

# Mayor and Council Communication

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## SUBJECT

(ALL) Adopt Appropriation Ordinances Amending the Fiscal Year 2021 Adopted Budget for the Culture and Tourism Funds and Amend the FY2021-2025 Capital Improvement Program

## RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance making adjustments to the FY2021 budget in the Culture and Tourism Fund to reflect the significant on-going revenue loss from the impact of COVID-19 on the tourism industry: decrease estimated receipts by \$2,945,925.00, decrease appropriations by \$1,664,221.00 and reduce transfer to capital by \$1,007,000.00, and increase use of fund balance by \$1,281,704.00, resulting in an amended FY2021 budget of \$34,762,616.00;
2. Adopt the attached ordinance making adjustments to the FY2021 budget in the Culture and Tourism Fund 2% Hotel Occupancy Tax Fund to reflect the significant on-going revenue loss from the impact of COVID-19 on hotel occupancy tax: decrease estimated receipts and appropriations by \$525,913.00 and reduce transfers to capital funds, resulting in an amended FY2021 budget of \$5,344,094.00;
3. Adopt the attached ordinance making adjustments to the FY2021 budget in the Culture and Tourism Project Finance Zone Fund to reflect stagnation in incremental tax growth as a result of the COVID-19 pandemic: decrease estimated receipts and appropriations by \$2,049,388.00 and eliminate a transfer to the Venue Debt Service Fund in the same amount, resulting in an amended FY2021 budget of \$3,639,946.00;
4. Adopt the attached ordinance making adjustments to the FY2021 budget in the Dallas Fort Worth Revenue Sharing Fund as a result of the COVID-19 pandemic impact: decrease estimated receipts by \$2,160,000.00, decrease expenditure appropriations by \$997,175.00 and eliminate transfers to capital fund, reallocate a budgeted transfer of \$2,219,021.00 to the Venue Debt Service Fund instead of the Culture and Tourism Debt Service Fund, and increase use of fund balance by \$1,162,825.00, resulting in an amended FY2021 budget of \$2,662,825.00;
5. Adopt the attached ordinance making adjustments to the FY2021 Venue Operating Fund due to the on-going cancellation of events and closure of facilities in the venue project zone as a result of the COVID-19 pandemic: decrease estimated receipts by \$1,750,000.00; decrease the use of fund balance by \$469,021.00, and decrease appropriations by \$2,219,021.00 and eliminate a transfer to the Venue Debt Service Fund in the same amount, resulting in an amended FY2021 budget of \$6,640,264.00;
6. Adopt the attached ordinance making adjustments in the FY2021 budget of the Culture and Tourism Capital Projects Fund: decrease the transfer in from the Culture and Tourism (Operating) Fund by \$1,007,400.00, decrease the transfer in from the Dallas Fort Worth Revenue Share Fund by \$1,080,000.00, increase the transfer in from the Culture and Tourism 2% Hotel Occupancy Tax Fund by \$1,054,844.00, and reduce total appropriations by \$1,032,556.00 resulting in revised project budgets for the Convention Center, Dickies Arena, and Will Rogers Memorial Coliseum (City Project Nos. P00053, C40004, P00054) in the amounts of \$640,000.00, \$0.00, and \$1,054,844.00 respectively; and
7. Amend the FY2021-2025 Capital Improvement Program.

## DISCUSSION:

The City's FY2021 annual operating budgets were formally enacted into law by City Council action by adopting Ordinance [24446-09-2020](#) on September 22, 2020 that establishes spending limits for each department's and fund's operation.

The purpose of this Mayor and Council Communication (M&C) is to amend the adopted FY2021 operating and capital budgets for the Public Events Department's (PED) Culture and Tourism (C&T) funds as a result of the COVID-19 pandemic and the near collapse of the tourism industry in the spring of 2020. Use of available fund balances, adjustment to capital transfers and decreases in expenditures are being made to offset additional revenue loss projections and event cancellations from the on-going effects of the COVID-19 pandemic that have changed since the budget proposals on August 4 and 11, 2020 and adoption of the PED budgets on September 22, 2020.

FUND	FY21 ADOPTED	FY21 AMENDED	VARIANCE Adopted to Amended	Use of Fund Balance/ Other Sources
Culture and Tourism	\$36,426,837.00	\$34,726,616.00	(\$1,664,221.00)	\$2,484,591.00
HOT 2%	\$5,870,007.00	\$5,344,094.00	(\$525,913.00)	\$0.00
PFZ	\$5,689,334.00	\$3,639,946.00	(\$2,049,388.00)	\$1,189,334.00

DFW Rev Share	\$3,600,000.00	\$2,662,825.00	(\$997,715.00)	\$1,162,825.00
Venue	\$8,859,285.00	\$6,640,264.00	(\$2,219,021.00)	\$2,390,264.00

**Culture and Tourism Fund** (recommendation 1)

The Culture and Tourism fund is being amended for decreased projections in Hotel Occupancy Tax (HOT) and the loss of revenue associated with events in the upcoming fiscal year at both the Fort Worth Convention Center (FWCC) and Will Rogers Memorial Center (WRMC), including the cancellation of the 2021 Fort Worth Stock Show and Rodeo (FWSSR). Recent projections in hotel occupancy tax collections anticipate a decrease by \$1.84M to \$18.70M in FY2021 and facility event revenues due to cancellations are projected to decrease by \$1.15M to \$11.44M.

While revenue projections have decreased, the Public Events Department has also taken action to decrease expenditures in FY2021 by placing employees in temporary loan positions to other COFW Departments, amending contractual agreements with VFW, eliminating capital transfers and reducing vendor services that are not critical to operations when the facilities are not in use hosting events. Expenditures at WRMC for overtime, utilities and operational supplies also decrease with the cancellation of the 2021 FWSSR to offset lost revenues. In contrast, expenses are increased for the second payment for the 2021 Bassmaster Classic (M&C 20-0339, June 2, 2020) that was not included in the adopted budget and contractual payments to the FWSSR, which are usually deducted from event revenues. The estimated net savings of \$1.66M identified as budget reductions minimizes the increased need for use of fund balance to supplement projected revenue losses for the fiscal year.

**Culture and Tourism 2% Hotel Fund** (recommendation 2)

PED anticipates that the C&T 2% HOT Fund collections will decrease from the adopted estimate of \$5.87M to \$5.34M in revenues for FY2021. Due to the anticipated loss in revenue, capital transfers are being reduced by \$525K, to ensure that the \$3.68M debt obligation for the coming year can be met. Additionally, the intended capital funds for PED facilities in FY2021 is being kept primarily intact by replacing the eliminated Dallas Fort Worth (DFW) Revenue Share capital transfer with available HOT 2% funds. However, additional reductions in capital transfers for FY2021 may be required if HOT tax projections and receipts continue to decline or do not begin recovering as anticipated.

**Culture and Tourism Project Finance Zone Fund** (recommendation 3)

Project Finance Zone (PFZ) payments from the State are based on anticipated incremental growth in tax collections in the zone, and as a result of the COVID-19 pandemic, the incremental growth reached a negative point in FY2020. The last deposit received from the State was in April of 2020 for February receipts. PED anticipates that the C&T PFZ Fund collections for FY2021 will be less than the adopted estimate of \$4.50M, with a projected decrease to \$2.45M in revenues. As such, the debt transfer is reduced to \$3.63M, including the \$1.18M supplement from the Dickies Reserve Fund, to ensure the debt obligation is met.

**Culture and Tourism Dallas Fort Worth Revenue Share Fund** (recommendation 4)

DFW Revenue Share payments are made a year in arrears, so the impact of the COVID-19 pandemic, beginning in the spring of 2020, will be realized in revenue losses affecting the FY2021 deposit. PED anticipates that the C&T DFW Revenue Share collections will be less than the adopted estimate of \$3.66M with a projected decrease to \$1.50M in revenues for FY2021. In order to meet the \$2.66M debt obligation in the coming year, transfers to capital for FY2021 were eliminated (but primarily replaced with HOT 2% funds) and an additional use of \$1.16M in available fund balance will be utilized.

**Venue Operating Fund** (recommendation 5)

FY2020 was the inaugural year for the implementation of the Venue tax, beginning with the opening of Dickies Arena in November of 2019. With the continued cancellation and rescheduling of events at Dickies Arena, anticipated to last into or beyond the 2<sup>nd</sup> Quarter of FY2021, coupled with the cancellation of the FWSSR, PED anticipates that the Venue tax collections will be less than the adopted estimate of \$6.00M with a projected decrease to \$4.25M. This includes losses primarily in both parking and ticket tax. A separate M&C on today's agenda proposes appropriating available excess fund balance in the Venue Debt Service Fund, which facilitates reducing the debt transfer from the Venue Operating Fund to \$6.64M while still ensuring the FY2021 debt obligation is met and allowing the use of fund balance to be decreased by \$469K for a planned use of only \$2.39M.

**Public Events FY2021-2025 Capital Improvement Program Amendment** (recommendation 6)

On September 22, 2020 as part of Ordinance 24446-09-2020 the City Council also approved and appropriated funds for the FY2021-2025 Capital Improvement Program (CIP), as presented by the City Manager on August 4, 2020 including the PED 5 Year CIP. As a result of the transfer adjustments and eliminations in the operating budgets of the C&T funds, the PED 5 Year CIP is also adjusted to eliminate the use of DFW Revenue Share funds for FY2021 and replace them with HOT 2% funds. This replacement decreases the appropriation to Will Rogers Memorial Center, but only slightly, by \$25,156.00. The Convention Center appropriation was also decreased by \$7,400.00 based on new projections in commission collections from Smart Cities Network for the FWCC Technology Enhancement project, which are restricted revenues collected in the Culture and Tourism Fund and then transferred specifically to the capital project reserve. The Dickies Arena transfer to reserve funding is also suspended for FY2021. The action in this M&C will amend the FY2021-2025 Capital Improvement Program as approved in connection with Ordinance 24446-09-2020.

<b>Public Events Plan</b>	<b>FY21 Approved</b>	<b>FY21 Amended</b>	<b>Variance</b>
Convention Ctr	\$647,400.00	\$640,000.00	(\$7,400.00)
Dickies Arena	\$1,000,000.00	\$0.00	(\$1,000,000.00)
Will Rogers Memorial Center	\$1,080,000.00	\$1,054,844.00	(\$25,156.00)
<b>Total Plan</b>	<b>\$2,727,400.00</b>	<b>\$1,694,844.00</b>	<b>(\$1,032,556.00)</b>

<b>Funding Source</b>	<b>FY21 Approved</b>	<b>FY21 Amended</b>	<b>Variance</b>
Culture & Tourism	\$1,047,400.00	\$40,000.00	(\$1,007,400.00)
Culture & Tourism 2% Hotel	\$600,000.00	\$1,654,844.00	\$1,054,844.00
DFW Rev Sharing	\$1,080,000.00	\$0.00	(\$1,080,000.00)
<b>Total Funding Source</b>	<b>\$2,727,400.00</b>	<b>\$1,694,844.00</b>	<b>(\$1,032,556.00)</b>

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 adoption of the attached appropriation ordinances, funds will be available in the Culture & Tourism, Culture & Tourism 2% Hotel, Culture & Tour Proj Fin Zone, DFW Rev Sharing, and the Venue Operating Funds, and the Culture and Tourism Capital Projects Fund. Prior to an expenditure being incurred, the Public Events Department has the responsibility of verifying the availability of funds.

**Submitted for City Manager's Office by:** Jay Chapa 5804

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