

# Mayor and Council Communication

DATE: 02/14/23

M&C FILE NUMBER: M&C 23-0095

LOG NAME: 03FY2022 CLOSING

## **SUBJECT**

(ALL) Adjust Appropriations in Various Funds and Amounts to Bring Revenues and Expenditures into Balance for the Operating Budgets for Fiscal Year 2022, Enact Budget Adjustments to Reallocate Resources, Commit Funds to Facilitate Fiscal Year 2022 Year End Closeout and Reallocate Resources into Fiscal Year 2023, and Adopt Appropriation Ordinances

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached appropriation ordinances adjusting Fiscal Year 2022 receipts and appropriations in various funds as described below to bring receipts and expenditures into balance in order to finalize and facilitate year-end closure and audit following the Mayor and Council Communication (M&C) 22-0600:
  - A. Adjust appropriations in the General Fund Department budgets for a net impact of \$0.00:
    - a. Increase Police by \$2,910,000.00 to cover increased fuel and fleet expenses and separation pay incurred;
    - b. Decrease Non-Departmental by \$2,910,000.00, reallocating appropriations to cover fuel and fleet and separation leave expenses for the aforementioned department;
  - B. Adjust receipts in the State Asset Forfeiture Fund budget for a net impact of \$0.00:
    - a. Increase State Awarded Assets by \$409,365.00 to recognize actual revenues received;
    - b. Increase Interest Earnings by \$11,272.00 to recognize actual revenues received;
    - c. Decrease Use of Fund Balance by \$420,637.00 to reduce previously appropriated use of fund balance;
  - C. Adjust receipts and appropriations in the FWPID #16 (Quail Valley) Fund budget for a net impact of -\$838,499.00:
    - a. Decrease Use of Fund Balance by \$838,499.00 to reduce previously appropriated use of fund balance;
    - b. Decrease Other Contractual Services by \$838,499.00 to adjust appropriations to actual expenditures and minimize use of fund balance;
  - D. Adjust receipts and appropriations in the TIRZ #13 (Woodhaven) budget for a net impact of -\$3,000,000.00:
    - a. Decrease Use of Fund Balance by \$3,000,000.00 to reduce previously appropriated use of fund balance;
    - b. Decrease Other Contractual Services by \$3,000,000.00 to adjust appropriations to actual expenditures and minimize use of fund balance;
2. Authorize the commitment of Fiscal Year 2022 fund balance from Fiscal Year 2022 savings in the General Fund for obligations in the amount up to \$109,000.00 in the Financial Management Services Department, \$300,000.00 in the Diversity and Inclusion Department, \$574,628.00 in the Police Department, and \$683,897.00 in the Economic Development Department in Fiscal Year 2023;
3. Adopt the attached supplemental appropriation ordinance increasing estimated receipts and appropriations in the General Fund in the amount of \$1,667,525.00 in Fiscal Year 2023 and decreasing the unaudited fund balance of the General Fund by the same amount, from the surplus funds from Fiscal Year 2022 in order to fund commitments;
4. Authorize the assignment of Fiscal Year 2022 fund balance from Fiscal Year 2022 savings in the General Fund for \$31,582,598.00 to be potentially appropriated to fund Fiscal Year 2023 programs and projects; and
5. Designate the amount of \$15,916,250.00 as committed fund balance within the General Fund to reflect the total amount owed to the State of Texas as of September 30, 2022, to refund previously overpaid sales and use tax.

## **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, 2022. 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 windup M&C (22-0600) approved by City Council on August 23, 2022.

Appropriations reflected in the attached ordinances include adjusted appropriations in the departmental budgets within the General Fund to offset excess expenditures or re-purposed funds, with the total amount offset by a decrease in the non-departmental budget in the General Fund for a net zero impact. Below is a brief explanation of the activity that caused deviations from the adopted budget:

### **Department Additional Appropriations**

#### **GENERAL FUND**

Police Department \$2,910,000.00

Reason: The deficit is due to increased prices for fuel and fleet maintenance activities, as well as separation pay. Separation pay is budgeted within the Non-Departmental Department and transferred to departments as necessary. Savings within the Non-Departmental budget will be used to offset the increased costs for fuel and fleet expenses.

Non-Departmental Department -\$2,910,000.00

Reason: The remaining appropriations for separation leave and other operating costs are being moved to the Police Department.

Approval of this M&C will amend the Fiscal Year 2022 Adopted Budget, as approved with Ordinance 25073-09-2021, Section 1, as follows:

General Fund Department	FY2022 Adopted Budget	Authority	Budget Adjustment	FY2022 Revised Budget
<b>Expenditures</b>				
Non-Departmental	\$2,932,200.00	M&C 22-0364	-\$250,000.00	\$897,700.00
		M&C 22-0600	-\$674,500.00	
		This M&C	-\$1,110,000.00	
Separation Pay	\$8,285,537.00	This M&C	-\$1,800,000.00	\$247,753.00
		M&C 22-0600	-\$4,217,784.00	
		M&C 22-0805	-\$2,020,000.00	
Contractual Services	\$724,500.00	M&C 21-0964	-\$167,000.00	\$4,646.00
		M&C 22-0194	-\$40,000.00	
		M&C 22-0364	-\$389,131.00	
		M&C 22-0566	-\$90,000.00	
		M&C 22-0600	-\$33,723.00	
Tuition Reimbursement	\$172,478.00	M&C 22-0600	-\$80,493.00	\$91,985.00
Training Initiative	\$250,000.00			\$250,000.00
Transfer to General Capital Fund (PAYGo)	\$750,000.00			\$750,000.00
Transfer to Municipal Golf (Operating Subsidy)	\$395,000.00			\$395,000.00
Police	\$282,524,533.00	This M&C	\$2,910,000.00	\$287,395,532.00
		M&C 22-0600	\$943,000.00	
		M&C 22-0077	\$220,452.00	
		M&C 22-0088	\$797,547.00	

#### STATE ASSET FORFEITURE FUND

The State Asset Forfeiture Fund was appropriated via M&C 22-0092 in the amount of \$642,758.00 to fund operating expenses from fund balance. The fund subsequently collected enough revenue to fund expenditures and therefore does not need to use the appropriated fund balance. Approval of this M&C effectively reduces the use of fund balance in the amount of \$420,637.00, and recognizes actual revenues collected by the same amount. This fund was not appropriated in the original budget adoption ordinance.

State Asset Forfeiture Fund	FY2022 Adopted Budget	Authority	Budget Adjustment	FY2022 Revised Budget
<b>Revenues</b>				
Police	\$0.00	M&C 22-0092	\$642,758.00	\$642,758.00
		This M&C	\$0.00	

#### PUBLIC IMPROVEMENT DISTRICT #16 (QUAIL VALLEY)

The Quail Valley Public Improvement District (PID) budget encountered a system error while being loaded, effectively doubling the budget. Approval of this M&C is administrative, effectively reduces the use of fund balance in the amount of \$838,499.00, and recognizes actual revenues collected by the same amount. Because PIDs are appropriated outside the regular budget process and ordinance, there is no impact to the original budget adoption ordinance.

#### TAX INCREMENT REINVESTING ZONE #13 (WOODHAVEN)

The Woodhaven Tax Increment Reinvesting Zone (TIRZ) was approved with a use of fund balance that was not available. Approval of this M&C effectively reduces the use of fund balance in the amount of \$3,000,000.00, and recognizes actual revenues collected by the same amount. Because TIRZs are appropriated outside the regular budget process and ordinance, there is no impact to the original budget adoption ordinance.

#### Commitment of Funds

#### GENERAL FUND

##### Committed Fund Balance for Contractual Obligations from Fiscal Year 2022 Activity

Financial Management Services: \$109,000.00

Reason: Consulting contract in the amount of \$40,000.00 and software implementation contract in the amount of \$69,000.00 were only half-completed at year end.

Diversity & Inclusion Department: \$300,000.00

Reason: City Council approved M&C 22-0364 supporting business equity programs. These activities were delayed and not started by year end.

Police: \$574,628.00

Reason: Severe ammunition supply shortages resulted in an outstanding delivery of \$440,079.00 of ammo ordered in FY2022 and expected to be delivered in FY2023. Delayed delivery of body armor resulted in an outstanding delivery of \$134,549.00 ordered in FY2022 and expected to be delivered in FY2023.

Economic Development: \$683,897.00

Reason: Three valid 380 agreements met the requirements for fulfillment during FY2022 but the necessary documentation was not completed to fulfill the contracts until FY2023.

Approval of this M&C will amend the Fiscal Year 2023 Adopted Budget, as approved with Ordinance 25773-09-2022, Section 1, as follows:

General Fund Department	FY2023 Adopted Budget	Budget Change	FY2023 Revised Budget
<b>Revenues</b>			
Use of Fund Balance	\$0.00	\$1,667,525.00	\$1,667,525.00
<b>Expenditures</b>			
Financial Management Services	\$13,758,733.00	\$109,000.00	\$13,867,733.00
Diversity & Inclusion	\$2,435,259.00	\$300,000.00	\$2,735,259.00
Police	\$298,551,538.00	\$574,628.00	\$299,126,166.00
Economic Development	\$43,767,568.00	\$683,897.00	\$44,451,465.00

### **Assignments of Fund Balance**

General Fund: \$31,582,598.00

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 and compared to known financial needs that fell outside the current operating budget. The following requirements have been identified as prudent uses of the Fiscal Year (FY) 2022 fund balance:

Description	Amount
Juneteenth Museum	\$15,000,000.00
Museum of Science & Theatre Digital Dome	\$5,000,000.00
Public Safety Payroll Project	\$1,265,000.00
ITS Public Safety Radio Replacement Project	\$859,106.00
Capital Projects Shortfalls	\$9,458,492.00
<b>TOTAL ASSIGNED FUND BALANCE</b>	<b>\$31,582,598.00</b>

These priorities will be presented for approval to Council as the projects progress and will be appropriated at the time of approval. Assigning the funds as outlined still results in the City maintaining the unassigned fund balance above the 16.67% of expenditures required by policy.

Approval of this M&C during the February 14, 2023 meeting will ratify some associated necessary entries that had to be made on or before February 1 to facilitate the timely year end close and required independent auditor review. Cancellation of the January 31 meeting precipitated this ratification.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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### **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 FY2022 operating budget and the FY2023 operating budgets noted as appropriated to the various funds. Prior to any expenditure being incurred, participating departments have the responsibility to validate the availability of funds in FY2023.

**Submitted for City Manager's Office by:** Reginald Zeno 8517

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**Additional Information Contact:**

Expedited

