

# Mayor and Council Communication

DATE: 09/21/21

M&C FILE NUMBER: M&C 21-0699

LOG NAME: 13GAS WELL TRUST DISTRIBUTION 2021

## **SUBJECT**

(ALL) Authorize Distribution in the Amount of \$3,812,143.66 of Income From the City's Mineral Revenue Trust Known as the City of Fort Worth Permanent Fund for Projects Meeting Designated Purposes and Adopt Attached Appropriation Ordinances

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize distribution in the amount of \$3,812,143.66 in income from the City's Mineral Trust Fund, the Fort Worth Permanent Fund, commensurate with the terms of the amended trust document; and
2. Adopt the attached appropriation ordinances increasing estimated receipts and appropriations in the listed Gas Lease Endowment Funds in the cumulative amount of \$3,812,143.66 for the purpose of transferring to their respective Gas Lease Capital Projects Funds, and the General Endowment Fund for the purpose of transferring to the General Fund to fund arts programming, in accordance with the City Council approved Financial Management Policy Statements, allocations are as follows:
  - Aviation Endowment Gas Lease Fund in the amount of \$1,608,794.17, for transfer to the Aviation Gas Lease Cap Projects Fund;
  - Park System Endowment Gas Lease Fund in the amount of \$435,585.63, for transfer to the Park and Recreation Department Gas Lease Cap Projects Fund (\$280,259.38 for the restricted Parks Project; \$155,326.25 for the unrestricted Parks Project);
  - Water and Sewer Endowment Gas Lease Fund in the amount of \$434,123.17, for transfer to the Water and Sewer Gas Lease Cap Projects Fund; and
  - General Endowment Gas Lease Fund in the amount of \$1,333,640.69, for transfer to the General Fund for Arts programming.

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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take action to distribute and appropriate income from the City's mineral revenue trust fund so that the income can be used to fund eligible projects and other approved activities. This M&C gives permission for the funds to be disbursed from the trust accounts and then transferred to the appropriate capital projects and to the General Fund for arts programming. It does not authorize any expenditures. The departments that receive the revenue from this distribution will seek authorization for appropriate expenditures at a later date.

In 2008, the City Council adopted amendments to the City's Financial Management Policy Statements (FMPS) to establish a Mineral Revenue Trust Fund known as The Fort Worth Permanent Fund (M&C G-16013). The City Council subsequently authorized executing an agreement with Wells Fargo Bank, N.A. (Wells Fargo), to serve as Corporate Trustee (M&C P-11467), and all of the accumulated money that had been designated for inclusion in the Trust was transferred to Wells Fargo in June 2013.

In accordance with the terms of the written Trust Agreement and the FMPS, the Fund is maintained as a consolidated account and divided into five sub-accounts. Money in the Trust is invested in accordance with the City Council adopted Investment Policy and Strategy for the Fund.

Under the terms of the Trust Agreement, the Trustee works with the City's Chief Financial Officer (CFO) to determine the amount of income available for distribution each year. Then a recommendation is made to the City Council for distribution procedures for the different funds of the Trust consistent with the goal to preserve, as well as increase, the principal of the Trust. Expenditure of distributed income is subject to the FMPS, with the dollars generally being available only for funding one-time program initiatives, capital projects that comply with certain listed requirements and, in the case of distributions from the general endowment, arts programming.

Wells Fargo has worked with the CFO to identify available income, and staff in the Financial Management Services Department has consulted with other City departments to develop recommendations regarding allocation of the distributable income. This distribution includes no corpus of the Trust, rather it relates only to income received from the investments within the Trust itself.

The following actions are recommended for available Trust income in each of the designated sub-accounts:

1. The Aviation Endowment Gas Lease Fund - distribution of income totaling \$1,608,794.17 for use toward capital projects.
2. The Park System Endowment Gas Lease Fund - distribution of income totaling \$435,585.63 (\$280,259.38 from restricted parks; \$155,326.25 from unrestricted parks) for expenditure in accordance with the City Council approved Financial Management Policy Statements.
3. The Water and Sewer Endowment Gas Lease Fund - distribution of income totaling \$434,123.17 for use toward capital projects.
4. The General Endowment Gas Lease Fund - distribution of income totaling \$1,333,640.69 for use toward arts programming needs paid for within the General Fund.

The Nature Center Endowment Gas Lease Fund does not currently have any income available for distribution.

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are currently available in the Aviation, PARD, Water/ Sewer, and General Endowment Gas Lease Funds and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Aviation, PARD, and Water/Sewer Gas Lease Capital Projects Funds and the General Fund. Prior to an expenditure being incurred, the Financial Management Services Department has the responsibility of verifying the availability of funds.

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