ONE SET OF NUMBERS

Mario Reyes on What Happened to Kyle's Emergency Reserve Fund, and How to Rebuild It

Kyle City Council, District 3 | Special Election, December 12, 2026

In two years, Kyle's emergency reserve fell by half, from $34.4 million to $17.2 million. The city budgeted growth that never came, spent savings on purpose, and paid cash for projects out of the same fund it counts on for emergencies. Then two official numbers for the same balance came out $2.2 million apart. Residents deserve to know what happened, and they deserve one set of numbers.

For 16 years as a federal Contracting Officer, my job was to compare what was planned with what actually happened, and to ask why before the money was gone. That is the job Kyle's reserve needs now.

WHAT THE EMERGENCY FUND IS

Kyle's City Charter (Section 8.12) requires a reserve of at least 25% of the annual operating budget. The city's ordinance says that money must stay "accessible to meet an emergency": a storm, a flood, a sudden drop in revenue. It is the city's rainy-day fund, and it also tells bond rating agencies whether Kyle is a safe borrower. A strong reserve means lower interest on every road and water project the city finances.

WHAT HAPPENED TO IT

Fiscal year	What the budget planned	What happened	Reserve at year end
2023-24	Spend about $8.7M of reserves	Fell $8.39M; revenue $4.6M short of budget	$26.0M (from $34.4M)
2024-25	Spend $6.9M of reserves	Fell $8.86M; revenue about $8.6M short	$17.18M (audited)
2025-26	Small surplus	May 2026: projected $10.3M vs. $19.8M required; mid-year cuts brought the projection to $18.0M	Projected; audit pending
2026-27	$2.35M surplus	Budget adopted Sept. 2026	Projected $20.37M

Four things drove the drop:

1. The budget counted on growth that didn't come. For 2024-25 the city budgeted $9.1 million in building permit fees, about $3 million more than the year before actually produced. About $5.3 million came in. Development revenue fell short both years, and this year's sales tax is running $1.66 million below budget.

2. It wasn't built from what the city actually collected. Budgeting from the last twelve months of real collections would have caught the gap early instead of at mid-year.

3. Savings were spent on purpose, and then revenue missed. Both the 2023-24 and 2024-25 budgets planned to draw down reserves. When revenue came in even lower than planned, the cushion ran out.

4. The emergency fund paid cash for projects. The General Fund sent $11.9 million (2022-23) and $14.0 million (2023-24) to pay for capital projects in cash. Paying cash isn't wrong. But Kyle has no separate fund

set aside for projects, so the money came out of the same reserve meant for emergencies. The cushion above the 25% minimum fell from 234% to 94% to 9.9%.

THE $2.2 MILLION QUESTION

The city's audited financial report shows a General Fund balance of $17.18 million at the end of FY 2024–25. A city budget presentation used $14.98 million, a difference of $2.2 million. The budget book also shows two year-to-year comparisons that warrant an explanation ($34.72 million compared with $34.22 million, and $26.46 million compared with $25.83 million). The city should explain how each year's ending balance relates to the next year's opening balance.

When a council member asked about the difference, staff said the answer would come from the forensic audit the council approved. That was the right step. I am not going to guess at the cause, and no one else should either, until the audit reports. But I will insist that the audit's scope, timeline and findings be made public, and that the city publish one reconciled number residents can trust.

Credit where it's due. The interim city manager disclosed the shortfall, ordered mid-year cost containment, and wrote a 2026-27 budget that cuts General Fund spending about 10%, lowers the tax rate 8.34% and projects the reserve back above 25%. That is the right direction. My job would be to make sure it stays that way.

MY PLAN TO PROTECT AND REBUILD THE EMERGENCY FUND

1. Budget from real collections. Forecast revenue from the last twelve months of actual collections, not hoped-for growth. If growth shows up, it goes to the reserve first.

2. Refill the 25% reserve and keep it for emergencies. No more budgets that plan to spend the emergency fund on day-to-day operations or projects.

3. Create a separate Strategic Capital Reserve Fund. Set aside money for roads and buildings in its own fund by ordinance, with steady yearly deposits, interest that stays in the fund, and a supermajority vote to spend it. Projects can borrow from it and pay it back with interest, which Kyle's debt policy already allows. That way projects are paid from savings meant for them, and the interest Kyle now pays bondholders comes back to taxpayers.

4. Report the reserve to the public every quarter. A one-page report: reserve balance against the 25% rule, and budgeted versus actual revenue. Problems should show up in a quarterly report, not in a surprise announcement.

5. Reconcile the General Fund balances publicly. I'll ask the city to explain the $2.2 million difference and both year-to-year differences in the budget book. For each comparison, the city should identify what each figure represents and show any adjustments that explain the difference. I'll also ask the city to publish the forensic audit findings and show how the budget's opening balance ties to the audited balance.

Other cities show this works. Bee Cave earned a AAA rating from S&P in 2025, citing a 12-month general fund reserve. Longview was upgraded after building reserves of 35% and cash-funding much of its capital plan. Rio Rancho, New Mexico, wrote a protected permanent fund into its city charter in 2022. Strong, protected reserves mean lower borrowing costs for every family in Kyle.

WHAT I WILL AND WON'T PROMISE

- I won't accuse anyone of wrongdoing before the forensic audit reports. I will make sure its findings are public.

- I won't promise the reserve can be rebuilt overnight. It took two years to drain and will take steady budgets to refill.
- I'm one vote of seven. I will propose the Strategic Capital Reserve Fund and quarterly reporting, make the case in public, and fight for them.
- I won't balance the reserve on the backs of police, fire, streets or water.
- I will read the numbers, ask the questions, and explain my votes.

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Mario Reyes, candidate for Kyle City Council, District 3

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SOURCES AND NOTES

- 25% reserve: Kyle City Charter Sec. 8.12; Ordinance No. 826 (Sept. 16, 2014), reserve must be "accessible to meet an emergency."
- General Fund balance $34.4M to $26.0M (FY 2023-24, net change -$8.39M) and to $17.18M (FY 2024-25, net change -$8.86M): City of Kyle ACFRs for FY 2023-24 (March 18, 2025) and FY 2024-25 (March 24, 2026).
- Planned reserve draws (about $8.7M FY24; $6.9M FY25) and revenue shortfalls: FY 2023-24 and FY 2024-25 adopted budgets and FY 2023-24 4th quarter report.
- Building permit fees FY 2024-25 ($9.12M budgeted, about $5.29M actual); sales tax FY 2025-26 ($21.95M budgeted, $20.28M estimate): City of Kyle budget documents and May 2026 deficit presentation.
- May 2026 projection ($10.3M ending vs. $19.8M required; $14,173,372 deficit) and mid-year containment to $18.0M: Hays Free Press article 26407; Community Impact, May 20, 2026; FY 2026-27 budget presentation.
- Cash-funded capital transfers $11.90M (FY23) and $13.97M (FY24); excess over 25% minimum 234% / 94% / 9.9%; carryover differences: FY 2026 Annual Budget Book (OpenGov), General Fund summary.
- $17.18M (ACFR) vs. $14.98M (city presentation) and referral to the council-approved forensic audit: FY 2024-25 ACFR; FY 2025-26 budget presentation; council discussion as reported.
- FY 2026-27: General Fund cut $7.9M (9.97%), rate cut 8.34%, projected ending balance $20.37M: FY 2026-27 budget transmittal (July 28, 2026) and proposed budget.
- Interfund lending allowed: Kyle Debt Management Policy, Ordinance No. 1359 (April 2025), Sec. 10 and 14.
- Bee Cave AAA (S&P, Aug. 2025, 12-month reserve): City of Bee Cave announcement. Longview AA+ (S&P, Nov. 2013, reserves 35.3%): The Bond Buyer. Rio Rancho permanent fund (voter-approved March 2022): Rio Rancho Observer.