

Mayor and Council Communication

DATE: 01/23/24

M&C FILE NUMBER: M&C 24-0001

LOG NAME: 03FY2023 CLOSING

SUBJECT

(ALL) Adjust Appropriations in Various Funds and Amounts to Bring Revenues and Expenditures into Balance for the Operating Budgets for Fiscal Year 2023, Enact Budget Adjustments to Reallocate Resources, Commit Funds to Facilitate Fiscal Year 2023 Year End Closeout and Rollover into Fiscal Year 2024, Reallocate General Fund Appropriations in Fiscal Year 2024, Authorize All Associated Transfers, and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing and adjusting Fiscal Year 2023 receipts and appropriations in the General Fund to bring receipts and expenditures into balance in order to finalize and facilitate year-end closure and audit following the 03FY2023 WINDUP Mayor and Council Communication 23-0706:
 - a. Increase appropriations in the City Attorney department by \$80,000.00 to cover separation leave; and
 - b. Decrease appropriations in Non-Departmental by \$80,000.00;
 - c. Increase receipts and appropriations in the Library department by \$75,000.00, from available funds, to transfer to the General Capital Projects Fund (City Project No. 105091) for costs associated with the buildout of the library located at 9336 Clifford Street, Fort Worth, Texas 76102;
2. Adopt the attached appropriation ordinance adjusting Fiscal Year 2023 receipts and appropriations in the Solid Waste Fund to bring receipts and expenditures into balance in order to finalize and facilitate year-end closure and audit following the 03FY2023 WINDUP Mayor and Council Communication 23-0706, for a net impact of \$0.00:
 - a. Increase operations and maintenance by \$3,500,000.00 for year-end vendor payments; and
 - b. Reduce contribution to fund balance in the amount of \$3,500,000.00 for a net contribution to fund balance of \$626,750.00;
3. Adopt the attached appropriation ordinance adjusting receipts and appropriations in the General Capital Projects Fund to:
 - a. Decrease the Alliance Maintenance Facility Repair project (City Project No. P00081) in the amount of \$530,000.00 and reverse transfers from the Alliance Maintenance Facility Fund in the same amount; and
 - b. Increase the Clifford Street Library Buildout (City Project No. 105091) in the amount of \$75,000.00, transferred from the General Fund, for costs associated with the buildout of the library located at 9336 Clifford Street, Fort Worth, Texas 76102;
4. Adopt the attached appropriation ordinance reallocating Fiscal Year 2023 appropriations in the Alliance Maintenance Facility Fund to bring receipts and expenditures into balance in order to finalize and facilitate year-end closure and audit for a net impact of \$0.00:
 - a. Decrease the Transfers & Other category in the amount of \$530,000.00;
 - b. Increase the Operating and Maintenance category by \$231,768.00; and
 - c. Decrease the use of fund balance/net position in the amount of \$298,232.00 to meet reserve requirements;
5. Reduce interest earnings in the General Debt Service Fund by \$8,075,596.00 and increase interest earnings in the General Fund by the same amount, to be assigned for future capital project shortfalls;
6. Authorize the assignment of \$54,340,467.00 in Fiscal Year 2023 fund balance from Fiscal Year 2023 savings in the General Fund for potential future appropriation as follows:
 - a. \$15,959,527.00 for potentially Library capital projects; and
 - b. \$38,380,940.00 for capital project shortfalls;
7. Designate \$28,031,838.00 as committed fund balance within the General Fund as follows:
 - a. \$13,031,838.00 for the total amount owed to the State of Texas as of September 30, 2023 to refund previously overpaid sales and use tax; and
 - b. \$15,000,000.00 for the purpose of providing last-dollar funding for the Juneteenth Museum project;
8. Designate \$2,351,655.00 as committed Fiscal Year 2023 fund balance from Fiscal Year 2023 savings in the General Fund for contractual commitments and rollover into Fiscal Year 2024 as follows:
 - a. \$182,500.00 in the City Manager's Office,
 - b. \$87,450.00 in Communication and Public Engagement,
 - c. \$141,114.00 in Diversity and Inclusion Department,
 - d. \$202,000.00 in Development Services Department,
 - e. \$386,470.00 in Economic Development Department,
 - f. \$188,704.00 in Financial Management Services,
 - g. \$300,000.00 in FWLab,
 - h. \$41,791.00 in Human Resources Department,
 - a. \$239,540.00 in the Library Department,
 - j. \$76,796.00 in the Neighborhood Services Department,
 - k. \$360,000.00 in the Park and Recreation Department, and
 - l. \$145,290.00 in the Police Department ;
9. Adopt the attached appropriation ordinance revising the Fiscal Year 2024 General Fund receipts and appropriations as follows:
 - a. Increasing receipts and appropriations in the amount of \$2,351,655.00 and decreasing the unaudited fund balance by the same

- amount, from the rollover of surplus funds from Fiscal Year 2023 in order to fund contractual commitments; and
- b. Adjusting receipts and appropriations for a net impact of \$0.00 by increasing Diversity and Inclusion by \$250,000.00 for a study of City facilities resulting in a plan for updating all facilities in accordance with Americans with Disabilities Act requirements and decreasing Non-Departmental by the same amount; and

10. Amend the Fiscal Year 2023 Operating Budget, amend the Fiscal Year 2024 Operating Budget, and amend the Fiscal Years 2023-2027 Capital Improvement Program.

DISCUSSION:

The City of Fort Worth's annual Operating Budget is formally enacted into law by City Council action adopting an appropriation ordinance that establishes spending limits for each department's operation.

The purpose of this Mayor and Council Communication (M&C) is to adjust the final budget and authorize transactions to reflect actual performance for the fiscal year ending September 30, 2023. Any amounts over budget must be appropriated by action of the City Council, in accordance with the City Charter (Chapter X, Section 5, Expenditures Only Pursuant to Appropriations). This action represents the final step before the external audit can be completed and the Annual Comprehensive Financial Report published after the wind up M&C (23-0706) approved by City Council on August 22, 2023.

Appropriations reflected in the attached ordinances include adjusted appropriations in the departmental budgets within the General Fund to offset excess expenditures or re-purposed funds, with the total amount offset by a decrease in the non-departmental budget in the General Fund for a zero net impact. Below is a brief explanation of the activity that caused deviations from the adopted budget:

Department Additional Appropriations

Approval of this M&C will amend the Fiscal Year 2023 Adopted Budget, as approved with Ordinance 25773-09-2022.

GENERAL FUND

City Attorney \$80,000.00

Reason: The deficit is due to higher than anticipated separation leave expense for general employees. This will be covered using Non-Departmental funds budgeted for separation leave.

Non-Departmental Department (\$80,000.00)

Reason: Appropriations for separation leave are being moved to the City Attorney Department where an expense was incurred.

Library Department \$75,000.00

Reason: On September 12, 2023 the City council authorized the execution of the lease with Hickman Investments, LTD (Hickman) for 4,051 square feet of space in Suite 120, located at 9336 Clifford Street, Fort Worth, Texas 76108 for a new branch library located in District 7 (M&C 23-0769). Additional improvements to the leased premises will be at the City's expense and are estimated to be \$75,000.00. This M&C will authorize the use of proceeds from the Central Library sale (M&C 22-1056) to fund the improvements at the new branch location. Recommendation 1.c. provides for the transfer to capital, and recommendation 3.b. provides appropriations for the project costs to improve the premises.

OTHER FUNDS

Solid Waste Fund: \$3,500,000.00

Reason: In Fiscal Year (FY) 2023, the Solid Waste Fund had a budgeted contribution to fund balance of \$4,126,750.00. Throughout the fiscal year, revenues outperformed budgeted amounts; and though the Solid Waste Fund did not exceed the FY2023 adopted expense budget, \$3,500,000.00 in appropriations must be reallocated from contribution to fund balance to other contractual services to allow for sufficient budgetary authority to pay all fiscal year invoices.

Alliance Maintenance Facility Cleanup

The FY2023 Adopted Budget for the Alliance Maintenance Facility Fund included a total of \$1,280,000.00 in capital transfer out appropriations, \$500,000.00 of which was appropriated for the purchase of a chilled water pump for the Central Utility Plant, and \$780,000.00 of which was appropriated for various capital projects at the Fuel Farm. However, after reassessing capital needs, it has been determined that only the purchase of the chilled water pump is needed at this time and the estimated total cost is \$750,000.00. The additional \$530,000.00 will be transferred back to the Alliance Maintenance Facility Operating Fund with \$231,768.00 used to address an operating shortfall and the remaining \$298,232.00 going to fund balance to meet the reserve requirement.

The action in this M&C will amend the FY2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 2, as listed on page 5.

Assignments of Fund Balance

General Fund: \$54,340,467.00

Reason: Assigning fund balance is a regular practice as part of the year end close process. Each year, unassigned fund balance is measured against the policy minimum balance and compared to known financial needs that fell outside the current operating budget. The following requirements have been identified as prudent uses of the FY 2023 fund balance:

Description	Amount
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Library Capital Projects	\$15,959,527.00
Capital Projects Shortfall	\$30,305,344.00
Capital Projects Shortfall - Surplus Interest Earnings	\$8,075,596.00
TOTAL ASSIGNED FUND BALANCE	\$54,340,467.00

These priorities will be presented for approval to Council during the course of Fiscal Year 2024 and will be appropriated at the time of approval. Assigning the funds as outlined still results in the City maintaining the unassigned fund balance above the 16.67% of expenditures required by policy.

Recognition of Interest Earnings

The City generates investment income by prudently investing idle cash from operations, “pay as you go” capital funds, and debt proceeds in compliance with state law and City policy. The current policy is to allocate investment income from general government activities, not otherwise subject to other legal or policy constraints, to the City’s General Debt Service Fund to offset investment cost associated with outstanding debt issuances and/or to accumulate cash which can be used to pay off debt prior to maturity to achieve debt service savings.

The City has benefited tremendously from the current elevated investment rate environment, resulting in better than expected investment earnings. This was primarily due to effective investment practices and a dramatic increase in the Federal Funds rate from a range of 0.01% to 0.25% to over 5% within the past year. As a result, City staff previously identified approximately \$19,130,000.00 of unpledged surplus investment income in the City’s General Debt Service Fund, which was appropriated as approved on August 22, 2023 (M&C 23-0706, “03FY2023 WINDUP”).

The fiscal year 2023 closeout analysis has identified an additional \$8,075,596.00 of unpledged surplus investment income previously deposited into the General Debt Service Fund. Staff recommends for City Council to authorize the recognition of this surplus investment income in the General Fund in Fiscal Year 2023 for the purpose of funding one-time initiatives and/or capital projects, which will be recommended by staff for approval by City Council at a subsequent date.

Investment income derived from the investment of debt proceeds will continue to be allocated, as required by policy, to the appropriate Debt Service Fund. Going forward, staff will monitor collection of investment income from general government operations to identify any surplus that can be used for other lawful purposes. Given the variable nature of investment income, any surplus may fund one-time initiatives, capital projects, or to accumulate cash which can be used to pay off debt prior to maturity to achieve debt service savings.

This action excludes non-governmental funds such as Water & Sewer, Stormwater, CCPD, etc. and funds that are subject to other legal or policy constraints. Those funds will continue to receive their appropriate allocation of investment income.

Commitment of Funds and Rollover

Approval of this M&C will amend the Fiscal Year 2024 Adopted Budget, as approved with Ordinance 26453-09-2023.

GENERAL FUND

Committed Fund Balance for Sales Tax Repayment Agreement

General Fund: \$ 13,031,838.00

Reason: In 2011, and once again in 2021, it was determined that the City of Fort Worth had been paid sales and use taxes for equipment that was later found to be tax exempt. Agreements were entered into with the State for a repayment plan. Of the two repayment agreements, a combined \$13,031,838.00 remains outstanding as of September 30, 2023.

Committed Fund Balance for Contractual Obligations Rolled Over from Fiscal Year 2023

City Manager’s Office: \$182,500.00

Reason: EMS Comprehensive Study. This non-recurring expense will be paid during FY2024.

Communication and Public Engagement: \$87,450.00

Reason: Engagement and texting enhancements, video production for City departments, and volunteer software contracts were all budgeted in FY2023 funds but delayed by when contracting late in the fiscal year. These non-recurring expenses will be paid during FY2024.

Diversity and Inclusion Department: \$141,114.00

Reason: Urban3 invoices budgeted in FY2023 funds were received beyond deadline for use of FY2023 funds.

Development Services Department: \$202,000.00

Reason: Department turnover impacted timelines for zoning amendments and structural staffing & efficiency study, both of which were budgeted in FY2023 funds. These non-recurring expenses will be paid during FY2024.

Economic Development Department: \$386,470.00

Reason: Tax payments which were budgeted in FY2023 but delayed in payment due to protest and underreporting errors.

Financial Management Services: \$188,704.00

Reason: Archival services for move to Future City Hall and validation of property tax rate contract; both amounts were budgeted in FY2023 with payment delayed to FY2024 due to vendor response times and project progress. These non-recurring expenses will be paid during FY2024.

FWLab: \$300,000.00

Reason: Comprehensive plan engagement contract was budgeted in Non-Departmental in FY2023, but not executed for timing reasons. This non-recurring expense will be paid during FY2024.

Human Resources Department: \$41,791.00

Reason: Payment for a speaker for the Fort Worth Employee Values Summit and civil service promotional exams were budgeted in FY2023 but not paid because of invoicing issues (for the exams) and the summit's taking place after September 30. These non-recurring expenses will be paid during FY2024.

Library Department: \$239,540.00

Reason: Contractors experienced delays which prevented work budgeted in FY2023 from being completed and invoiced before FY2024; a property tax bill budgeted in FY2023 must also be paid in FY2024 due to timing issues. These non-recurring expenses will be paid during FY2024.

Neighborhood Services Department: \$76,796.00

Reason: This amount represents 10% of funding for seven community center positions which were previously budgeted to other funds. These positions will now be 100% funded by the General Fund, as intended in the long-term.

Parks & Recreation Department (PARD): \$360,000.00

Reason: PARD is no longer benefiting from a shared cost of vendor services after two other City departments pursued other vendors, so additional money is necessary to continue using this vendor. This amount will also appropriate the budget for the Aspiration Plan, an initiative identified in Fiscal Year 2023 and led by the Greenspace Champion.

Police Department: \$145,290.00

Reason: Due to supply chain and vendor completion timelines, services and supplies budgeted in FY2023 could not be invoiced and paid until FY2024, including body armor, ammunition cartridges, facilities maintenance and installation, towing services, and leadership development training.

Approval of this M&C will amend the Fiscal Year 2024 Adopted Budget, as approved with Ordinance 26453-09-2023, Section 1, as follows:

General Fund Department	FY2024 Adopted Budget	Budget Increase	FY2024 Revised Budget
Revenues			
Use of Fund Balance	\$0.00	\$2,351,655.00	\$2,351,655.00
Expenditures			
City Manager's Office	\$11,368,002.00	\$182,500.00	\$11,550,502.00
Communication & Public Engagement	\$6,058,990.00	\$87,450.00	\$6,146,440.00
Diversity and Inclusion Department*	\$2,635,238.00	\$391,114.00	\$3,026,352.00
Development Services Department	\$29,222,202.00	\$202,000.00	\$29,424,202.00
Economic Development Department	\$49,547,130.00	\$386,470.00	\$49,933,600.00
Financial Management Services	\$15,051,729.00	\$188,704.00	\$15,240,433.00
FWLab	\$13,360,823.00	\$300,000.00	\$13,660,823.00
Human Resources Department	\$6,933,179.00	\$41,791.00	\$6,974,970.00

Library Department	\$27,822,947.00	\$239,540.00	\$28,062,487.00
Neighborhood Services Department	\$23,066,282.00	\$76,796.00	\$23,143,078.00
Non-Departmental*	\$29,147,095.00	(\$250,000.00)	\$28,897,095.00
Park and Recreation Department	\$70,849,484.00	\$360,000.00	\$71,209,484.00
Police Department	\$321,340,689.00	\$145,290.00	\$321,485,979.00

*Table reflects \$250,000.00 adjustment from Non-Departmental budget to Diversity and Inclusion Budget for ADA study

Current Fiscal Year Appropriation Adjustments

GENERAL FUND

Diversity and Inclusion: \$250,000.00

Reason: In the FY2024 adopted budget, \$250,000.00 was budgeted for a study of City facilities resulting in a plan for updating all facilities in accordance with Americans with Disabilities Act (ADA) requirements. The Diversity and Inclusion Department has engaged with a contractor for the study and will oversee the work on the ADA study.

Non-Departmental: (\$250,000.00)

Reason: Funds for the ADA study are currently budgeted in the Non-Departmental Budget. Moving the appropriation to the Diversity and Inclusion Department will allow it to continue operations without exceeded spending authority due to an unbudgeted expense.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and the adoption of the attached appropriation ordinances, funds will be available in the FY2023 and FY2024 operating and capital budgets as appropriated. Prior to any expenditure being incurred, the participating departments have the responsibility to validate the availability of funds in FY2024.

Submitted for City Manager's Office by: Reginald Zeno 8517

Originating Business Unit Head: Christianne Simmons 6222

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Expedited