

Mayor and Council Communication

DATE: 12/01/20

M&C FILE NUMBER: M&C 20-0869

LOG NAME: 13PERMANENT FUND (GAS WELL) TRUST AMENDMENT 2020

SUBJECT

(ALL) Authorize an Amendment to the Trust Agreement for The Fort Worth Permanent Fund for a One-Time Distribution of Corpus in the Amount of \$11,085,000.00 with the Intent of Funding Open Space Acquisition and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize an amendment to the Trust Agreement for a one-time distribution of corpus from the Water and Sewer Endowment Gas Lease Fund and the General Endowment Gas Lease Fund of the City's Mineral Trust Fund, The Fort Worth Permanent Fund, in a total amount not to exceed \$11,085,000.00;
 2. Adopt the attached ordinance increasing receipts and appropriations in the Transfer Out project of the General Endowment Gas Lease Fund by \$8,200,000.00 for the purpose of transferring to the General Gas Lease Capital Projects Fund with the intent of funding open space acquisition; and
 3. Adopt the attached ordinance increasing receipts and appropriations in the Transfer Out project (City Project No. 101770) of the Water and Sewer Endowment Gas Lease Fund by \$2,885,000.00 for the purpose of transferring to the Water and Sewer Gas Lease Capital Projects Fund with the intent of funding open space acquisition.
-

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to complete the final step needed to authorize the second amendment to the Trust Agreement for The Fort Worth Permanent Fund to allow a one-time distribution from the trust's corpus with the intent of using the funds for open space acquisition.

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 an agreement with Wells Fargo Bank, N.A. (Wells Fargo), to serve as the 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 of 2013. In August 2015, the City Council completed the process for authorizing the first amendment to the Trust, which added a definition of "income" and clarified the income-distribution process. (M&C G-18538)

At the December 3, 2019 City Council work session, a presentation was made regarding the Open Space Acquisition Program, outlining the importance of preserving open space to enhance the quality of life for the citizens of Fort Worth. In that presentation, Gas Well Trust funds were listed as a potential funding source, and support was voiced for pursuing that possibility.

Per the terms of the Trust Agreement, amending the trust is a multi-step process that begins with formal notice to the trustee and Chief Financial Officer. That notice was given on May 19, 2020 with the adoption of a resolution (Resolution Number 5235-05-2020) and was followed by all of the required notices and public hearings.

Following further internal discussions regarding other funding sources, including dedication fees, that might be available for park-type open space, a decision was made to recommend excluding the Park System Endowment Gas Lease Fund from the distribution process. Therefore, the amendment being recommended by this M&C consists of distribution of no more than \$11,085,000.00 from the Water and Sewer and General Endowment subfunds,

A formal vote on the proposed amendment is the final step in the amendment process. Affirmative vote of three-fourths of all of the members of the City Council is required to approve the proposed amendment to the Trust Agreement.

If the amendment is authorized and executed, the corpus distribution would have to be consummated no later than December 31, 2022. While it is anticipated that distribution will likely occur prior to the end of the current year, the amendment provides flexibility regarding the date to allow staff to respond to any unforeseen market conditions that might occur.

Staff would return to City Council with further M&Cs as needed to authorize use of the distributed funds and the actual purchases of open space.

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 funds are currently available in the UNSPEC project within the General Endowment Gas Lease and the Water/Sewer Endowment Gas Lease Funds and upon approval of the above recommendations and adoption of the attached appropriation ordinances,

funds will be available in the General Endowment Gas Lease and the Water/Sewer Endowment Gas Lease Funds for the Transfer Out project for the intent of funding open space acquisition within the General Gas Lease Capital Proj and the Water/Sewer Gas Lease Cap Proj Funds. Prior to an expenditure being incurred, the participating departments will be required to verify the availability of funds.

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

Originating Business Unit Head: Reginald Zeno 8517

Additional Information Contact: John Samford 2318