

Mayor and Council Communication

DATE: 01/14/25

M&C FILE NUMBER: M&C 25-0003

LOG NAME: 03FY24 CLOSING

SUBJECT

(ALL) Enact Budget Adjustments to Reallocate Resources, Commit Funds to Facilitate Fiscal Year 2024 Rollover into Fiscal Year 2025, Reallocate General Fund Appropriations in Fiscal Year 2025, and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Reduce unpledged and unencumbered interest earnings in the General Debt Service Fund by \$29,717,000.00 and increase interest earnings in the General Fund by the same amount, for assignment to one-time special projects and/or capital needs to be submitted for City Council appropriation at a future date;
2. Authorize the assignment of \$64,446,937.00 in Fiscal Year 2024 fund balance comprised of Fiscal Year 2023 remaining fund balance assigned to capital needs in the amount of \$24,099,963.00, Interest Earnings from Fiscal Year 2024 in the amount of \$29,717,000.00, and Fiscal Year 2024 savings in the amount of \$10,629,974.00 for immediate and potential future appropriation as follows:
 - a. \$9,472,519.00 for potential Library capital projects;
 - b. \$47,034,978.00 for capital project shortfalls;
 - c. \$2,939,440.00 for ambulance/MedStar transition; and
 - d. \$5,000,000.00 to offset a deficit in the Risk Fund;
3. Designate \$3,552,571.00 as committed Fiscal Year 2024 fund balance from Fiscal Year 2024 savings in the General Fund for contractual commitments and rollover into Fiscal Year 2025 as follows:
 - a. \$707,205.00 in the City Manager's Office;
 - b. \$227,666.00 in Diversity and Inclusion Department;
 - c. \$470,594.00 in FWLab;
 - d. \$109,000.00 in Human Resources Department;
 - e. \$518,058.00 in Neighborhood Services Department;
 - f. \$61,456.00 in Police Department; and
 - g. \$1,458,592.00 in Property Management Department;
4. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the General Fund Non-Departmental Department in the amount of \$2,939,440.00 from available assigned fund balance for the purpose of funding the transition of ambulance services from MedStar to the City;
5. Adopt the attached appropriation ordinance revising Fiscal Year 2025 General Fund receipts and appropriations by increasing estimated receipts and appropriations in the General Fund in the amount of \$5,000,000.00, from interest earnings for the purpose of transferring to the Risk Financing Fund;
6. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Risk Financing Fund in the amount of \$5,000,000.00, transferred from the General Fund, for the purpose of increasing the reserve for unfunded property and liability claims/settlements;
7. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the General Fund in the amount of \$3,552,571.00 and decreasing the unaudited General Fund fund balance by the same amount in order to fund identified rollovers;
8. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Municipal Parking Fund in the amount of \$18,628.00 and decreasing the unaudited Municipal Parking Fund fund balance by the same amount in order to fund contractual commitments;
9. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Stormwater Utility Fund in the amount of \$110,323.00 and decreasing the unaudited Stormwater Utility Fund fund balance by the same amount in order to fund contractual commitments; and

10. Amend the Fiscal Year 2025 Operating Budget.

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, 2024. 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 (24-0697) approved by City Council on August 27, 2024.

Department Additional Appropriations

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

OTHER FUNDS

Municipal Parking Fund: \$18,628.00

Reason: There were three insurance claims that were not verified prior to the fiscal year ending. The claims have now been verified and payment can be issued.

Stormwater Utility Fund: \$110,323.00

Reason: The FUSE Fellowship ended in October and the agreement cannot be extended. Funding will be rolled over to continue the program until the end of the fiscal year to assist with the Riparian Initiative.

Assignments of Fund Balance

General Fund: \$64,446,937.00

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. To the extent unassigned fund balance in excess of policy requirements is identified, such amount is compared to known financial needs that fell outside the current operating budget. The following requirements have been identified as prudent uses of the FY 2024 fund balance:

Description	Amount
Library Capital Projects funded by FY 2023 remaining assigned fund balance	\$9,472,519.00
Capital Projects Shortfalls funded by FY 2023 remaining assigned fund balance	\$14,627,444.00
Capital Projects Shortfalls funded by FY 2024 savings	\$7,690,534.00
Capital Projects Shortfalls funded by FY 2024 interest earnings	\$24,717,000.00
MedStar Transition funded by FY 2024 savings	\$2,939,440.00
Risk Fund Offset funded by FY 2024 interest earnings	\$5,000,000.00
Total	\$64,446,937.00

With the exception of the ambulance/MedStar Transition and Risk Fund Offset, these priorities will be presented for approval to Council during the course of FY 2025 and appropriated at the time of approval. Assigning the funds as outlined results in the City increasing the unassigned fund balance to 22% of FY 2025 budgeted expenses. The minimum reserve required by the current Governmental Reserve Policy is 16.67% with a goal of 25%.

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, in the City’s General Debt Service Fund to one-time capital projects or contributing to unassigned fund balance as recommended by the City Manager.

The FY 2024 closeout analysis has identified \$29,717,000.00 of unpledged surplus 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 2024—so that such funds can be used to fund one-time initiatives and/or capital projects, to be presented for City Council’s consideration at a subsequent date. 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.

Commitment of Funds and Rollover

GENERAL FUND

Previously Committed Fund Balance for Sales Tax Repayment Agreement

General Fund: \$11,532,030.00

Reason: This funding was committed in the FY 2023 year-end closing M&C 24-0001. In 2011, and 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 \$11,532,030.00 remains outstanding as of September 30, 2024.

Previously Committed Fund Balance for Juneteenth Museum Project

Capital Projects: \$15,000,000.00

Reason: This funding was committed in the FY 2023 year-end closing M&C 24-0001. The City of Fort Worth has a standing agreement to fund part of a Juneteenth Museum. The organizers have not yet reached their funding requirements; therefore, the City is retaining the funding as committed fund balance until the additional funding requirements are met.

Committed Fund Balance for Contractual Obligations Rolled Over from Fiscal Year 2024

City Manager’s Office: \$707,205.00

Reason: Funding will be rolled over for Emergency Medical Services transition consulting services. This non-recurring expense will be paid during FY 2025.

Diversity and Inclusion: \$227,666.00

Reason: Funding will be rolled over for consulting services that began in FY 2024 and will conclude by the end of FY 2025.

FWLab: \$470,594.00

Reason: Funding will be rolled over to pay costs related to the 2050 Comprehensive Plan including consultant costs.

Human Resources: \$109,000.00

Reason: Funding will be rolled over to pay for consulting services related to the alignment of MedStar Memorandum of Understanding with the Fire Department and to continue a contract with VitalSmarts that was delayed.

Neighborhood Services: \$518,058.00

Reason: Provide funding in FY 2025 for a 17 month high impACT pilot program to provide mental health and homeless resources in the City of Fort Worth and provide funds for the recruitment of an assistant director position.

Police: \$61,456.00

Reason: Funding will be rolled over to secure the purchase of various supplies including, uniforms, ammunition, Lewis Machine & Tool multi-launchers, and camera parts. Items were purchased in FY 24 but were not received prior to the close of the fiscal year.

Property Management: \$1,458,592.00

Reason: Funding will be rolled over to provide renovations at New City Hall I that were delayed due to supply-chain issues and for a professional services agreement with Athenian Group whose work was not fully completed in FY 2024.

Current Fiscal Year Appropriation Adjustments

GENERAL FUND

General Fund Department	FY2025 Adopted Budget	Prior M&C	Budget Increase	FY2025 Revised Budget
Revenue				
Use of Fund Balance	\$0.00		\$3,552,571.00	\$3,552,571.00
Expenditures				
City Manager's Office	\$9,791,224.00	\$100,000.00 M&C24-1031	\$707,205.00	\$10,598,429.00
Diversity and Inclusion	\$2,863,536.00		\$227,666.00	\$3,091,202.00
FWLab	\$12,672,222.00		\$470,594.00	\$13,142,816.00
Human Resources	\$7,999,360.00		\$109,000.00	\$8,108,360.00
Neighborhood Services	\$17,508,181.00		\$518,058.00	\$18,026,239.00
Police	\$327,208,011.00		\$61,456.00	\$327,269,467.00
Property Management	\$36,347,708.00		\$1,458,592.00	\$37,806,300.00

STORMWATER UTILITY FUND

Stormwater Utility Fund	FY2025 Adopted Budget	Prior M&C	Budget Increase	FY2025 Revised Budget
Revenue				
Use of Fund Balance	\$56,881.00		\$110,323.00	\$167,204.00
Expenditures				
Stormwater Utility	\$64,574,824.00		\$110,323.00	\$64,685,147.00

MUNICIPAL PARKING FUND

Municipal Parking Fund	FY2025 Adopted Budget	Prior M&C	Budget Increase	FY2025 Revised Budget
Revenue				
Use of Fund Balance	\$0.00		\$18,628.00	\$18,628.00
Expenditures				
Municipal Parking	\$8,391,178.00		\$18,628.00	\$8,409,806.00

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

Funding is available for appropriation in the fund balance of the General Fund, Stormwater Utility Fund, and Municipal Parking Fund. The interest income originally planned to be recognized in the General Debt Service Fund is unpledged, unencumbered, and available to be recognized in the General Fund instead.

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 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: Mark L McDaniel 6316

Originating Business Unit Head: Christianne Simmons 6222

Additional Information Contact:

Expedited