

City of Fort Worth, Texas

Mayor and Council Communication

DATE: 09/16/25 M&C FILE NUMBER: M&C 25-0812

LOG NAME: 03INTEREST EARNINGS APPROPRIATION

SUBJECT

(ALL) Amend Mayor and Council Communication 25-0003 to Correct the Source of Appropriations for the Risk Financing Fund, Enact Budget Adjustments to Recognize Unrestricted Interest Income in the General Fund Rather than Debt Service, Approve Transfers to the Grants Operating Federal Fund, Group Health Fund, and General Capital Projects Fund in Fiscal Year 2025, and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Amend Mayor and Council Communication 25-0003 to correct the source of the \$5,000,000.00 appropriation in the Risk Financing Fund as being Fiscal Year 2024 assigned fund balance rather than interest earnings;
2. Authorize the use of Interest Earnings from Fiscal Year 2025 in the amount of \$27,623,122.00 for immediate and potential future appropriation as follows:
 - a. \$870,930.00 for the Childcare Associates Early Learning Center;
 - b. \$6,500,000.00 for a contribution to the Cowgirl Hall of Fame;
 - c. \$3,100,000.00 for the Health Fund;
 - d. \$3,129,070.00 to Panther Island Project;
 - e. \$14,023,122.00 to fund balance
4. Adopt the attached appropriation ordinance adjusting the General Fund by recognizing and utilizing \$27,623,122.00 in receipts from unrestricted interest earnings to increase appropriations by \$13,600,000.00 for transfers funding one-time special projects and other capital needs and to reduce the use of fund balance by \$14,023,122.00, thereby contributing to unassigned fund balance;
5. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Grants Operating Federal Fund in the amount of \$870,930.00, transferred from General Fund interest earnings, for the purpose of funding Healthy Childhood: Child Care project (City Project No. 103165);
6. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Group Health Fund in the amount of \$3,100,000.00, transferred from General Fund interest earnings, for the purpose of satisfying reserve requirements in the Group Health Fund;
7. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the General Capital Projects Fund in the amount of \$3,129,070.00, transferred from General Fund, interest earnings for the purpose of funding Panther Island Bridges Phase 1 project (City Project No. 106351);
8. Designate \$14,023,122.00 as Fiscal Year 2025 fund balance from Fiscal Year 2025 interest earnings in the General Fund; and
9. Amend the Fiscal Year 2025 Operating Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to amend M&C 25-0003 to correct the source of the \$5,000,000.00 appropriations appropriation in the Risk Financing Fund (Recommendation 5) s as being Fiscal Year 2024 assigned fund balance rather than interest earnings and to enact budget adjustments to reallocate resources and appropriate unrestricted interest earnings to provide funding for one-time special projects and other capital needs.

Allocation of Unrestricted Interest - Department Additional Appropriations

This M&C proposes utilizing \$27,623,122.00 in unrestricted interest earnings for a variety of projects and uses as detailed below.

GENERAL FUND

Cowgirl Hall of Fame contribution: \$6,500,000.00

Reason: City Council previously adopted a resolution to support the Cowgirl Museum's expansion project to preserve and promote the City's diverse history and culture through the City's high-quality museums.

Contribution to Fund Balance: \$14,023,122.00

Reason: To the extent the unrestricted interest earnings are not specifically allocated and appropriated elsewhere in this M&C, staff recommends those dollars (estimated to be \$14,023,122.00) be allocated to reduce budgeted use of fund balance in the General Fund, thereby increasing the unassigned fund balance. This action supports ongoing efforts to maintain structurally sound reserves and ensure fund balance growth remains proportionate to anticipated expenditure growth in the proposed FY2026 budget. The allocation also supports the City’s financial resiliency and strengthens its position with credit rating agencies.

OTHER FUNDS

Group Health Fund: \$3,100,00.00

Reason: Staff recommends allocating \$3.1 million of current-year interest earnings to support the Health Fund's financial restoration plan. This contribution is aligned with the goal of restoring the fund to compliance with its minimum reserve requirements. The allocation provides targeted, near-term relief to strengthen the fund’s long-term sustainability and ensure continued financial stability for the City’s self-insured health plan.

General Capital Projects- General Panther Island Bridges Phase 1 (Project 106351): \$3,129,070.00

Reason: Funds will be used toward professional services, project management, inspection, material testing, and local participation direct costs of bridge projects that will serve as crossings for the Tarrant Regional Water District (TRWD) phased construction of the Panther Island canals. The local participation represents the City of Fort Worth’s match to the contributions from multiple regional partners, such as the North Central Texas Council of Governments (NCTCOG) and the Texas Department of Transportation (TxDOT), to this initiative.

Grants Operating Federal- Childcare Associates Early Learning Center: \$870,930.00

Reason: Funds will be used to help cover a shortfall in the development of a new Early Learning Center to expand access to infant, toddler, and three-year-old services in the Stop Six neighborhood. M&C 25-0780, which passed on 8/26, reallocated approximately \$690,000.00 of additional funds for this Childcare Associates project in the Stop Six neighborhood, for a total additional allocation of \$1.5 million.

Description	Amount
Childcare Associates Early Learning Center funded by FY2025 interest earnings	\$870,930.00
Cowgirl Hall of Fame funded by FY2025 interest earnings	\$6,500,000.00
Health Fund funded by FY2025 interest earnings	\$3,100,000.00
Panther Island funded by FY2025 interest earnings	\$3,129,070.00
Fund balance contribution/Reduction of Use of Fund Balance	\$14,023,122.00
Total	\$27,623,122.00

Recognition of Interest Earnings

The City generates investment income by prudently investing idle cash from operations, “pay as you go” capital funds, and bond funds in compliance with state law and City policy.

The existing practice, in compliance with the current Revenue Policy, is to allocate investment income from governmental funds, derived from resources other than bond or debt proceeds, either in the City’s General Debt Service Fund or in the General Fund (to one-time capital projects or contributing to unassigned fund balance)as recommended by the City Manager.

The latest FY 2025 analysis has identified \$27,623,122.00 of unrestricted and unpledged surplus interest and investment income. Staff recommends for City Council to authorize the recognition of this unpledged and unencumbered investment income in the General Fund rather than the Debt Service Fund in FY 2025, so that such funds can be used to fund one-time initiatives and/or capital projects as detailed herein. Recommendation 2 of this M&C assigns this amount for such one-time projects.

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 will generally be prioritized to 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 does not encompass income derived from the investment of debt proceeds, which continues to be allocated to the appropriate Debt Service Fund in accordance with legal and policy requirements. Nor does it include investment earnings attributable to purpose-restricted funds

such as Water & Sewer, Stormwater, Crime Control Prevention District, etc. or to funds that are subject to other legal or policy constraints. Those funds will continue to receive their appropriate allocation of investment income.

Current Fiscal Year Interest Earnings Budget

GENERAL FUND

Purpose	FY2025 Adopted Budget	Budget Increase	FY2025 Revised Budget
Employees Supporting Debt	\$500,000.00	\$0.00	\$500,000.00
Cowgirl HOF	\$0.00	\$6,500,000.00	\$6,500,000.00
CCA	\$0.00	\$870,930.00	\$870,930.00
Health Fund	\$0.00	\$3,100,000.00	\$3,100,000.00
Panther Island	\$0.00	\$3,129,070.00	\$3,129,070.00
Fund Balance	\$0.00	\$14,023,122.00	\$14,023,122.00
Total	\$500,000.00	\$27,623,122.00	\$28,123,122.00

Approval of this M&C will amend the Fiscal Year 2025 Adopted Budget, as approved with Ordinance 27107-09-2024.

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 FY2025 operating and capital budgets as appropriated. Prior to any expenditure being incurred, the participating departments have the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Dianna Giordano 7783

Originating Business Unit Head: Christianne Simmons 6222

Additional Information Contact: