

Mayor and Council Communication

DATE: 02/08/22

M&C FILE NUMBER: M&C 22-0090

LOG NAME: 25C&TFY2021OPERATING WIND UP

SUBJECT

(ALL) Adopt Appropriation Ordinances Enacting Fiscal Year 2021 Year End Budget Adjustments for the Culture and Tourism Funds by Adjusting Appropriations and Available Fund Balances to Offset Shortfalls and Update the FY2021-FY2025 Capital Improvement Program

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance adjusting receipts and appropriations in the Fiscal Year 2021 Culture and Tourism Fund (20101) to reduce the budgeted transfer to capital for the Technology Smart Cities Network- FWCC project by \$27,266.08 due to lower-than-projected revenues, resulting in a revised appropriation and transfer of \$12,733.92 for this project following the FY 2021 true up;
2. Adopt the attached ordinance adjusting receipts and appropriations in the Culture and Tourism Capital Projects Fund (30101) to reduce the FWCC Minor Renovation & Repair Project (Capital Project No. P00053) by \$27,266.08, resulting in a revised final appropriation for the Smart Cities payment, following true up, of \$12,733.92, and amend the Fiscal Year 2021-2025 Capital Improvement Program,
3. Adopt the attached ordinance adjusting receipts and appropriation in the Public Events Capital Fund (30205) to reduce the FWCC Minor Renovation & Repair Project (Capital Project No. P00053) by \$600,000.00 and reduce the WRMC Minor Renovation & Repair Project (Capital Project No. P00054) by \$1,054,844.00 due to lower-than-projected hotel tax revenues and the elimination of \$1,654,844.00 in capital transfers from the Culture and Tourism 2% Hotel Fund for Fiscal Year 2021 and amend the Fiscal Year 2021-2025 Capital Improvement Program; and
4. Adopt the attached appropriation ordinance reallocating Fiscal Year 2021 receipts and appropriations in the Venue Operating Fund to effectively balance financial transactions of the Fund by decreasing appropriated operating revenue by \$1,413,296.00 to reflect lower-than-projected revenues and by increasing use of fund balance by \$1,413,296.00, resulting in a revised total use of fund balance of \$3,803,560.00 for FY 2021.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to reallocate funding and make Fiscal Year (FY) 2021 budget adjustments for the Public Events Department (PED) to bring all funds into balance and facilitate year-end close. Recommended adjustments are needed as a result of slower than anticipated recovery from the COVID-19 pandemic and corresponding changes to business practices to create savings and to address operational and debt service requirements. Previously, the City Council amended the FY2021 budgets and debt structure of the Culture and Tourism funds associated with PED on December 1, 2020 with M&C 20-0886 and M&C 20-0888.

The Culture and Tourism (C&T) annual operating budgets are formally enacted into law by City Council action adopting an appropriation ordinance that establishes spending limits for the PED funds operations. In the past, staff waited until the completion of the Annual Comprehensive Financial Report (ACFR) to affect the settlement of departments. The City's current practice is to manage this process during or shortly after the close of the current fiscal year, and to make adjustments to upcoming fiscal year plans for either net losses that have potential impacts to fund balance or savings that can be allocated to meet one-time needs or to address items in the future that have arisen during the previous fiscal year.

Culture and Tourism Fund

The Culture and Tourism (C&T) fund was amended on December 1, 2020 for decreased projections in Hotel Occupancy Tax (HOT) and the loss of revenue associated with events in the 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). The C&T Fund FY 2021 final revenue collections were \$18.5M for HOT and \$12.7M for facility event revenues. Due to the year-end financial position of the C&T Fund, the planned use of \$2.48M in fund balance was not necessary.

The Public Events Department took several actions to decrease expenditures in FY 2021. These included placing employees in temporary loan positions to other City of Fort Worth (COFW) Departments, amending contractual agreements with VFW, eliminating capital transfers and reducing vendor services that were not critical to operations when the facilities were not in use. The resulting savings contributed to the creation of an approximate \$3.9M contribution to fund balance for FY2021. Additional payments under the 380 Agreement that were posted after the reconciliation between the General Fund and Culture and Tourism Fund, resulted in additional transfers at year end. Only a minor budget amendment is required for the C&T Fund for FY 2021 due to lower than projected revenues for the Smart Cities Network project.

Transfer and Appropriations to Capital/ Technology Smart City Networks-FWCC Project *(recommendations 1 and 2)*

The estimated revenue in FY 2021 for the Technology Smart City Networks-FWCC capital project from the Smart Cities Networks, LP agreement (City Secretary Contract #46140-R1) was originally \$47,400.00, and was budget as such in both the operating fund, where the revenue is

collected, and the capital fund, where the revenue is transferred. It was subsequently amended to \$40,000.00 with approval of M&C 20-0888 on December 1, 2020. This M&C further revises the project to "true-up" and reflect the actual revenue collected in FY 2021, which was \$12,733.92, and reducing the transfer and budget appropriations in both the operating and capital funds by \$27,266.08 to match the actual receipts for FY 2021.

Culture and Tourism Fund 2% Hotel Fund and Public Events Capital Improvement Program (recommendation 3)

The Culture and Tourism 2% HOT Fund budget was amended December 1, 2020 with M&C 20-0888, which decreased the adopted revenue estimate from \$5.8M to \$5.3M for FY 2021. Due to the anticipated loss in revenue, capital transfers were reduced by \$525K at that time, to ensure that the \$3.6M debt obligation for the year could be met. It was also noted that additional reductions in capital transfers for FY 2021 might ultimately be required if HOT did not begin recovering as anticipated for the remainder of the fiscal year. Council approved M&C 21-0913 on November 30, 2021 to provide grant funding for the restoration of 10 projects in the Public Events capital improvement program.

Because recovery in HOT revenues remained slow through the end of FY 2021, the determination was made to eliminate the remaining planned capital transfer for FY 2021 as a tactic to strengthening the HOT 2% fund balance during the continued uncertainty of the pandemic recovery and its effect on the hospitality and tourism industry. Adoption of the third ordinance will reduce appropriations for the capital fund projects to reflect the eliminated transfer and facilitate an approximate contribution to fund balance for the HOT 2% Fund of \$1.7M for FY 2021.

Venue Tax Fund (recommendation 4)

With the continued cancellation and rescheduling of events at Dickies Arena into the 4th Quarter of FY 2021, coupled with the cancellation of the FWSSR, PED Venue tax collections original estimates of \$6.0M were decreased to \$4.25M with M&C 20-0888 on December 1, 2020. M&C 20-0886, also on December 1, 2020, appropriated available excess fund balance in the Venue Debt Service Fund, to facilitate reducing the debt transfer from the Venue Operating Fund to \$6.64M with a planned use of \$2.39M in fund balance to ensure the debt payment was covered.

Because the Venue Tax Fund did not sustain recovery levels as anticipated, collections for FY 2021 reached only \$2.83M, reflecting slow performance primarily in the parking and ticket tax. As such, an additional \$1.43M from the Venue Tax Operating Fund balance was required for debt service, making the total use of fund balance for FY 2021 \$3.8M and leaving approximately \$29K as the Venue Tax remaining fund balance. Adoption of the fourth ordinance formally reduces the FY 2021 revenue appropriation and increases the appropriation and use of fund balance.

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 available in the Culture & Tourism Operating Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Culture & Tourism Cap Projects, Public Events Capital & Venue Operating Funds for FY2021. 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: Reggie Zeno 5804

Originating Business Unit Head: Michael Crum 2501

Additional Information Contact: Andrea Wright 2502

Expedited