditures (which were capitalized as capital assets) in the current period. Not included in this are internal service fund additions of \$9,186,466 and depreciation of \$2,364,956.	26,958,692
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and transfers) is to decrease net position. Not included are the internal service fund deletions of \$254,703 and transfers of \$333,729.	(23,309,096)
Changes in the net pension liability and deferred outflows of resources and deferred inflows of resources related to the pension plan results in an increase or decrease to the pension expense reported in the statement of activities. For fiscal year 2024 the effect of these adjustments resulted in a increase in the pension expense reported in the statement of activities.	2,650,473
Changes in the total OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB plans results in an increase or decrease to the OPEB expense reported in the statement of activities. For fiscal year 2024 the effect of these adjustments resulted in a decrease in the OPEB expense reported in the statement of activities.	576,164
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(288,186)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Not included in this are the internal service fund subscription liability issuance of \$1,762,098, subscription liability payments of \$829,092, subscription termination of \$244,306, lease liability issuance of \$7,246,501 or lease liability payments of \$1,472,979.	(8,007,258)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Not included in this is the internal service fund sick & annual leave accrual expense increase of \$8,605.	886,397
Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	797,550
Change in net position of governmental activities (pages 52-53)	<u>\$ 7,700,550</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities -- Enterprise Funds			
	Airport and Business Industrial Park	Landfill	Public Transit	Fiber Broadband Fund
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 773,672	\$ 2,985,981	\$ 2,222,545	\$ 159
Investments - other	9,255,816	6,471,818	10,249	-
Receivables, (net of allowance for uncollectibles):				
Fees and services	725,219	4,083,643	-	-
Intergovernmental	32,459	-	2,655,469	-
Other	108,924	148,154	256,906	-
Leases receivable	374,684	-	259,934	-
Interest receivable	12,059	-	-	-
Due from component units	-	-	-	-
Due from other funds	1,268,997	-	61,312	-
Inventories	-	-	4,760	-
Prepaid expenses	2,000	-	-	-
Total Current Assets	12,553,830	13,689,596	5,471,175	159
Noncurrent Assets:				
Leases receivable, noncurrent	6,368,063	-	627,357	-
Capital, right-to-use, and subscription assets, net	95,282,228	10,518,301	41,520,668	19,942,142
Total Noncurrent Assets	101,650,291	10,518,301	42,148,025	19,942,142
Total Assets	114,204,121	24,207,897	47,619,200	19,942,301
Deferred Outflows				
Deferred outflows related to OPEB	173,824	170,302	241,920	-
Deferred outflows related to pensions	1,312,460	1,985,067	2,743,797	-
Total Deferred Outflows	1,486,284	2,155,369	2,985,717	-
Total Assets & Deferred Outflows	\$ 115,690,405	\$ 26,363,266	\$ 50,604,917	\$ 19,942,301
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 1,418,598	\$ 1,882,976	\$ 2,331,155	\$ 47,880
Accrued expenses	96,447	79,942	113,938	-
Lease liability, current portion	-	-	-	-
Claims payable	-	-	-	-
Due to other funds	184,410	716,656	3,162,954	180,000
Unearned revenue	1,134,311	-	92,637	-
Deposits	-	43,847	40,437	-
Subscription liability - current	-	-	-	-
Accrued vacation and sick leave - current	89,908	163,019	204,800	-
Net pension liability - current	551,983	822,290	1,270,402	-
OPEB liability - current	53,701	49,387	93,805	-
Total Current Liabilities	3,529,358	3,758,117	7,310,128	227,880
Noncurrent liabilities				
Accrued vacation and sick leave	389,090	160,651	214,194	-
Landfill closure & postclosure care	-	13,640,874	-	-
Lease liability	-	-	-	-
Subscription liability	-	-	-	-
Net pension liability	1,172,705	1,372,886	1,381,286	-
OPEB liability	1,439,717	684,747	1,378,080	-
Total Noncurrent Liabilities	3,001,512	15,859,158	2,973,560	-
Total Liabilities	6,530,870	19,617,275	10,283,688	227,880
Deferred Inflows				
Deferred inflows related to leases	6,284,032	-	819,223	-
Deferred inflows related to OPEB	221,035	430,612	542,915	-
Deferred inflows related to pensions	701,169	793,128	862,508	-
Total Deferred Inflows	7,206,236	1,223,740	2,224,646	-
Total Liabilities & Deferred Inflows	13,737,106	20,841,015	12,508,334	227,880
NET POSITION				
Net investment in capital assets	94,991,587	10,518,301	40,928,815	19,942,142
Restricted for capital projects	9,808,936	-	-	-
Unrestricted	(2,847,224)	(4,996,050)	(2,832,232)	(227,721)
Total Net Position	101,953,299	5,522,251	38,096,583	19,714,421
Total Liabilities, Deferred Inflows, and Net Position	\$ 115,690,405	\$ 26,363,266	\$ 50,604,917	\$ 19,942,301

The notes to the financial statements are an integral part of this statement.

Business-type Activities -- Enterprise Funds		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 5,918,373	\$ 11,900,730	\$ 2,458,229
5,639,060	21,376,943	2,570,813
-	4,808,862	-
817,400	3,505,328	-
1,546,653	2,060,637	2,104,526
-	634,618	-
-	12,059	-
-	-	3,144
8,326	1,338,635	943,633
19,771	24,531	-
1,694	3,694	-
13,951,277	45,666,037	8,080,345
-	6,995,420	-
4,905,781	172,169,120	9,641,250
4,905,781	179,164,540	9,641,250
18,857,058	224,830,577	17,721,595
89,647	675,693	-
672,371	6,713,695	-
762,018	7,389,388	-
\$ 19,619,076	\$ 232,219,965	\$ 17,721,595
\$ 158,156	\$ 5,838,765	\$ 965,379
38,315	328,642	96,409
64,934	64,934	1,578,204
-	-	1,483,831
57,611	4,301,631	174,775
242,777	1,469,725	-
6,318	90,602	-
-	-	653,070
90,005	547,732	68,057
270,265	2,914,940	-
17,421	214,314	-
945,802	15,771,285	5,019,725
33,706	797,641	-
-	13,640,874	-
66,468	66,468	5,353,191
-	-	399,665
620,898	4,547,775	-
657,793	4,160,337	-
1,378,865	23,213,095	5,752,856
2,324,667	38,984,380	10,772,581
-	7,103,255	-
158,789	1,353,351	-
393,326	2,750,131	-
552,115	11,206,737	-
2,876,782	50,191,117	10,772,581
4,905,781	171,286,626	1,657,120
-	9,808,936	-
11,836,513	933,286	5,291,894
16,742,294	182,028,848	6,949,014
\$ 19,619,076	\$ 232,219,965	\$ 17,721,595

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities -- Enterprise Funds			
	Airport and Business Industrial Park	Landfill	Public Transit	Fiber Broadband Transit
Operating Revenues:				
Charges for services	\$ 545,412	\$ 19,588,974	\$ 755,542	\$ -
Lease revenue	530,201	-	287,644	-
Rentals	1,803,245	-	365,170	-
Parking	356,728	-	273,292	-
Total Operating Revenues	<u>3,235,586</u>	<u>19,588,974</u>	<u>1,681,648</u>	<u>-</u>
Operating Expenses:				
Personnel services	2,561,663	3,558,021	5,521,929	-
Materials and supplies	179,980	662,932	1,069,334	-
Repairs and maintenance	336,701	2,383,522	1,757,904	-
Self-insurance claims	-	-	-	-
Contractual and other services	3,010,678	3,766,907	1,391,105	-
Depreciation	4,127,145	847,812	1,768,609	-
Total Operating Expenses	<u>10,216,167</u>	<u>11,219,194</u>	<u>11,508,881</u>	<u>-</u>
Operating Income (Loss)	<u>(6,980,581)</u>	<u>8,369,780</u>	<u>(9,827,233)</u>	<u>-</u>
Nonoperating Revenues (Expenses):				
Intergovernmental revenues	2,065,794	-	2,069,050	-
Investment and interest income	651,660	696,769	120,316	279
Interest expense	-	-	-	-
Loss on termination of subscription	-	-	-	-
Other	247,971	12,603	454,065	-
Net Nonoperating Revenues (Expenses)	<u>2,965,425</u>	<u>709,372</u>	<u>2,643,431</u>	<u>279</u>
Income (Loss) Before Contributions and Transfers	<u>(4,015,156)</u>	<u>9,079,152</u>	<u>(7,183,802)</u>	<u>279</u>
Capital contributions	405,183	106,463	1,264,141	19,714,142
Capital grants	609,343	-	3,809,861	-
Transfers in	1,773,402	197,565	4,131,926	-
Transfers out	(250,000)	(8,000,000)	-	-
Change in net position	<u>(1,477,228)</u>	<u>1,383,180</u>	<u>2,022,126</u>	<u>19,714,421</u>
Total net position - beginning	<u>103,430,527</u>	<u>4,139,071</u>	<u>36,074,457</u>	<u>-</u>
Total net position - ending	<u>\$ 101,953,299</u>	<u>\$ 5,522,251</u>	<u>\$ 38,096,583</u>	<u>\$ 19,714,421</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities -- Enterprise Funds		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,108,724	\$ 22,998,652	\$ 32,700,915
-	817,845	-
39,990	2,208,405	-
-	630,020	-
<u>2,148,714</u>	<u>26,654,922</u>	<u>32,700,915</u>
1,879,073	13,520,686	3,327,230
752,630	2,664,876	2,261,792
344,522	4,822,649	1,174,766
-	-	13,444,454
627,972	8,796,662	11,555,014
230,597	6,974,163	2,364,954
<u>3,834,794</u>	<u>36,779,036</u>	<u>34,128,210</u>
<u>(1,686,080)</u>	<u>(10,124,114)</u>	<u>(1,427,295)</u>
4,488,020	8,622,864	-
562,959	2,031,983	233,404
-	-	(156,067)
-	-	(10,398)
<u>(81,240)</u>	<u>633,399</u>	<u>-</u>
<u>4,969,739</u>	<u>11,288,246</u>	<u>66,939</u>
3,283,659	1,164,132	(1,360,356)
-	21,489,929	333,729
-	4,419,204	-
2,125,512	8,228,405	1,824,177
<u>(2,500,000)</u>	<u>(10,750,000)</u>	<u>-</u>
<u>2,909,171</u>	<u>24,551,670</u>	<u>797,550</u>
<u>13,833,123</u>	<u>157,477,178</u>	<u>6,151,464</u>
<u>\$ 16,742,294</u>	<u>\$ 182,028,848</u>	<u>\$ 6,949,014</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities -- Enterprise Funds			
	Airport and Business Industrial Park	Landfill	Public Transit	Fiber Broadband Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 3,016,279	\$ 18,613,824	\$ 1,992,927	\$ -
Payments to suppliers	(3,138,883)	(6,070,835)	(3,243,262)	-
Payments to employees	(2,441,517)	(3,612,026)	(5,632,578)	-
Internal activity-payments from/to other funds	(1,619,714)	849,787	3,030,178	180,000
Other receipts (payments)	-	-	-	-
Claims paid	-	-	-	-
Net cash provided (used) by operating activities	<u>(4,183,835)</u>	<u>9,780,750</u>	<u>(3,852,735)</u>	<u>180,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	1,773,402	197,565	4,131,926	-
Transfers to other funds	(250,000)	(8,000,000)	-	-
Operating grants received	2,365,324	-	3,371,182	-
Net cash provided (used) by noncapital financing activities	<u>3,888,726</u>	<u>(7,802,435)</u>	<u>7,503,108</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,209,527)	(810,907)	(7,049,669)	(180,120)
Purchase of right-to-use lease assets	-	-	-	-
Issuance of lease liability	-	-	-	-
Issuance of subscription liability	-	-	-	-
Purchase of subscription assets	-	-	-	-
Capital grants received	609,343	-	3,809,861	-
Payments towards lease liability	-	-	-	-
Payments towards subscription liability	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,600,184)</u>	<u>(810,907)</u>	<u>(3,239,808)</u>	<u>(180,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(31,100)	(1,630,724)	(523)	-
Interest received	652,073	696,769	120,316	279
Net cash provided (used) by investing activities	<u>620,973</u>	<u>(933,955)</u>	<u>119,793</u>	<u>279</u>
Net increase (decrease) in cash and cash equivalents	(1,274,320)	233,453	530,358	159
Cash and cash equivalents - beginning	2,047,992	2,752,528	1,692,187	-
Cash and cash equivalents - ending	<u>\$ 773,672</u>	<u>\$ 2,985,981</u>	<u>\$ 2,222,545</u>	<u>\$ 159</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (6,980,581)	\$ 8,369,780	\$ (9,827,233)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,127,145	847,812	1,768,609	-
Other non-operating income	247,971	12,603	454,065	-
Interest expense	-	-	-	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables - fees and services	(264,917)	(848,735)	-	-
Receivables - other	(46,845)	(139,018)	(206,800)	-
Receivables - leases	374,685	-	23,450	-
Due from other funds	(1,268,997)	384,899	12	-
Due from component units	-	-	-	-
Inventories	-	-	65,326	-
Deferred outflows related to OPEB	41,914	40,432	75,317	-
Deferred outflows related to pensions	280,473	417,821	645,516	-
Accounts payable	349,886	416,856	897,448	-
Accrued expenses	38,590	28,418	29,547	-
Claims payable	-	-	-	-
Accrued vacation and sick leave	205,276	33,958	45,307	-
Due to other funds	(350,717)	464,888	3,030,166	180,000
Deposits	-	5,962	12,307	-
Unearned revenue	-	-	88,263	-
Landfill closure & postclosure care	-	319,708	-	-
OPEB liability	(15,786)	(10,073)	(23,250)	-
Net pension liability	(449,854)	(670,149)	(1,035,351)	-
Deferred inflows related to leases	(530,201)	-	(47,699)	-
Deferred inflows related to OPEB	(42,454)	(44,242)	(79,217)	-
Deferred inflows related to pensions	100,577	149,830	231,482	-
Net cash provided (used) by operating activities	<u>\$ (4,183,835)</u>	<u>\$ 9,780,750</u>	<u>\$ (3,852,735)</u>	<u>\$ 180,000</u>
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	\$ 405,183	\$ 106,463	\$ 1,264,141	\$ 19,714,142

The notes to the financial statements are an integral part of this statement.

Business-type Activities -- Enterprise Funds		Governmental Activities	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 2,245,658	\$ 25,868,688	\$ 33,873,897	
(1,689,184)	(14,142,164)	(16,471,906)	
(1,865,810)	(13,551,931)	(3,263,244)	
969,734	3,409,985	95,659	
(120,577)	(120,577)	-	
-	-	(13,444,623)	
<u>(460,179)</u>	<u>1,464,001</u>	<u>789,783</u>	
2,125,512	8,228,405	962,397	
(2,500,000)	(10,750,000)	861,780	
4,547,474	10,283,980	-	
<u>4,172,986</u>	<u>7,762,385</u>	<u>1,824,177</u>	
(271,369)	(10,521,592)	(177,865)	
-	-	(7,246,501)	
199,049	199,049	7,246,501	
-	-	1,762,098	
-	-	(1,762,098)	
-	4,419,204	-	
(67,647)	(67,647)	(1,472,979)	
-	-	(829,093)	
<u>(139,967)</u>	<u>(5,970,986)</u>	<u>(2,479,937)</u>	
(873,159)	(2,535,506)	257,251	
562,959	2,032,396	110,990	
<u>(310,200)</u>	<u>(503,110)</u>	<u>368,241</u>	
3,262,640	2,752,290	502,264	
2,655,733	9,148,440	1,955,965	
<u>\$ 5,918,373</u>	<u>\$ 11,900,730</u>	<u>\$ 2,458,229</u>	
\$ (1,686,080)	\$ (10,124,114)	\$ (1,427,295)	
230,597	6,974,163	2,364,954	
(81,240)	633,399	-	
-	-	(33,653)	
-	(1,113,652)	-	
(46,282)	(438,945)	1,172,982	
-	398,135	-	
239,186	(644,900)	311,898	
750,000	750,000	(342)	
-	65,326	-	
14,116	171,779	-	
137,327	1,481,137	-	
34,172	1,698,362	(604,675)	
14,280	110,835	55,381	
-	-	(842,175)	
37,666	322,207	8,605	
(19,452)	3,304,885	(215,897)	
1,768	20,037	-	
103,889	192,152	-	
-	319,708	-	
(3,832)	(52,941)	-	
(220,260)	(2,375,614)	-	
-	(577,900)	-	
(15,279)	(181,192)	-	
49,245	531,134	-	
<u>\$ (460,179)</u>	<u>\$ 1,464,001</u>	<u>\$ 789,783</u>	
\$ -	\$ 21,489,929	\$ 333,729	

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Net Position
Fiduciary Funds
September 30, 2024

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 14,838
Investments	
Mutual funds	827,060
Exchange traded funds	1,674,604
Total Assets	<u>\$ 2,516,502</u>
LIABILITIES	
Accounts payable	\$ -
Total Liabilities	<u>-</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 2,516,502</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2024

	OPEB Trust Fund
Additions:	
Contributions	\$ -
Total additions	<u>-</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	387,080
Interest	<u>69,339</u>
Total investment loss	<u>456,419</u>
Deductions	
Expenses	<u>-</u>
Total deductions	<u>-</u>
Change in net position	<u>456,419</u>
Net position - beginning	2,060,083
Net position - ending	<u><u>\$ 2,516,502</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brownsville, Texas (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. *The Reporting Entity*

The City of Brownsville, Texas was incorporated on February 7, 1853, under the provisions of the laws of the State of Texas. The City operates under a City Commission - Manager form of government. Policy-making and legislative authority are vested in a governing city commission consisting of a mayor at-large, two city commissioners at-large and four district city commissioners. City commission members serve four-year staggered terms. The governing city commission is responsible for passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and city attorney. The City manager is responsible for executing policies and ordinances of the city commission, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments. The City provides the full range of municipal services contemplated by statute or charter. These services include public safety (primarily police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, tourism and general administrative services. Other services include public transportation, utilities and airport operations.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the GASB Codification. The accompanying financial statements present the City of Brownsville, Texas (the primary government) and its component units, entities for which the City is considered to be financially accountable. The component units discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. Each component unit has a September 30 fiscal year end. Discretely presented component units include the following:

The Public Utilities Board (BPUB) of the City of Brownsville, Texas is a separate operating authority established by the City's Charter. The City Commission appoints five of the six member governing board and the Mayor of the City serves ex-officio as the sixth member. The governing board functions as the decision/policy-making for activities related to this component unit. Each appointed board member serves a four year term. The BPUB does not have the right to encumber, sell or hypothecate the utilities system. The City Commission is also vested with the right to set utility rates, and has the right to share in the surplus, if any, of the BPUB. Further, the BPUB is not required to pay any property taxes or franchise taxes to the City and the City is not required to pay for the utility services furnished to the City from the BPUB. This relationship was established by the City's charter. The BPUB is presented as a proprietary fund type and issues separate financial statements, which may be obtained from its administrative office at 1425 Robinhood Drive, Brownsville, Texas 78520.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a. The Reporting Entity - Continued

The Greater Brownsville Incentives Corporation (GBIC) – This component unit is a separately chartered non-profit 4A corporation in accordance with the Texas Development Corporation Act. GBIC's economic development activities are rendered wholly within the City's boundaries and are for the benefit of residents of the City. The City Commission appointed the initial Board of Directors of GBIC and fills any vacancies on the Board. The Board of Directors functions as the decision/policy-making body for all activities related to this component unit. Effective April 1, 2002 the city began collection of a ¼ cent sales tax specifically authorized for GBIC. There are no separately issued financial statements for the GBIC, whose financial activity is accounted for by the City.

The Brownsville Community Improvement Corporation (BCIC) – This component unit is a separately chartered non-profit 4B corporation in accordance with the Texas Development Corporation Act. The City Commission appointed the initial board of directors of BCIC and fills any vacancies on the board. The board consists of seven volunteer members including two city commissioners. The Board of Directors functions as the decision/policy-making body for all activities related to this component unit. Effective April 1, 2002 the city began collection of a ¼ cent sales tax specifically authorized for BCIC. There are no separately issued financial statements for the BCIC, whose financial activity is accounted for by the City.

The Paseo De La Resaca Landscaping and Lighting Maintenance District (Paseo) – This component unit is established as a separate public improvement district in conformance with Chapter 372 of the Texas Local Government Code, and pursuant to the Resolution adopted on September 24, 1996 by the City Commission of the City of Brownsville, Texas. The District is overseen by a Service Plan Board established and approved by the City commission. The Board of Directors functions as the decision/policy-making body for all activities related to this component unit. The Board of Directors consists of five members. Two members are appointed by the City Commission, with at least one being a City Commissioner. The other three members are appointed by Paseo. Paseo is considered a component unit since it is fiscally dependent upon the City because the City Commissioners' authorize any bonded debt, and the City provides support services such as accounting, human resources, payroll, information technology and finance. Paseo engages in governmental activities and issues separate financial statements, which may be obtained from its administrative office at 2335 Hudson Blvd., Brownsville, Texas 78520.

The West Morrison Road Public Improvement District (WMPID) – This component unit is established as a separate public improvement district in conformance with Chapter 372 of the Texas Local Government Code, and pursuant to the Resolution adopted on March 15, 2011, by the City Commission of the City of Brownsville, Texas. The WMPID is overseen by a Service and Assessment Plan approved by City Commission. Two of the four board members are City department heads and represent the City as WMPID officers. WMPID is considered a component unit since it is fiscally dependent upon the City because the City Commissioners' authorize any bonded debt, and the City provides support services such as accounting, human resources, payroll, information technology and finance. There are no separately issued financial statements for the WMPID, whose financial activity is accounted for by the City.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

b. Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2024, the City implemented the following statements:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, special assessments, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The custodial fund uses the *economic resources measurement focus* and the *accrual basis of accounting* for reporting its assets and liabilities.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

e. Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

As discussed earlier, the government has five discretely presented component units. The Public Utilities Board (BPUB) of the City of Brownsville, Texas is considered to be a major component unit and as such is shown in a separate column in the government-wide financial statements. The remaining component units are combined in a separate column in the government-wide financial statements.

f. Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The General Bonded Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the City.

The American Rescue Plan Fund is used to account for funds received as part of the American Rescue Plan Act awarded by the U.S. Department of Treasury to support recovery from the COVID-19 pandemic.

The Series 2023 Fund is used to account for funds received from the issuance of the Series 2023 Certificates of Obligation for the purpose of the acquisition, construction, and maintenance of capital assets.

The Series 2024 Fund is used to account for funds received from the issuance of the Series 2024 Certificates of Obligation for the purpose of the acquisition, construction, and maintenance of capital assets.

The City reports the following major proprietary funds:

The Airport and Business-Industrial Parks Fund accounts for the activities of airport facilities and for the activities of business and industrial park facilities (including the foreign trade zone).

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

f. Fund Financial Statements – Continued

The Public Transit Fund accounts for the City's public mass transportation services (bus services) to the residents of the City and surrounding areas.

The Landfill Fund accounts for the operations of the City's landfill and garbage collection services.

The Fiber Broadband Fund accounts for the operations of the City's fiber broadband service.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

Capital Projects Funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Debt Service Funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the City.

The Bridge Fund accounts for intergovernmental revenues associated with the Veteran's International Bridge toll revenues being shared equally between the Cameron County and the City.

The Motor Vehicle Parking System Fund accounts for the provision of certain public parking facilities to the residents of the City.

The Golf Center Fund accounts for the operations of the municipal golf course.

The Events Center Fund accounts for revenue and expenses related to the Brownsville Event Center.

The Brownsville Sports Park Fund accounts for revenue and expenses related to the Brownsville Sports Park.

Internal Service Funds account for fleet and facility management, information technology and risk management services (including the City's workers' compensation self-insurance program and the City's health self-insurance program) provided to other departments of the government.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

f. Fund Financial Statements – Continued

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

g. Budgetary Data

The City presents a Budgetary Comparison Schedule for the General Fund as Required Supplementary Information. For this reporting period, no special revenues funds except the American Rescue Plan Act Fund met the major fund criteria. The City's budgetary comparison reporting and Notes to Required Supplementary Information containing descriptions of the City's budgetary policies and processes are included in the Required Supplementary Information section of this report. The American Rescue Plan Act Fund does not have a legally adopted budget.

h. Cash and Cash Equivalents

The City and its component unit's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturities of three months or less from the date of acquisition.

i. Investments

Statutes authorize the City and its component units to invest in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; obligations of states, agencies, counties, cities and other political subdivisions of any state rated not less than A or its equivalent; certificates of deposit; prime domestic bankers' acceptances; certain commercial paper, certain mutual funds; and fully collateralized repurchase agreements. Investments for the City and its component units are reported at fair value (generally based on quoted market prices) except for the City's and component units' position in external investment pools. The external investment pools meet all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's and component units' position in the external investment pools are equal to the value of the pooled shares.

j. Receivables and Payables

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

j. Receivables and Payables – Continued

Lease Receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the least term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

k. Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

l. Inventories and Prepaid Items

City inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, fuel, and vehicle repair parts. The costs of such inventories are recorded as expenditures when consumed rather than when purchased. BPUB materials and supplies inventories are stated at cost while fuel and coal inventories are valued at cost using the last-in first-out (LIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

m. Regulatory Basis Assets

The Public Utilities Board elected to establish a regulatory asset for the debt issuance costs in accordance with regulated operations under GASB Cod. Sec. Re10, *Regulated Operations*.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

n. Capital Assets

Capital assets, which includes property, plant, equipment, leased assets, right-to-use assets, right-to-use subscription assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value at the date of donation.

Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. No interest was capitalized by the City during the fiscal year ended September 30, 2024.

Land and construction in process are not depreciated. Other capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>	
	<u>City</u>	<u>PUB</u>
Buildings	33	30 to 50
Improvements other than buildings	33	25 to 50
Furniture and fixtures	12.5	N/A
Equipment	5 to 20	10 to 50
Motor vehicles	5	3 to 5
Electric plant in service	N/A	30 to 50
Water and wastewater plant in service	N/A	30 to 50
Infrastructure	30	N/A

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

o. Accrued Vacation and Sick Leave

The City and the Public Utilities Board have separate annual vacation and sick leave policies for their employees. Both policies allow for employees to earn and accumulate vested annual vacation and sick leave benefits up to specified limits. All vacation and sick leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

p. Deferred Compensation Plans

The City and the Public Utilities Board offer separate deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City and BPUB employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The City and BPUB approved plan amendments such that plan assets are held in trust, with Reliance Trust Company as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. The City and BPUB do not have legal access to the resources of the deferred compensation plans; as such the plans are not reported in the City's and BPUB's basic financial statements.

q. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City and the BPUB have following items that qualify for reporting in this category:

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after the measurement date (January 1 through September 30, 2024) – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

q. Deferred Outflow/Inflows of Resources - Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City and BPUB have the following items that qualify for reporting in this category:

- Difference in projected and actual earning on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

The City has additional items that qualify for reporting in this category:

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows related to leases - The deferred inflows related to leases are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets.

r. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

s. Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

t. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

u. Other Postemployment Benefits (OPEB)

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

v. Net Position and Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

w. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

x. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by an adoption of an ordinance prior to the year end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the *assigned* fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has, by resolution, authorized the Finance Director to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily and any constraints imposed on the use of assigned amounts can be removed with no formal Commission action. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

y. Minimum Fund Balance Policies

The City's policy is to maintain a minimum unassigned fund balance in its general fund of 90 days of subsequent year's expenditures and outgoing transfers. This 90-day fund balance is a reserve amount that is not appropriated and is available in case the City is impacted by unforeseen events, such as a natural disaster and/or global pandemic. When fund balance falls below the minimum 90 day range, the City will replenish the shortages using strategies and timeframes described below:

The following budgetary strategies shall be utilized by the city to replenish funding shortfalls:

1. The City will reduce recurring expenditures to eliminate any deficit or,
2. The City will increase revenues or pursue other funding sources or,
3. Some combination of the two options just mentioned.

Minimum fund balance shortfalls shall be replenished within the following time periods:

1. Deficiency resulting in a minimum fund balance under 90 days shall be replenished over a period not to exceed two years.
2. Deficiency resulting in a minimum fund balance between under 60 days shall be replenished over a period not to exceed three years.
3. Deficiency resulting in a minimum fund balance of less than 30 days shall be replenished over a period not to exceed five years.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

z. Classification of Revenues

Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund and the government's internal service funds are charges to the various funds for workers' compensation and health self-insurance programs. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

aa. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 on the basis of assessed values at the date the enforceable lien attaches. Taxes are due on receipt of the tax bill and are delinquent if not paid on February 1 of the year following the year in which imposed, at which time penalties and interest are assessed. Discounts of 3%, 2% and 1% are granted for payments received in October, November and December, respectively.

bb. Capital Contributions

Capital contributions are comprised of federal, state, and local grants. The portion of the grants and reimbursements used for capital purposes are reflected as capital contributions in the statement of revenues, expenses and changes in net position. The funds are reimbursable contributions, whereas the City first pays for the project and then the granting agency reimburses the City for its eligible expenditures.

cc. Comparative Data/Prior Year Reclassification

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

dd. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ee. *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued March 18, 2025 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE TO FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position.

One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this are as follows:

Land	\$ 180,551,649
Construction in progress	21,953,063
Buildings	96,624,613
Less: accumulated depreciation - buildings	(52,917,399)
Improvements other than buildings	32,061,136
Less: accumulated depreciation - improvements other than buildings	(19,394,732)
Machinery, equipment, and vehicles	77,925,754
Less: accumulated depreciation - machinery, equipment, and vehicles	(58,703,423)
Infrastructure	513,993,295
Less: accumulated depreciation - infrastructure	(411,689,296)
Subscription assets	2,702,725
Less: accumulated amortization - subscription assets	(599,256)
Net adjustment to increase <i>fund balances - total governmental funds</i>	
to arrive at <i>net position - governmental activities</i>	\$ 382,508,129

Another element of that reconciliation explains that "net pension liability and related deferred outflows/inflows of resources for the City's pension plan are reported in the Statement of Net Position of Governmental Activities but are not reported in the funds." The details of this are as follows:

Net pension liability	\$ (44,668,143)
Deferred outflows - contributions after the measurement date	9,287,762
Deferred outflows - difference between actual and projected earnings	31,812,511
Deferred outflows - difference in actual and expected experience	6,329,014
Deferred inflows - difference between actual and projected earnings	(23,039,637)
Deferred inflows - difference between actual and expected experience	(517,074)
Deferred inflows - changes in assumptions for pension plan	(1,349,184)
Net adjustment to reduce <i>fund balances - total governmental funds</i>	
to arrive at <i>net position - governmental activities</i>	\$ (22,144,751)

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE TO FUND FINANCIAL STATEMENTS –
CONTINUED**

- a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (Continued)

Another element of that reconciliation explains that "total/net OPEB liability and related deferred outflows/inflows of resources for the City's OPEB plans are reported in the Statement of Net Position of Governmental Activities but are not reported in the funds." The details of this are as follows:

Total/Net OPEB liability (all plans)	\$ (33,605,026)
Deferred outflows - contributions after the measurement date	1,263,053
Deferred outflows - difference between actual and expected experience	165,537
Deferred outflows - changes in assumptions for OPEB plans	3,874,342
Deferred outflows - changes between actual and projected earnings	18,518
Deferred inflows - changes in assumptions for OPEB plans	(8,524,684)
Deferred inflows - difference between actual and expected experience	(3,624,356)
Deferred inflows - changes between actual and projected earnings	(1,283)
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (40,433,899)

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

General obligation, certificate of obligation, and contractual obligation bonds payable excluding premium on bonds (\$16,387,635)	\$ (196,593,000)
Subscription liability	(1,892,998)
Compensated absences	(13,900,710)
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (212,386,708)

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE TO FUND FINANCIAL STATEMENTS –
CONTINUED

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$	44,024,093
Depreciation expense		(17,065,401)
Net adjustment to increase <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	26,958,692

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this difference are as follows:

Asset disposals	\$	(1,485,438)
Asset reclassifications		(21,823,658)
Net adjustment to decrease <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	(23,309,096)

Another element of that reconciliation states that, “Changes in the net pension liability and deferred outflows resources and deferred inflows of resources related to the pension plan results in an increase or decrease in the pension expense reported in the statement of activities.” The details of this are as follows:

Decrease in net pension liability for fiscal year 2024	\$	17,329,407
Decrease in deferred outflows related to pension		(10,804,457)
Increase in deferred inflows related to pension		(3,874,477)
Net adjustment to increase <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	2,650,473

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE TO FUND FINANCIAL STATEMENTS –
CONTINUED

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities (Continued)

Another element of that reconciliation states that, "Changes in the total OPEB liability and deferred outflows resources and deferred inflows of resources related to the OPEB plans results in an increase or decrease in the OPEB expense reported in the statement of activities." The details of this are as follows:

Increase in total/net OPEB liability for fiscal year 2024	\$	543,439
Decrease in deferred outflows related to OPEB		(1,511,256)
Decrease in deferred inflows related to OPEB		1,543,981
Net adjustment to increase <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	576,164

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of the difference are as follows:

Debt issued or incurred:		
Series 2024 C.O.'s	\$	(23,045,000)
Plus: premium		(1,348,837)
Subscription liability		(1,620,436)
Principal repayments:		
General obligation bonds		10,315,000
Certificates of obligation bonds		6,744,000
Contractual obligation bonds		295,000
Subscription liability		653,015
Net adjustment to decrease <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	(8,007,258)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$	(644,636)
Accrued interest		(24,002)
Amortization of		
Bond premiums/discounts		1,634,547
Deferred charge on refunding		(79,512)
Net adjustment to increase <i>net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	\$	886,397

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS

Primary Government

It is the City's policy for all demand deposits and time deposits to be collateralized by the pledging of investment securities or irrevocable letters of credit. The fair value of the principal portion of collateral pledged for all demand deposits and all time deposits must at all times be 102% or greater than the par value of the deposit, plus accrued interest and less federal depository insurance. If the collateral pledged for a deposit falls below the required collateral level, the institution holding the deposit will be notified by the Investment Officers and will be required to pledge additional securities no later than the end of the next succeeding business day. The City's deposits and investments were fully covered by the Federal Deposit Insurance Corporation or by collateralized securities held in the City's name. The Investment Policy was last approved by the commission on November 7, 2023.

As of September 30, 2024, the City's cash and cash equivalents consisted of the following:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Demand deposits and cash on hand	\$ 78,132,151	\$ 11,900,730	\$ 90,032,881

For financial reporting purposes, the amounts for local government investment pools and non-participating certificates of deposit are presented in the Balance Sheet and the Statement of Net Position as investments – other.

As of September 30, 2024, the City had the following investments:

Investment Type	Primary Government			Weighted Avg Maturity (Days)	Allocation	Rating
	Governmental Activities	Business-type Activities	Total Value			
Local government investment pools	\$ 103,957,406	\$ 21,376,943	\$ 125,334,349	39	99.8%	AAAm
Non-participating certificates of deposit*	249,126	-	249,126	161	0.2%	-
Total investments - other	\$ 104,206,532	\$ 21,376,943	\$ 125,583,475		100%	

*Certificates of deposit have no ratings and are valued at cost, plus accrued interest

Custodial Credit Risk – In accordance with the City's investment policy, the City shall require monthly reports with fair values of pledged securities from all financial institutions with which the City has collateralized deposits. The Investment Officers will monitor adequacy of collateralization levels to verify fair values and total collateral positions.

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average day's maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be two years. Certificates of deposit may have term maturities of up to five years. The investment maturity of construction and capital improvement funds shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by federal tax law. The maximum maturity for all construction or capital improvement funds shall be five years.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Primary Government – Continued

Credit Risk – The City identifies and manages credit risks by following the Investment Policy. The Investment Officers implement its investment strategy, establish and monitor compliance with investment policies and procedures, and consistently monitors prudent risk controls. The City will seek to control its risk of loss by monitoring the ratings of portfolio positions to assure compliance with the rating requirements imposed by the Public Funds Investment Act. The City also manages exposure to credit risk by limiting its investments to a rating of “A” or better.

Concentration of Credit Risk – In accordance with the Investment Policy, the City manages its credit risk exposure through diversification. Diversification by investment type shall be established by the following maximum percentages of investment type to the total City’s investment portfolio at the time of each investment transaction:

Investment Type	Maximum Allocation
U.S. Treasury Bills/Notes/Bonds	50%
U.S. Agencies & Instrumentalities	50%
States, Counties, Cities & Other	25%
Certificates of Deposit	75%
CDARS of Texas Banks	75%
Money Market Mutual Funds	75%
Eligible Investment Pools	75%
Repurchase Agreements	75%
Commercial Paper	50%

Local Government Investment Pools

TexPool – The State of Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool, along with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and approves any fee increases. TexPool is rated AAAm by Standard & Poor’s. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor’s as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Primary Government – Continued

Lone Star Investment Pool – Lone Star Investment Pool is governed by an 11 member board, all of whom are participants in the Pool. The Pool only invests in investments authorized under the Public Funds Investment Act and certain funds within the Pool contain further restrictions on eligible investments. An independent, third-party investment consultant reports directly to the Board of Trustees. The independent consultant, CAPTRUST Financial Advisors reviews the daily operations of the Pool and analyzes all investment transactions for compliance with the Investment Policy. The Bank of New York Mellon serves as the Pool's custodian bank. Each fund within the Pool is rated AAAM by Standard & Poor's.

LOGIC – Local Government Investment Cooperative – LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Investment Management, Inc., as pool administrator and investment manager, respectively. LOGIC has a conservative investment policy and invests only in authorized investments under the Texas Public Funds, Investment Act. LOGIC is AAAM rated by Standard and Poor's with more than \$1 billion in assets.

Texas CLASS – Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool through which entities may pool any of their funds or funds under their control. The Texas CLASS is supervised by a Board of Trustees (the Board) who are elected by the participants. The Board supervises the Trust and its affairs and acts as the liaison between the participants, the custodian, and the program administrator. Public Trust Advisors, LLC Trust provides program administration services and UMB Bank, N.A. provides custodial services. At year end, Texas CLASS was rated AAAM by Standard & Poor's.

Texas TERM/TexasDaily – TexasTERM/TexasDaily is a local government investment pool. Administrative and investment services to the pool are provided by PFM Asset Management LLC, under an agreement with the TexasTERM Advisory Board and act on behalf of the pool participants. At year end, TexasTERM was rated AAAM by Standard & Poor's.

As of September 30, 2024, the City's external investment pools, including those of the City's discretely presented component units, meet the criteria described in GASB Cod. Sec. I50, *Investment Pools (External)*, and measure all of their investments at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

As of September 30, 2024, the City did not have any investments reported at fair value. For financial reporting purposes, the City report nonparticipating certificates of deposit at cost.

Component Units

The Greater Brownsville Incentives Corporation's, the Brownsville Community Incentives Corporation's, the West Morrison Public Improvement District's and the Paseo de La Resaca Landscaping and Lighting Maintenance District's bank accounts are managed by the City. The depository contract of the City covers these deposits. These component units also follow the City's investment policies. The deposits and investments for these component units are held separately from City deposits and investments.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Component Units – Continued

As of September 30, 2024, the component unit’s cash and cash equivalents consisted of the following:

	Component Units				
	GBIC	BCIC	WMPID	Paseo	Total
Demand deposits and cash on hand	\$ 7,742,862	\$ 4,962,120	\$ 44,769	\$ 146,533	\$ 12,896,284

As of September 30, 2024, component units had the following investments:

GBIC

Investment Type	Value	Weighted Avg Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 18,680,702	43	100.0%	AAAm

BCIC

Investment Type	Value	Weighted Avg Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 12,883,768	44	100.0%	AAAm

Paseo

Investment Type	Value	Weighted Avg Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 718,266	39	100.0%	AAAm

For financial reporting purposes, the amounts for local government investment pools and participating and non-participating certificates of deposit are presented in the Balance Sheet and the Statement of Net Position as investments – other.

As of September 30, 2024, the GBIC, BCIC and Paseo component units did not have any investments reported at fair value. For financial reporting purposes, the component units report nonparticipating certificates of deposit at cost.

Public Utilities Board of the City of Brownsville, Texas

On September 11, 2023, the Public Utilities Board approved a revised Investment Policy which included an “Investment Strategy Statement” that addressed the understanding of investment suitability, the preservation and safety of principal, liquidity, marketability of the investment prior to maturity, diversification, and yield of the investment portfolio. In regards to the safety and risk of investments, the Public Utilities Board abided by the Investment Policy that requires all available funds to be invested in conformance with state and federal regulations, and applicable bond ordinance requirements. Each investment transaction shall seek to first and foremost ensure that capital losses are avoided, whether they are from securities’ defaults or erosion of fair value.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Public Utilities Board of the City of Brownsville, Texas – Continued

The Public Utilities Board's investments are also subject to the rules and regulations of the Public Funds Investment Act (PFIA). The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports produced at least quarterly, and provides for the selection of authorized broker-dealers and investment managers. The Public Utilities Board's bank deposits and Certificates of Deposit investments were entirely covered by the Federal Deposit Insurance Corporation or by collateral held by a third-party safekeeping bank in the Public Utilities Board's name.

As of September 30, 2024, the Public Utilities Board reported the following deposits:

Cash and cash on hand	\$	3,298,167
Certificates of Deposits (non-negotiable)		13,202,000
Total deposits	\$	16,500,167

The carrying value of deposits with financial institutions approximate fair value. As of September 30, 2024, the Public Utilities Board had the following investments:

Investment Type	Value	Weighted Avg Maturity (Days)	Allocation	Rating
U.S. treasury note	\$ 47,284,207	201	21.8%	AA+
Money market mutual funds	1,031,676	42	0.5%	AAAm
Institutional Insured Liquid Deposits	4,419,526		2.0%	
Local government investment pools				
Texas TERM 2024	15,500,000	43	7.1%	AAAf
Texas TERM 2025	23,800,000	146	11.0%	AAAf
TexasDaily	53,954,919	37	24.9%	AAAmmf
TexPool	16,400,656	26	7.6%	AAAm
Texas Class	7,865,067	36	3.6%	AAAm
TexSTAR	46,676,561	26	21.5%	AAAm
Total investments	\$ 216,932,612		100%	

Interest rate risk – In accordance with the Public Utilities Board's Investment Policy, the weighted average to maturity for the Public Utilities Board's portfolio limits the maximum allowable maturity to two years by not exceeding the anticipated cash flow requirements. As of September 30, 2024, the investment portfolio had maturities that met anticipated cash flow requirements.

The Public Utilities Board's invests in TexPool, TexasDAILY, Texas CLASS, and TexStar to provide its liquidity needs. These pools are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. Texpool, TexStar, and Texas CLASS are rated AAAM by Standard and Poor's and TexasDAILY is rated AAAMmf by Fitch and must maintain a dollar weighted average maturity not to exceed a 60-day limit.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Public Utilities Board of the City of Brownsville, Texas – Continued

At September 30, 2024, TexPool, TexasDAILY, Texas CLASS, and TexStar had a weighted average maturity of 26 days, 37 days, 36 days, and 26 days, respectively. The Public Utilities Board invests in government investment pools with 100% overnight liquidity. The Public Utilities Board's external investment pools meet the criteria described in GASB Cod. Sec. In5, *Investment Pools (External)*, and measure all of their investments at amortized cost; therefore, in accordance with GASB Cod. Sec. 150, *Investments*, the Public Utilities Board has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

Credit risk – The Public Utilities Board identifies and manages credit risks by following the Investment Policy. The Public Utilities Board implements its investment strategy, establishes and monitors compliance with investment policies and procedures, and consistently monitors prudent risk controls. The Public Utilities Board will seek to control the risk of loss by monitoring the ratings of portfolio positions to assure compliance with the rating requirements imposed by the Public Funds Investment Act. The Public Utilities Board also manages exposure to credit risk by limiting its investments to a rating of "A" or better. As of September 30, 2024, any Public Utilities Board's security agencies investments had a rating of AA+ or above.

Custodial credit risk – In accordance with the Public Utilities Board's Investment Policy, the financial institution must collateralize all funds with a minimum of 102% of the fair value of the principal portion. The Public Utilities Board seeks to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Investment Policy.

The Public Utilities Board signed an agreement with its financial institution pledging funds to 102% minimum of the fair value of the principal position Security transactions are executed on a delivery versus payment basis through safekeeping agent. Funds are not released until the Public Utilities Board receives, through the safekeeping agent, the securities purchased.

Concentration of credit risk – In accordance with the Investment Policy, the Public Utilities Board manages its credit risk exposure through diversification, and limiting its investments in each government-sponsored security to 75%. At September 30, 2024 the Public Utilities Board had security investments of 21.8% in U.S. Treasury/Notes and had no investments in U.S. Agencies. As of September 30, 2024, the portfolio complied as noted above.

Local Government Investment Pools

TexPool – The State of Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool, along with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and approves any fee increases. TexPool is rated AAAM by Standard & Poor's.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Public Utilities Board of the City of Brownsville, Texas – Continued

As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

TexSTAR – Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool providing short-term liquidity requirements. JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR Board of Directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary J.P. Morgan Investor Services Company provides the custodial, transfer agency, fund accounting, and depository services for this pool. At year end, TexSTAR was rated AAAm by Standard & Poor's. The Public Utilities Board reports its investment in TexSTAR at the fair value amount provided by TexSTAR, which is the same as the value of the pool share.

TexasDAILY – TexasDAILY is a local government investment pool. Administrative and investment services to the pool are provided by PFM Asset Management LLC, under an agreement with the TexasTERM Advisory Board and act on behalf of the pool participants. At year end, TexasDAILY was rated AAAMmf by Fitch. The Public Utilities Board reports its investment in TexasDAILY at the fair value amount provided by TexasDAILY, which is the same as the value of the pool share.

TexasTERM – The TexasTERM Program offers fixed-rate, fixed-term investment options. Investment maturities are for a minimum of sixty days and a maximum of one year. At year end, TexasTERM was rated AAAf by Fitch.

TexasTERM CD Purchase Program – The TexasTERM CD Purchase Program offers investments in FDIC-insured CDs from banks throughout the United States. Investments are for a minimum of ninety days and a maximum of one year, with a minimum balance required. Each CD investment is held in the name of the participant. The CD's held by the Public Utilities Board at fiscal year-end are not rated because they were within the FDIC insurance coverage limits.

Texas CLASS – Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool through which entities may pool any of their funds or funds under their control. The Texas CLASS is supervised by a Board of Trustees (the Board) who are elected by the participants. The Board supervises the Trust and its affairs and acts as the liaison between the participants, the custodian, and the program administrator. Public Trust Advisors, LLC Trust provides program administration services and UMB Bank, N.A. provides custodial services. At year end, Texas CLASS was rated AAAM by Standard & Poor's.

Fair Value Measurement

The Public Utilities Board records assets and liabilities in accordance with GASB Cod. Sec. 3100, *Fair Value Measurement*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. The Public Utilities Board's fair value measurements are performed on a recurring basis.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

Public Utilities Board of the City of Brownsville, Texas – Continued

As a basis for considering market participant assumptions in fair value measurements, GASB Cod. Sec. 3100 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as described below:

- Level 1 –inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.
- Level 2 –inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government agency and mortgage-backed securities and certificates of deposit are examples of Level 2 inputs.
- Level 3 –inputs are unobservable inputs that reflect the Public Utilities Board’s own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

The valuation technique the Public Utilities Board uses to measure fair value is the market approach. This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities, and is applied consistently.

The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2024. Investment balances presented exclude amounts related to money market mutual fund investments and external investment pools accounted for using amortized cost.

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Fair Value Investments				
U.S. Treasury Note	\$ 47,284,207	\$ -	\$ -	\$ 47,284,207
Total fair value investments	\$ 47,284,207	\$ -	\$ -	\$ 47,284,207

	September 30, 2024
U.S. treasury note	\$ 47,284,207
Money market mutual funds	1,031,676
Institutional Insured Liquid Deposits	4,419,526
Local government investment pools	164,197,203
Total investments	\$ 216,932,612

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 4 – RECEIVABLES

Amounts are aggregated into single accounts receivable (net of allowance for uncollectible) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

Receivables:	General	Debt Service	2023 C.O. Fund	2024 C.O. Fund	Nonmajor Other Governmental	Total
Accounts	\$ 15,925,659	\$ -	\$ -	\$ 9,296	\$ 1,637,893	\$ 17,572,848
Property taxes	2,131,638	817,825	-	-	-	2,949,463
Property tax interest and penalties	1,272,242	1,296,668	-	-	-	2,568,910
Due from other funds	6,560,020	40,132	273,333	-	1,164,161	8,037,646
Due from component units	3,281,464	23,454	-	-	1,207,669	4,512,587
Intergovernmental	2,635,092	-	-	-	1,120,981	3,756,073
Gross receivables	31,806,115	2,178,079	273,333	9,296	5,130,704	39,397,527
Less: allowance for uncollectibles	(1,827,008)	(66,537)	-	-	-	(1,893,545)
Net receivables	\$ 29,979,107	\$ 2,111,542	\$ 273,333	\$ 9,296	\$ 5,130,704	\$ 37,503,982

NOTE 5 – NOTES RECEIVABLE

The City provided \$1,500,000 to the Paseo De La Resaca Lighting and Landscaping District through an interlocal agreement to pay a portion of the costs of a drainage improvement project to repair and install bulkheads along the Resaca located within the District. The amount transferred to Paseo was recorded as a note receivable by the City to account for debt service payments due from Paseo.

As of September 30, 2024, the balance of the notes receivable was \$1,478,332. This amount is recorded as an Other Receivable in the Bridge Enterprise Fund in the financial statements.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 6 – CAPITAL ASSETS

Primary Government

The governmental activities capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ 180,395,978	\$ 155,671	\$ -	\$ -	\$ 180,551,649
Construction in Progress	22,973,543	18,323,328	(1,608)	(19,160,748)	22,134,515
Total capital assets, not being depreciated	203,369,521	18,478,999	(1,608)	(19,160,748)	202,686,164
Capital assets, being depreciated:					
Buildings	92,938,636	4,876,408	(872,126)	(289,291)	96,653,627
Improvements other than buildings	31,386,950	2,221,800	(1,522,616)	-	32,086,134
Machinery and equipment	75,628,394	7,966,195	(2,353,444)	(1,410,710)	79,830,435
Infrastructure	504,955,173	9,038,122	-	-	513,993,295
Total capital assets, being depreciated	704,909,153	24,102,525	(4,748,186)	(1,700,001)	722,563,491
Less accumulated depreciation for:					
Buildings	(51,370,743)	(1,559,545)	11,034	-	(52,919,254)
Improvements other than buildings	(18,656,786)	(1,024,879)	283,900	-	(19,397,765)
Machinery and equipment	(56,628,370)	(5,058,637)	2,969,422	(629,180)	(59,346,765)
Infrastructure	(402,543,152)	(9,146,144)	-	-	(411,689,296)
Total accumulated depreciation	(529,199,051)	(16,789,205)	3,264,356	(629,180)	(543,353,080)
Total capital assets, being depreciated, net	175,710,102	7,313,320	(1,483,830)	(2,329,181)	179,210,411
Right-to-use lease assets, being amortized	1,877,568	7,246,501	-	-	9,124,069
Subscription assets, being amortized	2,060,649	3,382,534	(978,360)	-	4,464,823
Total subscription and right-to-use lease assets, being amortized	3,938,217	10,629,035	(978,360)	-	13,588,892
Less accumulated amortization for:					
Right-to-use lease assets	(736,397)	(1,542,657)	-	-	(2,279,054)
Subscription assets	(682,196)	(1,098,495)	723,657	-	(1,057,034)
Total accumulated amortization	(1,418,593)	(2,641,152)	723,657	-	(3,336,088)
Total subscription and right-to-use lease assets, being amortized, net	2,519,624	7,987,883	(254,703)	-	10,252,804
Governmental activities capital assets, net	\$ 381,599,247	\$ 33,780,202	\$ (1,740,141)	\$ (21,489,929)	\$ 392,149,379

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 6 – CAPITAL ASSETS – CONTINUED

Primary Government – Continued

Depreciation and amortization expense was charged to the functions of the primary government as follows:

Governmental activities:	
General government	\$ 3,474,224
Public safety	3,852,251
Public works	9,591,509
Sanitation	417,074
Public health	191,681
Housing assistance programs	4,836
Public assistance	77,828
Culture and recreation	1,719,117
Convention and tourism	4,836
Economic development	97,001
Total depreciation and amortization expense - governmental activities	\$ 19,430,357

The business-type activities capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ 17,179,767	\$ -	\$ -	\$ -	\$ 17,179,767
Construction in progress	5,303,806	7,573,791	-	19,254,880	32,132,477
Total capital assets, not being depreciated	22,483,573	7,573,791	-	19,254,880	49,312,244
Capital assets, being depreciated:					
Buildings	140,995,958	22,659	-	296,409	141,315,026
Improvements other than buildings	32,115,789	44,256	-	112,147	32,272,192
Machinery and equipment	25,100,067	2,486,414	(649,194)	1,140,347	28,077,634
Infrastructure	54,947,753	-	-	729,921	55,677,674
Total capital assets, being depreciated	253,159,567	2,553,329	(649,194)	2,278,824	257,342,526
Less accumulated depreciation for:					
Buildings	(52,686,513)	(2,407,564)	-	-	(55,094,077)
Improvements other than buildings	(16,240,214)	(1,489,409)	-	-	(17,729,623)
Machinery and equipment	(19,261,581)	(1,468,979)	649,194	(43,775)	(20,125,141)
Infrastructure	(40,127,644)	(1,577,247)	-	-	(41,704,891)
Total accumulated depreciation	(128,315,952)	(6,943,199)	649,194	(43,775)	(134,653,732)
Total capital assets, being depreciated, net	124,843,615	(4,389,870)	-	2,235,049	122,688,794
Right-to-use lease assets, being amortized					
	-	199,049	-	-	199,049
Total right-to-use lease assets, being amortized	-	199,049	-	-	199,049
Less accumulated amortization for:					
Right-to-use lease assets	-	(30,964)	-	-	(30,964)
Total accumulated amortization	-	(30,964)	-	-	(30,964)
Total right-to-use lease assets, being amortized, net	-	168,085	-	-	168,085
Business-type activities capital assets, net	\$ 147,327,188	\$ 3,352,006	\$ -	\$ 21,489,929	\$ 172,169,123

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 6 – CAPITAL ASSETS – CONTINUED

Primary Government – Continued

Depreciation expense was charged to the functions of the business-type activities as follows:

Business-type activities:

Airport and Business-Industrial Park	\$	4,127,145
Parking Revenue		79,143
Public Transit		1,768,609
Brownsville Golf Center		60,852
Event Center		70,961
Landfill		847,812
Brownsville Sports Park		19,641
Total depreciation expense - Business-type activities	\$	6,974,163

Component Units

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ 34,813,449	\$ 1,789,358	\$ -	\$ 16,361,861	\$ 52,964,668
Construction in progress	76,755,123	32,793,275	-	(35,475,208)	74,073,190
Total capital assets, not being depreciated	111,568,572	34,582,633	-	(19,113,347)	127,037,858
Capital assets, being depreciated:					
Plant	756,685,408	14,474,378	(12,269,985)	17,079,887	775,969,688
Buildings and structures	138,821,721	29,880	(255,043)	509,710	139,106,268
Improvements other than buildings	47,880,155	-	(69,050)	10,240	47,821,345
Equipment	152,107,058	3,157,706	(1,374,462)	1,513,510	155,403,812
Right-to-use leased equipment	138,667	-	(33,250)	-	105,417
Total capital assets, being depreciated	1,095,633,009	17,661,964	(14,001,790)	19,113,347	1,118,406,530
Less Accumulated depreciation for:					
Plant	(432,687,906)	(19,242,854)	714,844	-	(451,215,916)
Buildings and structures	(45,679,244)	(3,830,932)	88,485	-	(49,421,691)
Improvements other than buildings	(31,426,956)	(630,325)	40,768	-	(32,016,513)
Equipment	(86,256,637)	(6,324,511)	990,286	-	(91,590,862)
Right-to-use leased equipment	(18,719)	(80,417)	33,250	-	(65,886)
Total accumulated depreciation	(596,069,462)	(30,109,039)	1,867,633	-	(624,310,868)
Total capital assets, being depreciated, net	499,563,547	(12,447,075)	(12,134,157)	19,113,347	494,095,662
BPUB's capital assets, net	\$ 611,132,119	\$ 22,135,558	\$ (12,134,157)	\$ -	\$ 621,133,520

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 6 – CAPITAL ASSETS – CONTINUED

Component Units – Continued

The GBIC's capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ 10,807,890	\$ -	\$ (56,500)	\$ -	\$ 10,751,390
Total capital assets, not being depreciated	10,807,890	-	(56,500)	-	10,751,390
Capital assets, being depreciated:					
Improvements other than buildings	3,973,709	-	-	-	3,973,709
Machinery and equipment	50,971	-	-	-	50,971
Total capital assets, being depreciated	4,024,680	-	-	-	4,024,680
Less accumulated depreciation for:					
Improvements other than buildings	(942,359)	(95,717)	-	-	(1,038,076)
Machinery and equipment	(36,106)	(8,493)	-	-	(44,599)
Total accumulated depreciation	(978,465)	(104,210)	-	-	(1,082,675)
Total capital assets, being depreciated, net	3,046,215	(104,210)	-	-	2,942,005
GBIC's capital assets, net	\$ 13,854,105	\$ (104,210)	\$ (56,500)	\$ -	\$ 13,693,395

The BCIC's capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ 1,150,858	\$ -	\$ -	\$ -	\$ 1,150,858
Total capital assets, not being depreciated	1,150,858	-	-	-	1,150,858
Capital assets, being depreciated:					
Buildings	28,534,678	-	-	-	28,534,678
Improvements other than buildings	3,821,237	-	-	-	3,821,237
Machinery and equipment	924,115	-	-	-	924,115
Infrastructure	2,446,488	-	-	-	2,446,488
Total capital assets, being depreciated	35,726,518	-	-	-	35,726,518
Less accumulated depreciation for:					
Buildings	(9,500,414)	(634,476)	-	-	(10,134,890)
Improvements other than buildings	(2,545,666)	(191,038)	-	-	(2,736,704)
Machinery and equipment	(821,479)	(22,577)	-	-	(844,056)
Infrastructure	(1,467,893)	(122,324)	-	-	(1,590,217)
Total accumulated depreciation	(14,335,452)	(970,415)	-	-	(15,305,867)
Total capital assets, being depreciated, net	21,391,066	(970,415)	-	-	20,420,651
BCIC's capital assets, net	\$ 22,541,924	\$ (970,415)	\$ -	\$ -	\$ 21,571,509

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 6 – CAPITAL ASSETS – CONTINUED

Component Units – Continued

The West Morrison PID's capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-	-
Capital assets, being depreciated:					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	-	-	-	-	-
Infrastructure	3,872,412	-	-	-	3,872,412
Total capital assets, being depreciated	3,872,412	-	-	-	3,872,412
Less Accumulated depreciation for:					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	-	-	-	-	-
Infrastructure	(1,516,470)	(193,640)	-	-	(1,710,110)
Total accumulated depreciation	(1,516,470)	(193,640)	-	-	(1,710,110)
Total capital assets, being depreciated, net	2,355,942	(193,640)	-	-	2,162,302
West Morrison PID's capital assets, net	\$ 2,355,942	\$ (193,640)	\$ -	\$ -	\$ 2,162,302

Paseo's capital asset activity for the fiscal year ended September 30, 2024 follows:

	Beginning Balance 10/1/2023	Additions	Deletions	Reclassifications	Ending Balance 9/30/2024
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-	-
Capital assets, being depreciated:					
Buildings and structures	158,016	-	-	-	158,016
Improvements other than buildings	9,585,766	-	-	-	9,585,766
Machinery and equipment	271,778	67,184	-	-	338,962
Total capital assets, being depreciated	10,015,560	67,184	-	-	10,082,744
Less accumulated depreciation for:					
Buildings and structures	(48,010)	(3,513)	-	-	(51,523)
Improvements other than buildings	(3,116,389)	(479,184)	-	-	(3,595,573)
Machinery and equipment	(149,686)	(15,794)	-	-	(165,480)
Total accumulated depreciation	(3,314,085)	(498,491)	-	-	(3,812,576)
Total capital assets, being depreciated, net	6,701,475	(431,307)	-	-	6,270,168
Paseo's capital assets, net	\$ 6,701,475	\$ (431,307)	\$ -	\$ -	\$ 6,270,168

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 7 – SHORT-TERM DEBT

Public Utilities Board of the City of Brownsville, Texas (“BPUB”)

Commercial paper balances and activity as of and for the year ended September 30, 2024 follows:

	Balance Outstanding 10/1/2023	Additions	Deletions	Balanace Outstanding 9/30/2024
Commercial paper	\$ 12,000,000	\$ 18,000,000	\$ -	\$ 30,000,000

The Public Utilities Board issued \$18,000,000 of commercial paper during fiscal year 2024. The commercial paper that was issued in fiscal year 2024 was used to fund approximately \$8.2 million in Electric utility capital projects, \$4.4 million in Water utility capital projects, \$5.1 in Wastewater utility capital projects, and \$0.3 million for the construction and equipping of facilities.

NOTE 8 – LONG-TERM DEBT

Primary Government

a. Governmental Activities

The City issues general obligation bonds, certificates of obligation bonds, and contractual bonds to provide funds for the acquisition and construction of major capital facilities. These issues are direct obligations and pledge the full faith and credit of the City.

On November 1, 2020, the City issued \$9,050,000 Combination Tax and Revenue Certificates of Obligation, Series 2020A. Proceeds from the sale of the Certificates will be used to finance all or a portion of the following projects: (i) acquire land or interests in land for street and drainage improvements at various locations in the City; (ii) construct, improve and/or repair streets, trails, sidewalks and related drainage improvements at various locations in the City (and possibly purchase equipment deemed appropriate to construct and/or repair such improvements; (iii) construct, acquire and equip improvements to the City’s municipal landfill, including the expansion of the City’s landfill gas collection and control system; (iv) acquire vehicles and other equipment for various City departments (including tractors for the City’s Landfill Department, ambulances for the Fire Department, and a Computer Aided Dispatch system for the Police Department); (v) acquire technology infrastructure, equipment and improvements for various City departments; (vi) design the reconstruction of a runway at the Brownsville/South Padre Island International Airport; (vii) construct, acquire and equip a parking garage gate; (viii) replace an elevator at City Hall; and (ix) undertake various capital beautification projects throughout the City; and to pay cost of issuance of the 2020A Certificates.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

a. Governmental Activities – Continued

On July 2, 2021, the City issued \$7,565,000 Combination Tax and Revenue Certificates of Obligation, Series 2021. Proceeds from the sale of the Certificates will be used to finance all or a portion of contractual obligations to be incurred to plan, acquire, construct, and equip drainage improvement projects in the city known generally as the Impala Drain and Upstream Ditches Project and a drainage-related supervisory control and data acquisition (SCADA Project) system, paying all or a portion of the legal, fiscal and engineering fees in connection therewith, and paying costs of issuance.

Advance Refunding:

On November 18, 2020, the City issued \$11,295,000 of General Obligation Refunding Bonds, Series 2020A with interest rates ranging from 3.00% to 5.00%. The proceeds were used to advance refund \$12,320,000 of General Obligation Refunding Bonds, Series 2011A (\$5,175,000), General Obligation Refunding Bonds, Series 2011 (\$3,245,000) and Combination Tax & Revenue Certificates of Obligation, Series 2011 (\$3,900,000) which had interest rates ranging from 3.00% to 3.20%, 4.00% and 3.60% to 4.375%, respectively. The net proceeds of \$12,539,441 (including a \$1,305,100 premium and after payment of \$60,659 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the General Obligation Refunding Bonds, Series 2011A, Series 2011 and the Combination Tax & Revenue Certificates of Obligation, Series 2011 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The advance refunding increased its total debt service payments by \$981,336.33. This resulted in an *economic gain* (difference between the present values of the debt service payments on the old and new debt) of \$819,597.

On November 18, 2020, the City issued \$13,145,000 of General Obligation Refunding Bonds, Series 2020B with an interest rate of 5.00%. The proceeds were used to advance refund \$12,205,000 of Combination Tax and Revenue Certificates of Obligation, Series 2013A (\$7,580,000), Combination Tax and Revenue Certificates of Obligation, Series 2012B (\$570,000), Combination Tax and Revenue Certificates of Obligation, Series 2013A (\$4,055,000) which had interest rates ranging from 3.00% - 4.00%, 3.320% to 4.560% and 3.625% to 4.560%, respectively. The net proceeds of \$13,053,837 (after payment of \$9,973 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2013A, Combination Tax and Revenue Certificates of Obligation Series 2012B and Combination Tax and Revenue Certificates of Obligation, Series 2013A bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The advance refunding reduced its total debt service payments by nearly \$937,191. This resulted in an *economic gain* (difference between the present values of the debt service payments on the old and new debt) of \$774,640.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

a. Governmental Activities – Continued

On June 17, 2021, the City issued \$14,850,000 General Obligation Refunding Bonds, Series 2021 with interest rates ranging from 4.00% to 5.00%. The proceeds were used to advance refund \$16,800,000 of Tax Notes, Taxable Series 2018 (\$16,800,000), which had interest rates ranging from 2.110% to 4.880%. The net proceeds of \$17,090,054 (net of a premium of \$2,341,618 and underwriters' discount of \$101,564) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Tax Notes, Taxable Series 2018 is considered defeased and the liability for the notes has been removed from the statement of net position.

On March 2, 2022, the City issued \$19,655,000 Combination Tax and Revenue Certificates of Obligation, Series 2022. Proceeds from the sale of the Certificates will be used to finance all or a portion of the following projects: construct, improve and/or repair streets, trails, sidewalks and related drainage improvements at various locations in the City, including purchase equipment deemed appropriate to construct and/or repair such improvements; acquire, construct, improve and equip municipal parks and recreational facilities; plan, design, construct, and install flood drainage improvements throughout the City along with related infrastructure; acquire vehicles, heavy equipment and other equipment for various City departments, including the City's Public Works Department, Public Safety Department, Parks Department and Transportation Department; acquire technology infrastructure, equipment and improvements for various City departments; construct, acquire, equip, renovate and improve City buildings; reconstruct a runway at the Brownsville/South Padre Island International Airport; construct, install and acquire additions, extensions and improvements to the City's electric system; and undertake various capital beautification projects throughout the City, and to pay the costs associated with the issuance of the Certificates.

On September 13, 2023, the City issued \$29,460,000 Combination Tax and Revenue Certificates of Obligation, Series 2023. Proceeds from the sale of the Certificates will be used to finance all or a portion of the following projects: construct, improve and/or repair streets, highways, trails, sidewalks and related drainage improvements at various locations in the City, including purchase equipment deemed appropriate to construct and/or repair such improvements; acquire, construct, improve and equip municipal parks and recreational facilities; acquire, construct, improve and equip public safety facilities, and facilities physically attached thereto; plan, design, construct, and install flood drainage improvements throughout the City along with related infrastructure; acquire vehicles, heavy equipment and other equipment for various City departments, including the City's Public Works Department, Public Safety Department, Parks Department and Transportation Department; acquire technology infrastructure, equipment and improvements for various City departments; equip, renovate and improve City buildings and facilities, including historic buildings, and undertake various capital beautification projects throughout the City that constitute designated infrastructure, and to pay legal, fiscal and engineering fees associated to the projects and the costs of issuances related to the Certificates.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

a. Governmental Activities – Continued

On August 15, 2024, the City issued \$23,045,000 Combination Tax and Revenue Certificates of Obligation, Series 2024. Proceeds from the sale of the Certificates will be used to finance all or a portion of the following projects: acquire, construct, improve, expand and equip parks and recreational facilities, including the City-owned zoo; equip, renovate and improve administrative office buildings housing the governmental functions of the City, including the existing City Hall; acquire vehicles, heavy equipment and other equipment for various City departments (including the City's Public Works Department and Multimodal Transportation Department); purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements; and payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance related to the Certificates.

Prior Years' Defeasance of Debt:

In prior years, the City has defeased various bond issues by placing the proceeds of the new bonds in irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2024, the defeased bonds were paid off in full and no amounts remained outstanding.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

a. Governmental Activities – Continued

Bonded debt outstanding at September 30, 2024, is summarized as follows:

	Original Amount	Interest Rates	Outstanding Balance
General Obligation Bonds:			
Refunding, Series 2014	\$ 21,425,000	4.00% - 5.00%	\$ 2,805,000
Refunding, Series 2016	9,620,000	4.00% - 5.00%	4,615,000
Refunding, Series 2016-A	12,285,000	2.00% - 5.00%	4,440,000
Refunding, Series 2017 A&B	5,470,000	5.00%	2,695,000
Refunding, Series 2019-A	9,890,000	5.00%	8,205,000
Refunding, Series 2020-A	11,295,000	3.00% - 5.00%	2,885,000
Refunding, Series 2020-B	13,145,000	5.00%	12,350,000
Refunding, Series 2021	14,850,000	3.00% - 5.00%	13,965,000
Certificates of Obligation Bonds:			
Combination Tax and Revenue, Series 2013-A	8,505,000	1.875% - 4.375%	425,000
Combination Tax and Revenue, Series 2015	8,745,000	3.00% - 5.00%	6,045,000
Combination Tax and Revenue, Series 2016	11,640,000	2.00% - 5.00%	8,095,000
Combination Tax and Revenue, Series 2017	15,320,000	2.00% - 5.00%	13,990,000
Combination Tax and Airport Revenue, Series 2018 (AMT)	23,725,000	2.00% - 5.00%	20,660,000
Combination Tax and Revenue, Series 2019	5,960,000	3.00% - 5.00%	4,965,000
Combination Tax and Revenue, Series 2020	6,975,000	0.00%	5,575,000
Combination Tax and Revenue, Series 2020A	9,050,000	4.00% - 5.00%	7,825,000
Combination Tax and Revenue, Series 2021	7,565,000	0.00%	6,428,000
Combination Tax and Revenue, Series 2022	19,655,000	4.00% - 5.00%	18,085,000
Combination Tax and Revenue, Series 2023	29,460,000	4.00% - 5.00%	26,665,000
Combination Tax and Revenue, Series 2024	23,045,000	4.00% - 5.00%	23,045,000
Contractual Obligation Bonds:			
Contractual Obligation, 2017 TX Public Property Finance	4,720,000	4.00%	2,830,000
Subtotal			196,593,000
Plus: Unamortized premiums			16,387,635
Subtotal			212,980,635
Less: Current maturities			(18,544,000)
Total Long-term Bonded Debt			\$ 194,436,635

All general obligation bonded debt is considered to be a net direct tax supported debt.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

a. Governmental Activities – Continued

Notes Payable:

Changes in long-term obligations for the fiscal year ended September 30, 2024, were as follows:

	Balance Outstanding 10/1/2023	Additions	Deletions	Balance Outstanding 9/30/2024	Due Within Year
Bonds Payable:					
General Obligation Bonds	\$ 62,275,000	\$ -	\$ (10,315,000)	\$ 51,960,000	\$ 7,815,000
Certificates of Obligation Bonds	125,502,000	23,045,000	(6,744,000)	141,803,000	10,424,000
Contractual Obligation Bonds	3,125,000	-	(295,000)	2,830,000	305,000
Plus: Unamortized Premium	16,673,345	1,348,837	(1,634,547)	16,387,635	-
Total Bonds Payable	207,575,345	24,393,837	(18,988,547)	212,980,635	18,544,000
Accrued Compensated Absences	13,315,526	5,375,286	(4,722,045)	13,968,767	4,391,502
Lease Liabilities	1,157,873	7,246,501	(1,472,979)	6,931,395	1,581,309
Subscription Liabilities	1,289,612	3,382,533	(1,726,412)	2,945,733	1,127,712
Net Pension Liability	61,997,550	-	(17,329,407)	44,668,143	21,263,619
Total/Net OPEB Liability	34,148,465	-	(543,439)	33,605,026	1,921,415
Total Long-term Liabilities	\$ 319,484,371	\$ 40,398,157	\$ (44,782,829)	\$ 315,099,699	\$ 48,829,557

Internal service funds predominantly serve the governmental funds. Accordingly, Internal Service Funds' long-term liabilities are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, pension and OPEB liabilities, and compensated absences are generally liquidated by the general fund.

Principal and interest amounts due for each of the next five years and thereafter to maturity are:

Year Ending September 30,	Bonded Debt	
	Principal	Interest
2025	\$ 18,544,000	\$ 7,500,579
2026	15,038,000	6,913,971
2027	14,033,000	6,318,798
2028	13,033,000	5,761,974
2029	11,523,000	5,259,698
2030 - 2034	49,635,000	20,025,443
2035 - 2039	44,900,000	10,381,856
2040 - 2044	29,887,000	2,501,194
Total	\$ 196,593,000	\$ 64,663,513

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

b. Business-type Activities

Changes in long-term obligations for the fiscal year ended September 30, 2024, were as follows:

	Balance Outstanding 10/1/2023	Additions	Deletions	Balance Outstanding 9/30/2024	Due Within Year
Accrued Compensated Absences	\$ 1,023,166	\$ 911,165	\$ (588,958)	\$ 1,345,373	\$ 547,732
Landfill Closure and Post-closure Care	13,321,166	319,708	-	13,640,874	-
Lease Liabilities	-	199,049	(67,647)	131,402	64,934
Net Pension Liability	9,838,329	-	(2,375,614)	7,462,715	2,914,940
Total/Net OPEB Liability	4,427,592	-	(52,941)	4,374,651	214,314
Total Long-term Debt	\$ 28,610,253	\$ 1,429,922	\$ (3,085,160)	\$ 26,955,015	\$ 3,741,920

Component Units

Public Utilities Board of the City of Brownsville, Texas (“BPUB”)

Changes in long-term obligations for the fiscal year ended September 30, 2024, were as follows:

Component Unit (BPUB)

	Balance Outstanding 10/1/2023	Additions	Deletions	Balance Outstanding 9/30/2024	Due Within Year
Bonds Payable:					
Revenue Bonds	\$ 284,765,000	\$ -	\$ (18,675,000)	\$ 266,090,000	\$ 19,210,000
Direct Placement Bonds	6,880,000	-	(575,000)	6,305,000	585,000
Plus: Unamortized Premium	31,271,530	-	(3,425,654)	27,845,876	-
Less: Unamortized Discount	(1,735,122)	-	155,194	(1,579,928)	-
Total Bonds Payable	321,181,408	-	(22,520,460)	298,660,948	19,795,000
Net Pension Liability	42,497,643	-	(6,409,043)	36,088,600	-
OPEB Liability (SDB)	1,628,667	156,107	-	1,784,774	-
OPEB Asset (RHC)	(602,950)	(1,104,050)	-	(1,707,000)	-
Self Insurance Worker's Comp Claims	225,485	306,064	(358,251)	173,298	41,510
	43,748,845	(641,879)	(6,767,294)	36,339,672	41,510
*Less OPEB Asset (RHC)	602,950	1,104,050	-	1,707,000	-
Total Long-term Debt	\$ 365,533,203	\$ 462,171	\$ (29,287,754)	\$ 336,707,620	\$ 19,836,510

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

Component Units – Continued

Public Utilities Board of the City of Brownsville, Texas (“BPUB”) – Continued

Debt outstanding at September 30, 2024, is summarized as follows:

Revenue Bonds:	Original Amount	Interest Rates	Outstanding Balance
Utilities System Improvements & Refunding, Series 2005A	\$ 163,725,000	3.50% - 5.00%	\$ 100,000
Refunding, Series 2008	77,805,000	4.00% - 5.00%	100,000
Series 2009A	9,295,000	0.00%	4,645,000
Series 2009B	3,795,000	0.1% - 4.25%	1,250,000
Utilities System Junior Lien, Series 2012	840,000	.27% - 4.00%	410,000
Refunding, Series 2012	13,530,000	3.00% - 5.00%	3,730,000
Refunding, Series 2013	118,185,000	2.00% - 4.00%	18,715,000
Refunding, Series 2015	94,770,000	4.00% - 5.00%	45,335,000
Refunding, Series 2016	39,410,000	5.00%	21,310,000
Refunding, Series 2017	9,255,000	4.125% - 5.500%	8,320,000
Refunding, Series 2018	14,000,000	4.00% - 5.00%	5,555,000
Refunding, Series 2020	53,590,000	2.00% - 5.00%	52,175,000
Refunding, Series 2020A	62,320,000	2.00% - 5.00%	57,980,000
Refunding, Series 2022	17,165,000	4.00% - 5.00%	17,165,000
Refunding, Series 2022A	35,605,000	4.406% - 5.006%	35,605,000
	Subtotal		272,395,000
	Plus: Unamortized premiums		27,845,876
	Less: Unamortized discounts		(1,579,928)
	Subtotal		298,660,948
	Less: Current maturities		(19,795,000)
	Total Long-term Bonded Debt		\$ 278,865,948

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

Component Units – Continued

Public Utilities Board of the City of Brownsville, Texas (“BPUB”) – Continued

Principal and interest amounts due for each of the next five years and thereafter to maturity are:

Year Ending September 30,	Revenue Bonds		Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 19,210,000	\$ 10,071,458	\$ 585,000	\$ 65,699
2026	20,185,000	9,165,783	595,000	55,086
2027	20,960,000	8,372,933	610,000	43,811
2028	21,845,000	7,680,933	620,000	31,691
2029	22,505,000	7,024,235	630,000	18,996
2030-2034	81,105,000	24,684,027	1,720,000	11,931
2035-2039	38,350,000	12,127,372	1,545,000	-
2040-2044	18,855,000	6,888,856	-	-
2045-2049	18,015,000	2,971,863	-	-
2050-2051	5,060,000	267,950	-	-
Total	\$ 266,090,000	\$ 89,255,410	\$ 6,305,000	\$ 227,214

Prior Years’ Defeasance of Debt

In prior years, the Public Utilities Board has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or it matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from long-term debt. As of September 30, 2024 the amount of defeased debt outstanding but removed from long-term debt amounted to \$54,480,000.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

Paseo de la Resaca Landscaping and Lighting Maintenance District (“Paseo”)

Changes in long-term obligations for the fiscal year ended September 30, 2024 were as follows:

	Balance Outstanding 10/1/2023	Additions	Deletions	Balance Outstanding 9/30/2024	Due Within Year
Note Payable	\$ 1,500,000	\$ -	\$ 21,668	\$ 1,478,332	\$ 61,971

On December 14, 2021, Paseo borrowed \$1,500,000 from the City of Brownsville. The proceeds of the loan were used to finance a portion of the cost of a drainage improvement project. The interest rate is 2.46% and the note matures on March 1, 2042. At September 30, 2024, the balance of the note payable was \$1,478,332.

The annual requirements to retire long-term debt outstanding at September 30, 2024 is as follows:

Year Ending September 30,	Notes Payable	
	Principal	Interest
2025	\$ 61,971	\$ 36,367
2026	63,496	34,842
2027	65,057	33,281
2028	66,658	31,680
2029	68,298	30,040
2030-2034	367,532	124,158
2035-2039	415,018	76,672
2040-2044	370,302	23,050
Total	\$ 1,478,332	\$ 390,090

Brownsville Community Improvement Corporation (“BCIC”)

Changes in long-term obligations for the fiscal year ended September 30, 2024 were as follows:

	Balance Outstanding 10/1/2023	Additions	Deletions	Balance Outstanding 9/30/2024	Due Within Year
Bonds Payable:					
Sales Tax Revenue Bonds	\$ 3,115,000	\$ -	\$ (3,115,000)	\$ -	\$ -
Plus: Unamortized Premium	267,080	-	(267,080)	-	-
Total Bonds Payable	\$ 3,382,080	\$ -	\$ (3,382,080)	\$ -	\$ -

Defeasance of Debt

In January 2024, the BCIC transferred \$3,246,732 of existing resources to extinguish the Series 2010, Series 2012, and Series 2016 Bonds. This defeasance and redemption of standing obligations was authorized by the Board on November 2023 in order to reduce the BCIC’s outstanding debt. The defeasance funded with existing resources resulted in an overall gain of \$187,746.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 8 – LONG-TERM DEBT – CONTINUED

Leases – Lessee

The City has entered into lease agreements to obtain the right-to-use vehicles for its Fleet and Facilities services, as well as right-to-use golf carts for its Golf Center. The total annual payments for the vehicles and golf carts that the City paid for the fiscal year ended September 30, 2024 was \$1,720,996. The leases have interest rates between 0.33% and 2.36% and have maturity dates from October 7, 2024 through August 31, 2029. Monthly payment amounts are \$137,746 for the vehicles.

The following is a schedule of minimum future lease payments from governmental activities lease agreements as of September 30:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2025	\$ 1,581,309	\$ 143,978	\$ 1,725,287
2026	1,589,116	107,498	1,696,614
2027	1,626,445	70,169	1,696,614
2028	1,634,120	32,011	1,666,131
2029	500,405	3,001	503,406
Total	\$ 6,931,395	\$ 356,657	\$ 7,288,052

The following is a schedule of minimum future lease payments from business-type activities lease agreements as of September 30:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2025	\$ 64,934	\$ 3,105	\$ 68,039
2026	66,468	1,571	68,039
Total	\$ 131,402	\$ 4,676	\$ 136,078

Subscription-Based Information Technology Arrangements

The City has seven software arrangements that require recognition under GASBC Section S:80, *Subscription-Based Information Technology Arrangements (SBITAs)*. The City recognizes a subscription liability and an intangible right-to-use subscription asset for the City's cloud-based voice platform, cybersecurity, office suite, court management, and crime/case management software. The subscriptions have interest rates between 2.68% and 3.74%.

The following is a schedule of minimum future payments from SBITAs for governmental activities (including internal service funds) as of September 30

For the years ending September 30,	Principal Payments	Interest Expense	Total
2025	\$ 1,127,712	\$ 102,450	\$ 1,230,162
2026	906,692	62,597	969,289
2027	541,352	31,129	572,481
2028	369,977	12,991	382,968
Total	\$ 2,945,733	\$ 209,167	\$ 3,154,900

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN

The City and the Public Utilities Board of the City of Brownsville, Texas (a component unit of the City of Brownsville, Texas) (“BPUB”) have pension plans covering substantially all of their employees.

a. Plan Description

The City of Brownsville, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). The BPUB participates in a similar but separate pension plan also administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

All eligible employees of the City and BPUB are required to participate in TMRS.

b. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City and the BPUB, within the options available in the state statutes governing TMRS.

Plan provisions for the City and BPUB are as follows:

City of Brownsville, Texas

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 20 years/any age
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating

BPUB

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 20 years/any age
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

b. Benefits Provided - Continued

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City and BPUB granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City and BPUB can grant, as often as annually, another type of monetary credit referred to as an Updated Service Credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	City	BPUB
Active employees	1,139	588
Inactive employees or beneficiaries currently receiving benefits	790	358
Inactive employees entitled to but not yet receiving benefits	506	159
Total employees covered by benefit terms	2,435	1,105

c. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the entity matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the entity. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.10% and 17.14% for calendar years 2024 and 2023, respectively. The City's contributions to TMRS in the fiscal year ended September 30, 2024, were \$13,697,146 and were equal to the required contributions.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

c. Contributions - Continued

Employees of the Public Utilities Board were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Public Utilities Board were 18.35% and 17.24% for calendar years 2024 and 2023, respectively. The Public Utilities Board's contributions to TMRS in the fiscal year ended September 30, 2024, were \$7,370,069 and equaled the required contributions.

d. Net Pension Liability

The City's and BPUB's Net Pension Liability (NPL) was measured as of December 31, 2023, and Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2001 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

d. Net Pension Liability – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Assets Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

d. Net Pension Liability – Continued

The City's and BPUB's changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
City of Brownsville, Texas			
Balance at 12/31/2022	\$ 465,603,351	\$ 393,767,472	\$ 71,835,879
Changes for the year:			
Service Cost	12,758,529	-	12,758,529
Interest	31,120,104	-	31,120,104
Change of benefit terms	-	-	-
Difference between expected and actual experience	860,085	-	860,085
Changes in assumptions	(1,910,361)	-	(1,910,361)
Contributions - employer	-	12,251,047	(12,251,047)
Contributions - employee	-	5,003,345	(5,003,345)
Net investment income	-	45,570,944	(45,570,944)
Benefit payments, including refunds of employee contributions	(21,888,067)	(21,888,067)	-
Administrative expense	-	(289,932)	289,932
Other changes	-	(2,026)	2,026
Net Changes	20,940,290	40,645,311	(19,705,021)
Balance at 12/31/2023	\$ 486,543,641	\$ 434,412,783	\$ 52,130,858

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
BPUB			
Balance at 12/31/2022	\$ 231,442,503	\$ 188,944,860	\$ 42,497,643
Changes for the year:			
Service Cost	6,500,521	-	6,500,521
Interest	15,511,174	-	15,511,174
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,517,540	-	3,517,540
Changes in assumptions	(1,126,443)	-	(1,126,443)
Contributions - employer	-	6,455,585	(6,455,585)
Contributions - employee	-	2,621,178	(2,621,178)
Net investment income	-	21,875,163	(21,875,163)
Benefit payments, including refunds of employee contributions	(9,795,191)	(9,795,191)	-
Administrative expense	-	(139,121)	139,121
Other changes	-	(970)	970
Net Changes	14,607,601	21,016,644	(6,409,043)
Balance at 12/31/2023	\$ 246,050,104	\$ 209,961,504	\$ 36,088,600

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

d. *Net Pension Liability* – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and BPUB, calculated using the discount rate of 6.75%, as well as what the City's and BPUB's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

City of Brownsville, Texas

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 120,061,952	\$ 52,130,858	\$ (3,807,690)

BPUB

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 70,060,085	\$ 36,088,600	\$ 8,061,706

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

e. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2024, the City and BPUB recognized pension expense of \$10,683,333 and \$6,519,475, respectively.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Brownsville, Texas	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,126,950	\$ 637,940
Changes in actuarial assumptions	-	1,539,374
Differences between projected and actual investment earnings	36,459,174	25,478,712
Contributions subsequent to the measurement date	10,556,858	-
Total	\$ 54,142,982	\$ 27,656,026

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 9 – TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN – CONTINUED

- e. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

The \$10,556,858 amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30:	Net deferred outflows (inflows) of resources:
2025	\$ 4,396,887
2026	5,468,246
2027	9,791,416
2028	(3,726,451)
2029	-
Thereafter	-
Total	\$ 15,930,098

At September 30, 2024, the BPUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
BPUB		
Differences between expected and actual economic experience	\$ 5,527,357	\$ 473,252
Changes in actuarial assumptions	42,431	921,262
Differences between projected and actual investment earnings (net)	5,107,570	-
Contributions subsequent to the measurement date	5,643,445	-
Total	\$ 16,320,803	\$ 1,394,514

The \$5,643,445 amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30:	Net deferred outflows (inflows) of resources:
2025	\$ 2,345,747
2026	2,622,034
2027	5,104,804
2028	(1,003,153)
2029	213,412
Thereafter	-
Total	\$ 9,282,844

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the City of Brownsville and the Public Utilities Board provide post-retirement health care benefits and supplemental death benefits to its employees.

City of Brownsville, Texas

Retiree Health Care Plan

Plan Description

The City of Brownsville, Texas provides postemployment medical benefits (OPEB) for eligible retirees through a single-employer, defined benefit health insurance plan, which covers both active and retired members. Any employee of the City who is eligible for retirement under the provisions of the Texas Municipal Retirement System and who has 20 years of service with the City is eligible to continue their health care in retirement. For disability retirement eligibility, a retiree must meet TMRS disability retirement eligibility and have at least 1 year of service with the City.

The authority for establishing or amending the plan's provisions and contribution requirements lies with City management and the City Commission.

Plan Membership

As of September 30, 2024 the plan membership data is as follows:

Inactive plan members or beneficiaries currently receiving benefits	149
Active plan members	1,031
Total plan members	1,180

Health Care Benefit Provided by the Plan

Non-Collective Bargaining Retiree: Employees who voluntarily elect to retire pursuant to TMRS requirements, and are qualified retirees under the plan, may exercise one of the following two options at the time of retirement:

1. The employee and the employer shall each pay 50% of the full premium for single coverage from the date of retirement through the date on which the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.
2. The employee shall continue to participate in the plan, contingent upon payment of the full premium. Then, upon attaining 55 years of age, the City shall pay the full premium for single coverage until the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Health Care Benefit Provided by the Plan – Continued

Fire Collective Bargaining Retiree: As per Article 24 (Section 4) of Brownsville BFFA# 970 CBA: Retirees from the fire bargaining unit shall be afforded the same medical care benefits as are afforded to City civilian personnel at any given time. The options available to firefighter retirees regarding payment of premiums shall be the same as those available to civilian retirees (see paragraph below).

Employees who voluntarily elect to retire pursuant to TMRS requirements, and are qualified retirees under the plan, may exercise one of the following two options at the time of retirement:

1. The employee and the employer shall each pay 50% of the full premium for single coverage from the date of retirement through the date on which the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.
2. The employee shall continue to participate in the plan, contingent upon payment of the full premium. Then, upon attaining 55 years of age, the City shall pay the full premium for single coverage until the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.

Please note, however, that for personnel who at the time of ratification of CBA Agreement ratified on December 31, 2011, were at least 46 years of age, the City will pay the full premium at age 50 as specified in the prior CBA between the parties. For all other retirees, the payment of premium provisions shall be the same as for civilian retirees (age 55).

Police Collective Bargaining Retiree: Employees who voluntarily elect to retire pursuant to TMRS requirements and are qualified retirees under the plan, may exercise one of the following two options at the time of retirement:

1. The employee and the employer shall each pay 50% of the full premium for single coverage from the date of retirement through the date on which the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.
2. The employee shall continue to participate in the plan, contingent upon payment of the full premium. Then, upon attaining 50 years of age, the City shall pay the full premium for single coverage until the employee reaches age 65, or upon enrollment in an alternative primary group health insurance program through another employer, whichever occurs first.

Incentive Retirees: For individuals who retired under 2001 Early Retirement Incentive Program, the City will pay for health insurance premiums necessary to provide coverage for the retiree and one eligible dependent who is enrolled and on record under the City's group medical plan on the retiree's retirement date. All coverage will lapse at such time as the retiree becomes 65 years of age, dies, or elects to receive coverage from another source, whichever occurs first.

Dependent Eligibility under any of the Options Above: Dependent children are eligible to stay under the retiree's coverage until they attain 26 years of age. Dependent spouse is eligible to stay under retiree's coverage as long as the retiree participates in the plan.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Vested Benefit at Termination

Employees terminating before normal retirement or disability retirement are not eligible for retiree health care.

Dental/Vision Coverage

Dental/vision coverage is not offered to retirees.

Death-In-Service Health Benefits

Surviving spouses and dependents of deceased employees may continue in the medical plan for up to 36 months through COBRA.

Retiree Premiums

Retirees who do not meet the minimum age criteria on any of the options above are required to pay the full monthly cost for single and dependent coverage.

For qualified retirees, the City pays for the retiree only cost (at age 50 or 55). Therefore, the retiree is responsible to cover the difference to meet the total costs of each respective plan.

Retiree premiums effective January 1, 2023:

All Civil & Non-Civil Service Retirees - Health (Monthly Rates)			
Retiree Only	Retiree & Child(ren)	Retiree & Spouse	Retiree & Family
\$450	\$935	\$935	\$935

Police Civil Service Retirees - Health (Monthly Rates)			
Retiree Only	Retiree & Child(ren)	Retiree & Spouse	Retiree & Family
\$450	\$935	\$935	\$935

All Fire & Non-Civil Service Retirees - Health (Monthly Rates)			
Retiree Only	Retiree & Child(ren)	Retiree & Spouse	Retiree & Family
\$1,207	\$2,124	\$2,450	\$3,560

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability

Actuarial Methods and Assumptions

The City's net OPEB liability of approximately \$34.4 million was determined by an actuarial valuation as of December 31, 2023. The following actuarial methods and assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial cost method	Individual Entry-Age Normal
Discount rate	4.44% as of December 31, 2023
Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2022 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Healthcare cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	95% for retirees that are eligible for free single coverage; 0% for retirees that are not eligible for free single coverage.
Notes	The discount rate changed from 4.46% as of December 31, 2022 to 4.44% as of December 31, 2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS experience study.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability – Continued

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.00%; the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 4.44%.

Changes in the Net OPEB Liability

The following presents a summary of the changes in net OPEB liability:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance, December 31, 2022	\$ 36,787,966	\$ 1,495,052	\$ 35,292,914
Changes for the year:			
Service Cost	1,092,106	-	1,092,106
Interest on the total OPEB liability	1,627,560	-	1,627,560
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(593,173)	-	(593,173)
Changes of assumptions	(581,160)	-	(581,160)
Employer contributions	-	2,183,281	(2,183,281)
Net investment income	-	249,088	(249,088)
Benefit payments	(1,683,281)	(1,683,281)	-
Administrative expense	-	-	-
Net change	(137,948)	749,088	(887,036)
Balance, December 31, 2023	\$ 36,650,018	\$ 2,244,140	\$ 34,405,878

Changes of assumptions reflect a change in the discount rate from 4.46% as of December 31, 2022 to 4.44% as of December 31, 2023, updated TMRS demographic and salary increase assumptions and updates to the health care trend assumption.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease 3.44%	Current Discount Rate Assumption 4.44%	1% Increase 5.44%
Net OPEB Liability	\$ 37,009,430	\$ 34,405,878	\$ 31,985,945

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability – Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

		1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	\$	31,065,439	\$ 34,405,878	\$ 38,228,578

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$1,140,274. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 171,178	\$ 9,409,257
Changes in assumptions	3,825,219	2,956,050
Difference between expected and actual experience, asset	20,557	-
Contributions subsequent to the measurement date	1,355,751	-
Total	\$ 5,372,705	\$ 12,365,307

The \$1,355,751 of deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred Outflows/(Inflows)
2025	\$ (1,474,685)
2026	(1,463,586)
2027	(1,531,897)
2028	(1,345,032)
2029	(1,379,107)
Thereafter	(1,154,046)
Total	\$ (8,348,353)

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Supplemental Death Benefit

Plan Description and Benefits

The City also participates in a single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the TMRS. This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both active and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members, including retirees. As the SDBF plan includes coverage for both active and retired members, and assets are commingled for the payment of such benefits, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75).

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit amount for retirees is considered an other post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

Plan Membership

As of September 30, 2024 the plan membership data is as follows:

Inactive plan members currently receiving benefits	639
Inactive plan members entitled to but not yet receiving benefits	113
Active plan members	1,139
Total plan members	1,891

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees of the City were required to contribute 0.16% and 0.15% of their annual gross earnings in calendar year 2024 and 2023, respectively. The contribution rates for the City were 0.34% and 0.33% in calendar year 2024 and 2023, respectively. The City's contributions to the TMRS SDBF for the year ended September 30, 2024 was \$258,766 and was equal to the required contributions.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial cost method	Entry-age Normal
Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation
Discount rate	3.77% as of December 31, 2023
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation.

Discount Rate

No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied. The discount rate used to measure the total OPEB liability was 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate changed from the prior measurement date. The discount rate was 3.77% for the December 31, 2023 measurement date.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability – Continued

Changes in the Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date. The following presents a summary of the changes in total OPEB liability:

Balance, December 31, 2022	\$	3,283,143
Changes for the year:		
Service Cost		100,067
Interest on the total OPEB liability		132,823
Changes in benefit terms		-
Difference between expected and actual experience of the total OPEB liability		(9,490)
Changes of assumptions		174,471
Benefit payments		(107,215)
Net change in total OPEB liability		290,656
Balance, December 31, 2023	\$	3,573,799

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease 2.77%	Current Discount Rate Assumption 3.77%	1% Increase 4.77%
Total OPEB Liability \$	4,266,571	\$ 3,573,799	\$ 3,030,244

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$163,980. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,848	\$ 94,477
Changes in assumptions	653,035	1,198,327
Contributions subsequent to the measurement date	198,306	-
Total	\$ 872,189	\$ 1,292,804

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
– Continued

The \$198,306 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred Outflows/(Inflows)
2025	\$ (93,701)
2026	(73,214)
2027	(140,970)
2028	(214,775)
2029	(102,350)
Thereafter	6,089
Total	\$ (618,921)

The following is a summary of certain OPEB account balances as of September 30, 2024:

	Total/Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
GOVERNMENTAL ACTIVITIES				
Retiree Health Care Plan	\$ 30,358,585	\$ 4,772,259	\$ 11,149,127	\$ 1,221,276
Supplemental Death Benefits Plan	3,246,441	549,191	1,001,196	144,245
	33,605,026	5,321,450	12,150,323	1,365,521
BUSINESS-TYPE ACTIVITIES				
Retiree Health Care Plan	4,047,294	600,448	1,216,178	134,475
Supplemental Death Benefits Plan	327,357	75,245	137,173	19,735
	4,374,651	675,693	1,353,351	154,210
Totals	\$ 37,979,677	\$ 5,997,143	\$ 13,503,674	\$ 1,519,731

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Public Utilities Board of the City of Brownsville, Texas

Post-Retirement Health Care Benefits

a. Plan Description and Benefits Provided

The Public Utilities Board provides post-retirement health care benefits for employees retiring and receiving annuities from the Texas Municipal Retirement System, through a single-employer plan, who are (1) at least age 60 and have completed 10 consecutive years of active service with the Public Utilities Board immediately prior to retirement, (2) at least age 55 and have completed 25 consecutive years of active service with the Public Utilities Board immediately prior to retirement, or (3) at any age having completed 30 consecutive years of active service with the Public Utilities Board immediately prior to retirement. Prior to age 65, the Public Utilities Board will pay 100% of the cost of the Group Health Insurance Program for the retirees. Spouses and dependents are also eligible for coverage, but the retiree must pay the premiums. No coverage is available after the retiree reaches age 65, including coverage for spouses and dependents. The above eligibility and coverage requirements do not apply to retirees that retired under Retiree Package I (1999) and Retiree Package II (2005). The Retiree Package I plan results from a special offer made in fiscal year 1999 to all employees with 25 years or more of credited service or eligible for retirement under TMRS guidelines who elected to voluntarily resign or retire during the offer period. The plan provides coverage for the employees and the employees' dependent (spouse) under the Public Utilities Board's group medical plan until such time as the employee becomes 65 years of age, dies or elects to receive coverage from another source. Under Retiree Package I, 34 retirees met these eligibility requirements. The Retiree Package II plan provides post-retirement benefits to all employees who retire from the Public Utilities Board after attaining 10 years of service and 60 years of age, 25 years of service and 55 years of age or 30 years of service regardless of age. Under the Retiree Package II plan, retirees may pay to provide spousal and dependent coverage.

Under Retiree Package II, 24 retirees met these eligibility requirements. The Public Utilities Board provides 100% of the cost of retirees to participate in this plan. Expenses for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported. Expenses related to provision of these post-employment benefits cannot be reasonably estimated. The OPEB plan benefits are established and may be amended by the Public Utilities Board's Board of Directors.

The following tables presents information about the participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the total OPEB liability, as of the measurement date for fiscal year ended September 30, 2024, were:

Active participants	593
Retirees	46
Spouses of retirees	15
Total plan members	654

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

b. Contributions

Prior to May 2023, The Public Utilities Board did not pre-fund benefits. The funding policy was to pay benefits directly from general assets on a pay-as-you-go basis, and there was not a trust for accumulating plan assets.

In February 2023, the Public Utilities Board of Directors passed a resolution approving the adoption of the Public Agencies Post-Retirement Health Care Plan Trust (Trust) administered by Public Agency Retirement Services (PARS). The Public Utilities Board appointed the Chief Financial Officer as Administrator of the Trust, and as such, established the authority to act in all matters relating to the Trust.

In fiscal year 2023, the Public Utilities Board made an initial contribution of \$13,306,413 to fund the Trust. Contributions are not required from plan members. The Public Utilities Board reserves the right to make contributions, if any, to the Trust. Administrative costs of the Trust are financed through investment earnings. Benefits are paid directly to the insurance provider.

The PARS does issue a publicly available financial report for the fiduciary net position that is available upon request. The Trust itself does not issue a separate financial report.

c. Actuarial Methods and Assumptions

Valuation Timing – The valuation was performed October 1, 2023, with a measurement date at September 30, 2024.

Unless specifically noted in the categories below, all methods and assumption were in effect as of September 30, 2024.

Actuarial Cost Method – The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under this method a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his projected retirement benefit. The normal cost for the plan is the total of the individually computed normal costs for all participants including the costs for any death or disability benefits under the plan.

The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income, the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. The unfunded accrued liability for the plan is the excess of the accrued liability over the assets which have been accumulated for the plan. It should be noted that the accrued liability as of any date is not the actuarially computed present value of accrued or accumulated plan benefits as of that date. The accrued liability is the portion of the ultimate cost assigned to prior years by the cost method being used.

Inflation – Inflation is calculated as 2.30% per annum, compounded annually.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

c. Actuarial Methods and Assumptions – Continued

Salary Increases – Salary increases calculated vary by service.

Discount Rate – The discount rate is based on the Bond Buyer’s 20-year General Obligation Index immediately prior to or coincident with the measurement date. At September 30, 2024, the discount rate was 6.86% per annum, compounded annually.

Administrative Expenses – Administrative expenses are included in claims cost.

Coverage Assumption – One hundred percent of members are assumed to elect coverage at retirement.

Mortality – The Mortality table used was the pub-2010 Mortality (headcount weighted) for Employees, Healthy Annuitants, and Contingent Annuitants projected forward (fully generational) with MP-2021 as of September 30, 2024.

d. Net OPEB Asset and Total OPEB Liability

The Public Utilities Board’s total OPEB liability and net OPEB asset at September 30, 2024, was determined by an actuarial valuation as of September 30, 2024. It was calculated based on the discount rate below and actuarial assumptions described previously, and was then projected forward to the measurement date of September 30, 2024. Any significant changes during this period have been reflected as prescribed by GASB 75.

The following presents a summary of the changes in total OPEB liability and net OPEB asset:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Total OPEB Liability - beginning of year	\$ 12,591,573	\$ 13,194,523	\$ (602,950)
Changes for the year:			
Service Cost	484,332	-	484,332
Interest on total OPEB Liability	828,533	-	828,533
Effect of economic / demographic gains or losses	2,329,708	-	2,329,708
Effect of assumptions changes or inputs	(1,092,334)	-	(1,092,334)
Benefit payments	(906,025)	(294,001)	(612,024)
Employer contributions	-	-	-
Net investment income	-	3,042,265	(3,042,265)
Total OPEB Liability - end of year	\$ 14,235,787	\$ 15,942,787	\$ (1,707,000)

The Public Utilities Board recognized OPEB income of \$1,408,967 in OPEB income for the year ended September 30, 2024.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

e. Sensitivity Analysis

The following presents the total OPEB liability of the Public Utilities Board, calculated using the discount rate of 6.86%, as well as what the Public Utilities Board's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.86%) or 1-percentage-point higher (7.86%) than the current rate:

	1% Decrease 5.86%	Current Discount Rate Assumption 6.86%	1% Increase 7.86%
Total OPEB liability	\$ 15,405,675	\$ 14,235,787	\$ 13,183,923
Fiduciary net position	\$ 15,942,787	\$ 15,942,787	\$ 15,942,787
Net OPEB liability (asset)	\$ (537,112)	\$ (1,707,000)	\$ (2,758,864)

The following presents the total OPEB liability of the Public Utilities Board, calculated using the current healthcare cost trend rates, as well as what the Public Utilities Board's total liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 12,934,253	\$ 14,235,787	\$ 15,731,076
Fiduciary net position	\$ 15,942,787	\$ 15,942,787	\$ 15,942,787
Net OPEB liability (asset)	\$ (3,008,534)	\$ (1,707,000)	\$ (211,711)

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

f. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Public Utilities Board as of September 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,343,143	\$ 3,780,152
Changes in assumptions	786,836	6,310,721
Contributions subsequent to the measurement date	-	-
Investment (gains)/losses	-	1,392,786
Total	\$ 3,129,979	\$ 11,483,659

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30,	Net deferred outflows (inflows) of resources:
2025	\$ (1,826,605)
2026	(2,143,601)
2027	(1,925,118)
2028	(1,654,518)
2029	(678,265)
Thereafter	(125,573)
Total	\$ (8,353,680)

Supplemental Death Benefit Plan

a. Plan Description

The Public Utilities Board also participates in a single-employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the TMRS. This is a voluntary program in which the Public Utilities Board elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Public Utilities Board may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employees' annual salary (calculated based on the employees' actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit," or OPEB, and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

a. Plan Description – Continued

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	588
Inactive employees currently receiving benefits	282
Inactive employees entitled to but not yet receiving benefits	78
Total Plan Participants	948

b. Contributions

The Public Utilities Board contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of Contribution (Rate)
2024	0.38%	0.16%

c. Actuarial Cost Method and Assumptions

Actuarial information under this plan is:

Valuation Date	12/31/2023
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate*	3.77%
Retirees; share of benefit-related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disable retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence to account for future mortality improvements subject to the floor. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

c. *Actuarial Cost Method and Assumptions* – Continued

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation.

d. *Total OPEB Liability*

The Public Utilities Board's total OPEB liability as of September 30, 2024, was determined by an actuarial valuation and measurement date as of December 31, 2023. The following presents a summary of the changes in total OPEB liability:

	September 30, 2024
Total OPEB Liability - beginning of year	\$ 1,628,667
Changes for the year:	
Service Cost	56,168
Interest on total OPEB Liability	65,658
Changes of benefit terms	-
Differences between expected and actual experience	20,779
Changes in assumptions or other inputs	84,648
Benefit payments*	(71,146)
Net changes	156,107
Total OPEB Liability - end of year	\$ 1,784,774

- * Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

The Public Utilities Board recorded \$83,976 in OPEB expense for the year ended September 30, 2024.

Sensitivity of the total OPEB liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Public Utilities Board Supplemental Death Benefit Fund, calculated using the applicable discount rate of 3.77% as of September 30, 2024, as well as what the Public Utilities Board's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease	Current Discount	1% Increase
	2.77%	Rate Assumption	4.77%
Total OPEB Liability	\$ 2,135,889	\$ 1,784,774	\$ 1,510,596

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

e. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Public Utilities Board:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,180	\$ -
Changes in assumptions	304,011	667,767
Contributions subsequent to the measurement date	49,207	-
Total	\$ 406,398	\$ 667,767

The following table presents the future amortization of OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Supplemental Death Benefit Fund in the current fiscal year and subsequent to the net OPEB liability measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the total OPEB liability in the subsequent year.

Year ended September 30,	Net deferred outflows (inflows) of resources:
2025	\$ (52,040)
2026	(47,657)
2027	(68,085)
2028	(104,605)
2029	(44,148)
Thereafter	5,959
Total	\$ (310,576)

The following is a summary of certain OPEB account balances as of September 30, 2024:

	9/30/2024		
	Healthcare	Supplemental	Total
Net OPEB Asset	\$ 1,707,000	\$ -	\$ 1,707,000
OPEB Liability	-	1,784,774	1,784,774
Deferred Outflows of Resources	3,129,979	406,398	3,536,377
Deferred Inflows of Resources	11,483,659	667,767	12,151,426
OPEB Income	1,408,967	-	1,408,967
OPEB Expense	-	83,976	83,976

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 11 – LEASES – LESSOR

The City's operations consist of use of buildings, terminal space, and land at the La Plaza Bus Station and within the Airport facilities, which expire between 2025 and 2062. The City recognized \$817,845 of lease revenue principal and \$154,038 of lease revenue interest for the year ended September 30, 2024.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

For the years ending September 30,	Principal Payments	Interest Income	Total
2025	\$ 553,663	\$ 133,128	\$ 686,791
2026	477,174	126,295	603,469
2027	317,508	121,392	438,900
2028	265,648	117,545	383,193
2029	332,391	112,028	444,419
2030 - 2034	1,707,586	471,624	2,179,210
2035 - 2039	1,501,777	317,596	1,819,373
2040 - 2044	824,278	210,840	1,035,118
2045 - 2049	723,219	134,666	857,885
2050 - 2054	784,768	60,763	845,531
2055 - 2059	86,297	14,681	100,978
2060 - 2062	55,729	2,394	58,123
Total	\$ 7,630,038	\$ 1,822,952	\$ 9,452,990

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 12 – REGULATED LEASES - LESSOR

The City's operations include certain lease agreements that are classified as regulated leases under paragraph 42 of GASB Statement No. 87, *Leases*. These agreements consist of aeronautical lease agreements, as defined by the Federal Aviation Administration, which are made up of air carrier agreements, facility agreements that directly or substantially relate to the movement of passengers, ticketing, baggage, mail and cargo, and aircraft storage and maintenance service agreements. For these agreements, leases rates cannot exceed a reasonable amount and the City cannot deny potential lessees the right to enter into leases if facilities are available, provided that the potential lessee's use of the facilities complies with use restrictions. The City recognizes the revenues from these lease agreements as inflows each year based on the payment provisions of each lease contract. The City recognized lease revenue of \$244,517 during the fiscal year.

The following is a schedule by years of minimum future revenues from regulated lease agreements as of September 30:

For the years ending September 30,	Total
2025	\$ 263,876
2026	238,340
2027	233,802
2028	232,016
2029	232,378
2030 - 2034	716,682
2035 - 2039	451,400
2040 - 2044	442,977
2045 - 2049	138,000
2050 - 2054	6,000
2055 - 2057	3,600
Total	\$ 2,959,071

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements September 30, 2024

NOTE 13 - COMMITMENTS

The following is a summary of the City's significant capital improvement commitments as of September 30, 2024:

Project Description	Estimated Project Cost	Expended To Date	Financing Sources
Various City Projects	\$ 2,306,557	\$ 998,233	B.C.I.C.
Battlefield Trail Extension	1,531,510	1,278,081	Rails-to-Trails Conservancy
Brownsville Senior Center	554,328	552,445	Texas Parks & Wildlife
Cannery Public Market	2,053,577	2,053,577	Valley Baptist Legacy Foundation
Resaca Dredging	500,000	317,606	2008 C.O.
Street Construction	564,341	564,341	2008 C.O.
B-Metro Improvements	625,000	605,226	2012 C.O. Fund
Street Construction	2,072,252	1,815,549	2012 C.O., CDBG, BPUB
Children's Museum of Brownsville	763,601	763,601	2015 C.O.
City Facilities Improvements	269,378	43,581	2015 C.O.
Traffic Signal	3,825	3,825	2016 C.O.
City Facilities Improvements	467,403	467,403	2016 C.O.
Central Library Renovation	2,431,137	2,160,285	2016 C.O.
B-Metro Improvements	2,031,978	286,277	2017 C.O. Fund
B-Metro TIGER Project	1,650,258	701,776	2017 C.O. Fund
City Facilities Improvements	123,205	-	2017 C.O.
City Facilities Improvements	703,205	619,257	2017 C.O. Fund
Drainage Improvements	4,921,029	4,921,029	2017 C.O.
Landfill Improvements	134,911	82,289	2017 C.O. Fund
Parks Improvements	2,304,714	2,293,864	2017 C.O. Fund, BCIC
Street Construction	9,184,177	7,818,078	2017 C.O. Fund, BCIC, BPUB
Street Construction	5,004,865	5,004,865	2019 C.O. Fund
City Contingency	58,000	48,512	2019 C.O. Fund
Landfill Projects	3,204,076	2,660,108	2020A C.O. Fund
Street Construction	4,936,714	4,643,556	2020A C.O. Fund, BPUB
Public Works Capital Projects	675,000	403,276	2020A C.O. Fund
Various City Projects	1,800,924	1,378,556	2020A C.O. Fund
City Contingency	100,000	32,350	2020A C.O. Fund
Various City Projects	2,036,088	1,668,423	2022 C.O. Fund
Street Construction	9,012,643	4,636,394	2022 C.O. Fund
Special Projects	7,335,473	2,993,250	2022 C.O. Fund
City Facilities Improvement	1,400,000	74,691	2022 C.O. Fund
City Contingency	862,780	313,774	2022 C.O. Fund
Various City Projects	4,714,096	2,530,697	2023 C.O. Fund
Street Construction	16,245,904	2,858,112	2023 C.O. Fund
Special Projects	3,000,000	3,000,000	2023 C.O. Fund
City Facilities Improvement	2,000,000	-	2023 C.O. Fund
City Contingency	4,309,489	2,493,757	2023 C.O. Fund
Various City Projects	1,010,000	-	2024 C.O. Fund
City Land Acquisition	16,000,000	-	2024 C.O. Fund
City Facilities Improvement	5,100,000	-	2024 C.O. Fund
B-Metro Improvements	1,747,425	-	2024 C.O. Fund
City Land Acquisition	1,600,000	-	2025 C.O. Fund
City Facilities Improvement	17,050,000	-	2025 C.O. Fund
Various City Projects	8,858,284	-	2025 C.O. Fund
Special Projects	4,280,000	-	2025 C.O. Fund
Street Construction	16,843,005	146,129	2025 C.O. Fund
Total commitments	\$ 174,381,152	\$ 63,232,773	

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 13 – COMMITMENTS – CONTINUED

Public Utilities Board

At September 30, 2024, the Public Utilities Board had committed approximately \$33,575,515 for utility plant expansion and improvements. Funding of these amounts will come from available revenues of the Public Utilities Board, restricted funds, and short-term debt.

The Public Utilities Board has entered into Purchase Power Agreements with a third party for 65 megawatts that begin in October 2020 and January 2022 and will both terminate in 2029. All costs related to the Purchase Power Agreements will be subject to recovery through the Public Utilities Board's Fuel and Purchased Energy Charge (FPEC) on a monthly basis from electric customers.

NOTE 14 – CONTINGENCIES

The City and BPUB are currently involved in various claims and litigation. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of management and legal counsel, that potential claims against the City and BPUB not covered by insurance resulting from litigation would not have a material adverse effect on the financial condition of the City and BPUB.

The City as well as its discretely presented component units participate in a number of grant programs funded by State and Federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Accordingly, the City's and its discretely presented component units' compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any will be immaterial.

NOTE 15 - RISK MANAGEMENT

City of Brownsville, Texas

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except the health and medical insurance program, for which the City retained risk of loss. For insured programs, there have been no significant reductions in insurance coverage.

The City records an estimated liability for workers' compensation and health and medical claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claims adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

The internal service funds discussed below were established by the City to administer the employee workers' compensation and health and medical insurance programs on a cost - reimbursement basis. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 15 - RISK MANAGEMENT – CONTINUED

Workers' Compensation Fund

On November 1, 1996, the City converted from a self-funded workers' compensation plan to a fully insured plan. This fund is still reported separately because of prior years' future claims. The City had a workers' compensation self-insurance plan for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. The plan was administered by a service agent. The City has a stop loss insurance contract with an insurance carrier covering claims in excess of \$250,000 for any one accident or occurrence up to a maximum of \$5,000,000. An accrual of \$250,000 in the workers' compensation fund represents all known claims filed and an estimate of all incurred but not reported claims (IBNR) existing at September 30, 2024.

Workers' Compensation Fund - Continued

Changes in the balances of claims liabilities during the current and prior year are as follows:

	2024	2023
Unpaid claims, beginning of year	\$ 250,000	\$ 250,000
Incurred claims (including IBNRs)	2,402	2,852
Claim payments	(2,402)	(2,852)
Unpaid claims, end of year	\$ 250,000	\$ 250,000

Employee Benefit Fund

On October 1, 2001, the City elected to convert from a fully insured medical insurance plan to a self-funded insured plan to provide medical coverage to City employees. The plan is administered by a service agent. The City has stop-loss insurance coverage on individual claims in excess of \$300,000 up to an unlimited amount per person, and for aggregate claims exceeding approximately \$17,848,404. An accrual of \$1,233,832 in the employee benefit fund represents all known claims filed and an estimate of all incurred but not reported claims existing at September 30, 2024.

Changes in the balances of claims liabilities during the current and prior year are as follows:

	2024	2023
Unpaid claims, beginning of year	\$ 2,076,006	\$ 2,347,684
Incurred claims (including IBNRs)	15,192,482	15,427,924
Claim payments	(16,034,657)	(15,699,602)
Unpaid claims, end of year	\$ 1,233,831	\$ 2,076,006

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 15 - RISK MANAGEMENT – CONTINUED

Public Utilities Board of the City of Brownsville, Texas

The Public Utilities Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the entity carries commercial insurance. The Public Utilities Board has established a limited risk management program for employee health and workers' compensation for which the Public Utilities Board retained risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically. The estimate of the claims liability also includes amounts for claim incremental adjustment expenses. Estimated recoveries from third parties are another component of claims expense. A General liability insurance policy covers individual claims in excess of \$25,000 each occurrence. An Auto liability insurance policy covers individual claims in excess of \$1,000. Workers' compensation insurance covers individual claims in excess of \$350,000 (each accident) / \$1,050,000 (aggregate). A Directors & Officers and Employment Practices liability insurance policy covers individual claims in excess of a \$200,000 per claim retention. Property insurance and other ancillary lines of insurance coverage for crime, mobile equipment, cyber liability and pollution are also in force.

Workers' Compensation Program

The Public Utilities Board has a workers' compensation self-insurance plan for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. The plan is administered by a service agent. The Public Utilities Board maintains an excess workers' compensation insurance contract with an insurance carrier coverage which provides Texas statutory limits for claims in excess of \$350,000 for any one accident or occurrence. The aggregate deductible under this policy is \$1,050,000. Management feels that the contributions made during the year for workers' compensation will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such.

Health Insurance Program

The Public Utilities Board maintains a group health self-insurance plan for the purpose of providing health insurance for the employees and their dependents. The plan is administered by a service agreement. The Public Utilities Board maintains a stop loss insurance contract with an insurance carrier covering claims in excess of \$200,000 per individual. The Public Utilities Board also has aggregate limits, which fluctuate based on enrollment but that are currently set at \$11,593,039 for the health insurance plan and \$451,657 for the dental insurance plan. This is the maximum liability for health and dental claim costs for the plan year ending December 31, 2024.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 15 - RISK MANAGEMENT – CONTINUED

Health Insurance Program - Continued

The following is a summary of changes in claims liability for the Workers' Compensation and Health Insurance programs, which is included in accounts payable and accrued liabilities payable from restricted assets, for the year ended September 30, 2024:

	Beginning Balance 2023	Claims and Adjustments	Claims Payments	Ending Balance 2024	Amounts Due Within One Year
Workers' Compensation	\$ 225,485	\$ 306,064	\$ (358,251)	\$ 173,298	\$ 41,510
Health Insurance	\$ 292,956	\$ 10,485,631	\$ (10,530,246)	\$ 248,341	\$ 248,341

NOTE 16 – INTERFUND ACTIVITY

The following is a summary of interfund transfers for the year ended September 30, 2024:

Transfer Out:	Transfers In:								
	General Fund	Debt Service Fund	Other Gov't Funds	Airport Fund	Landfill Fund	Public Transit Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
Governmental Funds:									
General fund	\$ -	\$ -	\$ 2,802,012	\$ 504,405	\$ 197,565	\$ 3,791,213	\$ 2,125,512	1,224,177	\$ 10,644,884
Nonmajor governmental funds	-	-	200,000	1,268,997	-	340,713	-	-	1,809,710
Enterprise Funds:									
Airport and business	-	250,000	-	-	-	-	-	-	250,000
industrial park fund	-	-	-	-	-	-	-	-	-
Landfill fund	8,000,000	-	-	-	-	-	-	-	8,000,000
Nonmajor enterprise funds	1,500,000	-	400,000	-	-	-	-	600,000	2,500,000
Total	\$ 9,500,000	\$ 250,000	\$ 3,402,012	\$ 1,773,402	\$ 197,565	\$ 4,131,926	\$ 2,125,512	\$ 1,824,177	\$ 23,204,594

Transfers between funds were used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due. Transfers were also used to move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

The City's more significant transfers are listed below:

- Transfers of 8,000,000 were made from the landfill enterprise fund to the general fund for operations.
- Transfers of \$1,500,000 were made from the bridge enterprise fund to the general fund for operations.
- Transfers of \$3,791,213 were made from the general fund to the public transit fund to provide subsidies.
- Transfers of \$1,316,000 were made from the general fund to the capital projects fund to provide subsidies.
- Transfers of \$1,096,836 were made from the general fund to the street & drainage maintenance fund to provide subsidies.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 16 – INTERFUND ACTIVITY – CONTINUED

During the year ended September 30, 2012 and September 30, 2017, the City advanced \$589,908 and \$388,000, respectively, to the West Morrison Public Improvement District (a component unit of the City of Brownsville, Texas) to finance the construction and extension of West Morrison Road. The money was advanced in accordance with Section 3 of the Economic Development and Transportation Infrastructure Funding Agreement (the “Agreement”) dated April 21, 2010. The advances are to be repaid through assessments that will be levied by the City on individual property owners as outlined in the Agreement. During the year ended September 30, 2018, the City advanced an additional \$360,000. The balance of these advances was \$306,162 at September 30, 2024.

The following is a summary of interfund balances as of September 30, 2024:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor governmental funds	\$ 2,448,799	Short-term working capital loan/Operating Tfrs/Reallocation of Revenues/Expenses
	Airport Fund	171,159	Short-term working capital loan/Reallocation of Revenues/Expenses
	Public Transit Fund	3,162,954	Short Term operating loans
	Landfill Fund	371,766	Reallocation of revenues/expenses
	Fiber Broadband Fund	180,000	Short-term working capital loan
	Nonmajor enterprise funds	50,567	Reallocation of revenues/expenses
	Internal service funds	174,775	Short term loans/reallocation of revenues/expenses
Debt Service	General Fund	40,132	Reallocation of revenues/expenses
Series 2023 CO's Fund	General Fund	273,333	Reallocation of revenues/expenses
Nonmajor governmental funds	Nonmajor governmental funds	685,966	Reallocation of Cannery project revenues/expenses
	General Fund	478,195	Reallocation of revenues/expenses
Airport Fund	Nonmajor governmental funds	1,268,997	Funds used to cover grant projects in FY25
Public Transit Fund	Nonmajor governmental funds	61,277	Reallocation of revenues/expenses
	Nonmajor enterprise funds	35	Reallocation of revenues/expenses
Nonmajor Enterprise Funds	General Fund	8,326	Reallocation of revenues/expenses
Internal Service Fund	Airport Fund	13,250	Reallocation of revenues/expenses
	Landfill Fund	344,890	Reallocation of revenues/expenses
	Nonmajor enterprise funds	7,009	Reallocation of revenues/expenses
	General Fund	497,877	Reallocation of revenues/expenses
	Nonmajor governmental funds	80,607	Reallocation of revenues/expenses
Total		\$ 10,319,914	

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 17 – LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require that the City of Brownsville place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as a liability in the business-type activities column of the government-wide statement of net position in each period based on landfill capacity used as of each balance sheet date. The \$13,640,874 reported as landfill closure and post-closure care liability at September 30, 2024, represents the cumulative amount reported to date less current annual landfill closure and post-closure expenditures, based on the use of 44.50% percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2024. The City expects to close the landfill in the year 2059. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City will be required to demonstrate financial assurance for closure and post-closure care through the financial test specified in Subchapter K of 31 Texas Administrative Code, 330.285(g). This test consists of a financial component, a public notice component, and a recordkeeping and reporting component. The financial assurance letter from the City to the Texas Commission on Environmental Quality for the current fiscal year has not yet been submitted.

At September 30, 2024, investments of \$6,471,818 are held for the purpose of landfill operations and financing closure and post-closure care. It is anticipated that future inflation costs will be financed in part from earnings on these investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in post-closure care requirements (due to changes in technology or applicable laws or regulations, for example) may need to be covered by charges to future landfill users or from future tax revenue. The City's current annual landfill closure and post-closure care expenses are \$319,708.

NOTE 18 - RELATED PARTY TRANSACTIONS

The Public Utilities Board supplies electric, water, and wastewater services to the City in compliance with the provisions of the City's Revenue Bond Ordinance. These services are accounted for in accordance with the Public Utilities Board's municipal rate schedules. Utilities service provided to the City for the years ended September 30, 2024 was \$6,089,411.

The Public Utilities Board also bills and collects the City's fees for garbage collection services, garbage tax, EPA fees, and maintenance services, and receives a 3% administrative fee for these services except garbage tax. The Public Utilities Board charged \$1,000,910 to the City for these collection services in 2024.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 18 - RELATED PARTY TRANSACTIONS – CONTINUED

Transfers to the City of Brownsville from the Public Utilities Board

The issuance of the 2005A and 2005B refunding bonds modified certain existing covenants which included the calculation of the transfers to the City. Beginning fiscal year 2006 the transfers to the City are being made on a quarterly basis calculated at ten percent (10%) of the gross revenues received for the preceding fiscal year quarter, as adjusted in accordance with the following: (1) prior to applying the percentage set forth above to determine the amount to be transferred to the City, the amount of gross revenues for a fiscal year quarter shall be reduced by an amount equal to all costs for the purchase of power and fuel paid or incurred by the Public Utilities Board during such fiscal year quarter as well as funding requirements for the Southmost Regional Water Authority; and (2) the amount of funds to be transferred to the City shall be reduced by any amounts owed by the City to the Public Utilities Board for utility services. Prior to fiscal year 2006 Article VI of the Charter provided for the transfer to the City's general fund by the Public Utilities Board from "Surplus Funds" available at the close of each fiscal year (after retaining in the Plant Fund an amount deemed by the Public Utilities Board to be sufficient to pay system operation and maintenance expenses for the next 60 days), to the extent available, the greater of \$400,000 or 50% of such surplus funds. Surplus funds, as defined in the Charter, are amounts remaining in the Plant Fund at the close of each fiscal year after all Charter requirements and after all payments have been fully and timely made into funds created by ordinances authorizing outstanding bonds secured by a pledge of the system's net revenues.

Required payments to the City for the year ended September 30, 2024 totaled \$11,393,548 of which \$3,244,010 was payable at September 30, 2024.

NOTE 19 – FUND BALANCE DESIGNATIONS

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes as follows:

Nonspendable fund balance includes the portion of net resources that cannot be spent because of their form. Resources not in spendable form include inventories and prepaid expenses, long-term advances, long-term receivables, and nonfinancial assets held for resale. Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

Restricted fund balance includes the portion of net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

Committed fund balance includes the portion of net resources that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority.

Assigned fund balance includes the portion of net resources that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned fund balance represent the spendable portion of net resources that have not been restricted, committed, or assigned to specific purposes.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 19 – FUND BALANCE DESIGNATIONS – CONTINUED

Fund Type	Fund Name Description of Activity/Project	Non-Spendable	Restricted	Committed	Assigned	Unassigned	Total
CAPITAL PROJECTS	Streetscape Project Fund						
	Downtown development	\$ -	\$ 8,433	\$ -	\$ -	\$ -	\$ 8,433
	Street Improvement Fund						
	Street improvements	-	59,323	-	-	-	59,323
	Capital Projects Fund						
	Capital projects	-	-	1,166,616	-	(2,040,533)	(873,917)
	Capital Outlay Fund						
	Capital projects	-	1,142,973	83,883	-	-	1,226,856
	Infrastructure Maintenance Fund						
	Infrastructure maintenance	-	4,847,277	455,971	-	-	5,303,248
	2008 C.O. Fund						
	Streets and drainage	-	688,232	-	-	-	688,232
	2012 C.O. Fund						
	B-Metro yard improvements	-	547,180	2,200	-	-	549,380
	Streets, sidewalks & drainage	-	-	-	-	-	-
	2015 C.O. Fund						
	Facilities improvements	-	212,382	36,900	-	-	249,282
	2016 C.O. Fund						
	Traffic signals	-	178,202	-	-	-	178,202
	Facilities improvements	-	-	-	-	-	-
	2017 C.O. Fund						
	Facilities improvements	-	(150,236)	2,073,047	-	-	1,922,811
	2019 C.O. Fund						
	Streets, sidewalks & drainage	-	-	686,204	-	(272,297)	413,907
	2020 C.O. Fund						
	TWDB drainage improvement	-	5,809,371	1,640,098	-	-	7,449,469
	2020A C.O. Fund						
	Capital projects	-	1,631,361	346,160	-	-	1,977,521
	2021 C.O. Fund						
	Capital projects	-	7,135,033	375,647	-	-	7,510,680
	2022 C.O. Fund						
	Capital projects	-	9,843,437	3,965,374	-	-	13,808,811
	2023 C.O. Fund**						
	Capital projects	-	5,305,115	15,750,747	-	-	21,055,862
	2024 C.O. Fund**						
	Capital projects	-	23,990,446	-	-	-	23,990,446
	2025 C.O. Fund						
	Capital projects	-	-	-	-	(146,129)	(146,129)
SPECIAL REVENUE	Convention and Tourism Fund						
	Convention and tourism	-	1,456,256	3,774	-	-	1,460,030
	Community Development Fund						
	CDBG Housing Notes	-	4,686	-	-	-	4,686
	Community Development Fund						
	Housing assistance	-	-	445,705	-	(362,927)	82,778
	Community Dev Planning Grants						
	Flood and drainage facilities	-	5,001	-	-	-	5,001
	Tax Increment Reinvestment Zone (TIRZ) Fund						
	Tax increment reinvestment zone incentives	-	-	-	-	64,374	64,374
	American Rescue Plan Fund**						
	Economic Development/Quality of Life	-	-	11,137,017	-	(6,703,731)	4,433,286
	Fire Dept Forfeiture Fund						
	Fire safety	-	-	-	-	-	-
DEBT SERVICE	B.P.D. Federal Forfeiture Fund						
	Law enforcement	-	309,585	4,178	-	-	313,763
	B.P.D. Forfeiture Fund						
	Law enforcement	-	51,615	-	-	-	51,615
	Street & Drainage Maintenance						
	Street and drainage projects	-	4,930,745	695,235	-	-	5,625,980
DEBT SERVICE	Non-Bonded Debt Service						
	Debt service	-	12,349	-	-	-	12,349
	Bonded Debt Service **						
	Debt service	-	6,420,120	-	-	-	6,420,120
Subtotal (this page)		-	74,438,886	38,868,756	-	(9,461,243)	103,846,399

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements
September 30, 2024

NOTE 19 – FUND BALANCE DESIGNATIONS – CONTINUED

	Department Number	Description of Activity/Project	Non-Spendable	Restricted	Committed	Assigned	Unassigned	Total
GENERAL FUND	125	ONECity Golf Tournament	\$ -	\$ -	\$ -	\$ 7,480	\$ -	\$ 7,480
	128	Chief's Benefit Golf Tournament	-	-	-	142,873	-	142,873
	129	State of the City Event	-	-	-	-	-	-
	130	Gonzalez Park after School Program	-	-	-	4,182	-	4,182
	132	Oliveira Youth Program	-	-	-	2,265	-	2,265
	133	4th of July Comm Donation	-	-	-	5,573	-	5,573
	134	Robert Wood Johnson Foundation	-	-	-	18,971	-	18,971
	135	Border Binational Health Council	-	-	-	5,269	-	5,269
	136	Sprint/Nextel Rebranding Project	-	-	-	3,124	-	3,124
	137	Health Promotion Events	-	-	-	160	-	160
	138	Main Street District Program	-	-	-	9,272	-	9,272
	139	Cueto Building Sale	-	-	-	462,849	-	462,849
	140	Fire - Training Division	-	-	-	17,948	-	17,948
	141	Armory Complex Proceeds - 340 Porter	-	-	-	412,416	-	412,416
	143	Fire 911 Memorial Ride	-	-	-	5,495	-	5,495
	146	Fire Department Response	-	-	-	36,170	-	36,170
	151	Community Paramedicine	-	-	-	49,050	-	49,050
	1586	Stegeman Building Rent	-	-	-	11,474	-	11,474
	1587	Cueto Building Rental	-	-	-	58,221	-	58,221
	1590	BPUB Oklaunion Sale	-	-	-	402,601	-	402,601
	220	City of Brownsville Youth Fund	-	-	-	2,235	-	2,235
	225	Strategic Initiatives	-	-	-	42,665	-	42,665
	23	Christmas Firefighters	-	-	-	11,393	-	11,393
	24	BFD Open Golf Tournament	-	-	-	18,000	-	18,000
	25	BFD Fire Fest Event	-	-	-	3,975	-	3,975
	301	Cameron Works Grant	-	-	-	83,250	-	83,250
	311	Homeless Shelter Donations	-	-	-	30	-	30
	64	B.P.D. Christmas/Youth Fund	-	-	-	-	-	-
	119	PID Note - Long Term Portion	-	-	-	-	-	-
	206	Subdivision Park Fees	-	-	1,070,161	-	-	1,070,161
	235	Historic Preservation - Fees/Fines - Demolition	-	-	1,500	-	-	1,500
	039	Rotary Club Waterfountains	-	6,000	-	-	-	6,000
	043	Brownsville Men Wellness Summit	-	6,315	-	-	-	6,315
	109	PID Note - Short Term Portion	-	-	-	-	-	-
	110	Time Warner PEG Capital Fee	-	299,048	-	-	-	299,048
	111	Cyclobia Contributions/Donations	-	54,498	-	-	-	54,498
	112	The Challenge Brownsville	-	659	-	-	-	659
	113	Family Crisis	-	5,405	-	-	-	5,405
	115	City Forestry Fund	-	1,569	-	-	-	1,569
	116	Via Network Service 00/01	-	288,610	-	-	-	288,610
	117	GMS Palm Tree Trimming Contributions	-	11,454	-	-	-	11,454
	118	RGV Communications Group Moto P-25	-	90,599	-	-	-	90,599
	120	VBMC Cameron County In Motion	-	10,087	-	-	-	10,087
	121	Walmart Community Grant - Fire	-	579	-	-	-	579
	123	LRGV Trauma TSA V-Fire/EMS	-	13,510	-	-	-	13,510
	130	2018 Metropolitan Grants - Mural Program	-	2,800	-	-	-	2,800
	131	BPD Chief of Police Inagural Marathon	-	71,382	-	-	-	71,382
	134	NRPA Meet Me at the Park Grant	-	5,442	-	-	-	5,442
	135	AARP - 14th St Plaza	-	4,256	-	-	-	4,256
	136	BPD Women's Inclusion Workshop	-	13,291	-	-	-	13,291
	137	The Forest Remembers	-	11,182	-	-	-	11,182
	138	BPLF - CBS/SBL Improvements	-	151,483	-	-	-	151,483
	144	Southmost Veterans Parade	-	650	-	-	-	650
	147	Printful - Covid-19 Testing	-	365	-	-	-	365
	148	Printful - Mitte Cultural District	-	352	-	-	-	352
	181	Juvenile Case Manager Fund	-	600	-	-	-	600
	182	Time Payment L-C	-	109,882	-	-	-	109,882
	183	TPDF - Truancy Prevention & Diversion	-	184,078	-	-	-	184,078
	184	Child Safety Fee Sec. 502.403	-	1,083,639	-	-	-	1,083,639
	186	Truancy Court Fee	-	14,128	-	-	-	14,128
	200	BPD RGC SWAT Challenge	-	1,797	-	-	-	1,797
	209	Teen Court Admin Fee (City Fee)	-	10	-	-	-	10
	210	Teen Court Surcharge Fee (City Fee)	-	6,432	-	-	-	6,432
	217	PUB Sports Park	-	36,821	-	-	-	36,821
	228	Police Officer Recognition	-	317	-	-	-	317
	29	Document Preservation Fee	-	92,200	-	-	-	92,200
	290	Animal Shelter Donations	-	95,013	-	-	-	95,013
	291	Animal Shelter Angel Pet Adoption	-	14,940	-	-	-	14,940
	30	LEOSE Training Fire	-	4,439	-	-	-	4,439
	49	Fin. Navigators Grant	-	111	-	-	-	111
	553	BPD Crisis Response Unit (Mental health)	-	851	-	-	-	851
	61	LEOSE Training Police	-	36,765	-	-	-	36,765
	72	Beautification - Keep Brownsville Beautiful	-	3,751	-	-	-	3,751
	819	Beautification	-	4,395	-	-	-	4,395
	83	Municipal Court Technology Fund	-	-	-	-	-	-
	84	Municipal Court Building Security	-	222,591	-	-	-	222,591
	92	S.T.A.T.E. Program Income	-	16,454	-	-	-	16,454
	93	F.A.S.T. Forfeiture Revenue (B'ville)	-	2,573	-	-	-	2,573
	94	PropertyRoom.com	-	5,309	-	-	-	5,309
	95	Other Grant Approved-Prog Inc. MVCPA 68-A	-	21,026	-	-	-	21,026
	111	Inventories	63,499	-	-	-	-	63,499
	112	Prepaid Items	120,936	-	-	-	-	120,936
		Encumbrances	-	-	3,002,190	-	-	3,002,190
		Balance	-	-	-	-	36,676,201	36,676,201
		Subtotal - General Fund	184,435	3,007,658	4,073,851	1,816,941	36,676,201	45,759,086
		Subtotal - Previous page	-	74,438,886	38,868,756	-	(9,461,243)	103,846,399
		Total all Governmental Funds	\$ 184,435	\$ 77,446,544	\$ 42,942,607	\$ 1,816,941	\$ 27,214,958	\$ 149,605,485

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 19 – FUND BALANCE DESIGNATIONS – CONTINUED

At September 30, 2024, the following funds had deficit unassigned fund balances:

- Capital Projects Fund – \$2,040,533
- 2019 C.O. Fund - \$272,297
- 2025 C.O. Fund - \$146,129
- Community Development Fund – Housing Assistance - \$362,927
- American Rescue Plan Fund -Economic Development/Quality of Life - \$6,703,731

The deficits result from the encumbrance of funds without accruing intergovernmental revenues for reimbursement of expenditures. The City accrues intergovernmental revenues only when all eligibility requirements have been met, including the requirement that allowable costs must have been actually incurred.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 20 – SIGNIFICANT ENCUMBRANCES

At September 30, 2024, the amount of encumbrances expected to be honored upon performance by the vendor in the next year and which have been considered as part of the committed fund balance were as follows:

Governmental Funds

Major Funds:

General Fund	\$ 3,002,190
American Rescue Plan (ARP) Fund	11,137,016
2023 C.O. Fund	15,750,747
Total Major Funds	29,889,953

Non-Major Funds:

Special Revenue	1,148,892
Capital Projects Fund	10,832,100
Total Non-Major Funds	11,980,992

Enterprise Funds

Major Funds:

Enterprise Fund (Airport)	1,933,126
Enterprise Fund (Public Transit)	1,103,025
Enterprise Fund (Landfill)	985,859
Enterprise Fund (Fiber Broadband)	19,095
Total Major Enterprise Funds	4,041,105

Non-Major Funds:

Enterprise Fund (Motor Vehicle Parking System)	39,773
Enterprise Fund (Event Center)	5,137
Enterprise Fund (Brownsville Golf Center Fund)	1,501
Enterprise Fund (Brownsville Sports Park)	75,183
Total Non-Major Enterprise Funds	121,594

Internal Service Funds

Fleet & Facility Services Fund	445,156
Information Technology Fund	64,346
Total Internal Service Funds	509,502

Total Encumbrances	\$ 46,543,146
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CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 21 – NET INVESTMENT IN CAPITAL ASSETS

At September 30, 2024, the City of Brownsville’s net investment in capital assets was as follows:

	Governmental Activities	Business-type Activities	Component Units
Net investment in capital assets:			
Capital, right-of-use, and subscription assets, net of accumulated depreciation and amortization	\$ 392,149,379	\$ 172,169,120	\$ 43,697,374
Less bond and notes payable	(196,593,000)	-	(1,478,332)
Less capital-related retainage payable	(2,183,315)	(882,494)	-
Less lease and subscription liabilities	(9,877,128)	-	-
Less unamortized bond premium	(16,387,635)	-	-
Plus deferred outflows charges on refunding	538,268	-	-
Less deferred inflows charges on refunding	(321,712)	-	-
Plus unexpended bond proceeds	88,808,534	-	-
Net investment in capital assets	\$ 256,133,391	\$ 171,286,626	\$ 42,219,042

NOTE 22 – EXPENDITURES EXCEEDING BUDGETED AMOUNTS

At September 30, 2024, the following expenditures exceeded budgeted amounts due to underestimation of actual expenditures and unforeseen cost in overtime, supplies, and repairs and maintenance expenses:

- Capital outlay expenditures exceeded budgeted amounts by \$3,982,776.
- Subscription financing expenditures exceeded budgeted amounts by \$631,830.

NOTE 23 – JOINT VENTURES

Lit Fiber

On July 20, 2022, the City entered into a Fiber Network Coordination agreement between Brownsville Public Utilities Board and LIT Texas, LLC and its designated subsidiary BTX Fiber, LLC for the construction of a broadband infrastructure.

LIT TEXAS, LLC (LIT), will design, a quality, open access, Fiber Middle Mile Network (FMMN) throughout the entire city and its underserved areas utilizing the City’s property interest, much of which is acquired through Public Use Easement and Right of Way Agreement executed concurrently between the City and the Brownsville Public Utility Board (BPUB), including but not limited to installing fiber connections and end-customer equipment installed along various community anchor institutions and points of interconnection throughout the network footprint (Middle Mile Network). LIT will design, construct and install the Middle Mile Network.

The City Commission allocated \$19.5 million from American Rescue Plan funds to support broadband development, aiming to bridge the digital divide within the city. This investment facilitated the installation of the Middle Mile Broadband Network, which consists of approximately 95 to 100 miles of underground fiber designed to meet the city's growing demand for high-speed internet connectivity. The Last Mile phase began in May 2024, with Omni Fiber leading the effort and projecting a 24-month timeline for completion.

CITY OF BROWNSVILLE, TEXAS

Notes to the Financial Statements

September 30, 2024

NOTE 23 – JOINT VENTURES - CONTINUED

This initiative is a public-private partnership with Omni Fiber, leveraging an additional \$70 million in private investment to enhance the city's broadband infrastructure.

On September 13, 2023, the City entered into an agreement with LIT Fiber Brownsville (BTX) to maintain the Middle Mile Network for a period of 20 years with an option to renew up to three successive ten year periods.

During fiscal year 2024, the City entered into an agreement with LIT through one of its affiliates; LIT Fiber Brownsville (BTX) to operate the Middle Mile Network for a period of 5 years with an option to renew up to three successive ten year periods. Pre-operational expenses have been incurred in FY 2024, totaling \$228,000.

The operation agreement is in place to allow BTX to manage the Middle Mile Network for purposes of commercializing the network to provide custom, wholesale services to other institutional and private stakeholders.

The Middle Mile Network is still in construction in progress as of the end of September 30, 2024.

International Toll Bridge

On January 12, 1990, Cameron County executed an interlocal agreement with the City of Brownsville, Texas whereby the County would finance, construct and operate an international toll bridge located in Southeast Brownsville, Texas, approximately two miles east of Gateway International Toll Bridge, herein referred to as "Los Tomates International Bridge," located between Brownsville, Texas and Matamoros, Tamaulipas, Mexico.

Revenue Bonds were issued on parity with any additional International Toll Bridge Bonds, for the construction of the international bridge and were outstanding from the revenues of the County's Toll Bridge System. Cameron County, Texas is the legal owner and operator of this bridge; however, the City of Brownsville has obligated itself to pay fifty percent (50%), not to exceed the sum of \$400,000 annually, of any deficiencies in the annual debt service requirements for the proposed revenue bonds issued to finance the Los Tomates International Bridge. Revenue Bond Debt obligation issued for this construction has been extinguished. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds will be shared equally between the City and the County. The Debt Reserve funds set aside to provide for the Veteran's International Toll Bridge at Los Tomates (VITB) is funded at 140% of the highest annual debt service level. Unless additional debt is incurred, further allocation of bridge proceeds to fund the VITB Debt Reserve is unnecessary.

The City of Brownsville does not retain an equity interest in the project, which is considered a cooperative arrangement between the governments rather than a joint venture. The results of operations for the Veterans Bridge at Lost Tomates for the fiscal year ended September 30, 2024 produced a \$8,700,062 surplus as defined by the interlocal agreement between the entities and the County. In accordance with the interlocal agreement between Cameron County and the City of Brownsville, each entity was allocated \$4,350,031.

APPENDIX C
FORMS OF BOND COUNSEL'S OPINION

September __, 2025

**CITY OF BROWNSVILLE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025A
DATED AS OF SEPTEMBER 25, 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____**

AS BOND COUNSEL FOR THE CITY OF BROWNSVILLE, TEXAS (the "**City**") in connection with the issuance of the certificates of obligation described above (the "**Certificates**"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "**Ordinance**"), (ii) the City's Federal Tax Certificate of even date herewith, and (iii) other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's municipal landfill system have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we



have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify,



and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

**Financial Advisory Services
Provided By**

ESTRADA  HINOJOSA
A DIVISION OF TRB CAPITAL MARKETS