

Mayor and Council Communication

DATE: 11/29/22

M&C FILE NUMBER: M&C 22-0984

LOG NAME: 25C&T_FY2023_BUDGETADJUSTMENTS

SUBJECT

(ALL) Adopt Ordinances Adjusting Appropriations and the Fiscal Year 2023 Budget for the Public Events Department, Including Operating and Debt Service Funds, and Amend the Fiscal Years 2023-2027 Capital Improvement Program

RECOMMENDATION:

It is Recommended that the City Council:

1. Adopt the attached ordinance increasing estimated receipts and appropriations in the Culture & Tourism Fund in the amount of \$136,000.00, from available funds, to fund Visit Fort Worth contractual obligations;
2. Adopt the attached ordinance adjusting appropriations in the Culture & Tourism Project Finance Zone Fund by increasing the transfer to debt service by \$1,658,209.00 and decreasing contributions to fund balance by the same amount for the purpose of transferring to the Venue Debt Service Fund;
3. Adopt the attached ordinance adjusting appropriations in the Venue Operating Fund by increasing the transfer to debt service by \$699,693.00 and decreasing contribution to fund balance by the same amount for the purpose of transferring to the Venue Debt Service Fund;
4. Adopt the attached ordinance adjusting appropriations in the Culture and Tourism 2% Hotel Fund by increasing contribution to fund balance by \$2,740,617.00 and decreasing the transfer to debt service by the same amount;
5. Adopt the attached ordinance adjusting appropriations in the Venue Debt Service Fund by 1) increasing transfers in from the Culture and Tourism Project Finance Zone Fund by \$7,426,126.00, 2) increasing transfers in from the Venue Operating Fund by \$699,693.00, 3) increasing transfers in from the Culture and Tourism Capital Projects Fund by \$382,716.00 00, and 4) decreasing transfers in from the Culture and Tourism 2% Hotel Fund by \$8,508,535.00, resulting in no net change to the Venue Debt Service Fund's total Fiscal Year 2023 budget amount;
6. Adopt the attached ordinance adjusting appropriations in the DFW Revenue Share Fund by increasing transfers to capital by \$2,175,454.00 and decreasing contributions to fund balance by the same amount, keeping the total Fiscal Year 2023 budget \$7,297,215.00;
7. Adopt the attached ordinance increasing estimated receipts and appropriations in the Public Events Capital Projects Fund by a total of \$2,175,450.00, for the purpose of funding 1) the WRMC 2023 Facility Assessment project (City Project No. 104399) in the amount of \$350,000.00, 2) the WRMC Stall Panel Replacement project (City Project No. 104397) in the amount of \$825,450.00, and 3) the Public Events Capital Projects Fund Unspecified project (City Project No. UNSPEC) in the amount of \$1,000,000.00; and increasing transfers in by \$4.00 to balance amounts previously appropriated and expended in the WRMC Minor Renovations and Repairs Programmable project (City Project No. P00054); and
8. Amend Fiscal Year 2023 Adopted Budget and Fiscal Years 2023-2027 Capital Improvement Program.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to adjust the Fiscal Year (FY) 2023 appropriations for various funds associated with the Public Events Department (PED) to take into account updated, higher projections for hotel occupancy tax (HOT) and other revenues.

Adoption of this M&C and the attached ordinances will revise the FY2023 debt and capital strategy to more accurately reflect the original intent of debt support for the Venue Debt Service Fund from the Culture and Tourism Project Finance Zone (PFZ) and Venue Tax collections. With those sources utilized for debt service requirements, other resources can be used to increase the FY2023 Capital Improvement Program (CIP), supporting an increase in capital transfers by \$2,175,454.00 for the Public Events Department (for a total of \$8,571,454.00) and adding two additional static capital improvement projects for FY2023 from the DFW Revenue Share funds. This M&C also makes a modest increase to the operating budget to increase funding available for contractual agreements with Visit Fort Worth in FY2023.

Operating Amendments in Support of Contractual Agreements

Culture & Tourism Fund (Recommendation 1)

M&C 22-0566, approved September 8, 2022, amended the Culture and Tourism FY2022 budget and amended City Secretary Contract No. (CSC) 44949-A7 with Visit Fort Worth in the amount of \$90,000.00 for reimbursement of economic development promotional services in calendar 2022. Reimbursement through September of 2022 was made in the amount of \$56,000.00. This M&C appropriates funds and increases the FY23 budget for the remaining \$36,000.00 in contractual reimbursement to be made in the first quarter of the current fiscal year (for the months of October through December) from existing available Culture & Tourism funds.

In addition, the fifth amendment to the professional services agreement with Visit Fort Worth (CSC 44949- R2-A5) for FY2023 was executed October 1, 2023 and increases contractual obligations by \$100,000.00 for funding of sports marketing for the Special Public Facilities Fund (SPFF) from available Culture and Tourism funds. The first appropriation ordinance also provides the funds to support that additional amount.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Culture and Tourism Fund				
Revenues				
Hotel Occupancy Taxes	\$ 27,863,939.00			\$ 27,863,939.00
License and Permits	\$ 6,000.00			\$ 6,000.00
Charges for services	\$ 5,043,250.00			\$ 5,043,250.00
Use of Money and Property	\$ 8,383,961.00			\$ 8,383,961.00
Other				
Miscellaneous Revenue	\$ 88,500.00			\$ 88,500.00
Recover of Labor Costs	\$ 642,611.00			\$ 642,611.00
Recover of Supplies	\$ 1,196,000.00			\$ 1,196,000.00
Recover of Utilities	\$ 215,000.00			\$ 215,000.00
Transfer from General Fund (380 Agreement)	\$ 2,927,456.00			\$ 2,927,456.00
Use of Fund Balance		This M&C Rec 1	\$ 136,000.00	\$ 136,000.00
Total Revenues	\$ 46,366,717.00		\$ 136,000.00	\$ 46,502,717.00
Expenditures				
Culture and Tourism	\$ 42,431,499.00	This M&C Rec 1	\$ 136,000.00	\$ 42,567,499.00
Transfer to General Fund	\$ 943,581.00			\$ 943,581.00
Transfer to Capital Fund	\$ 500,000.00			\$ 500,000.00
Transfer to Vehicle and Equipment Replacement Fund	\$ 179,155.00			\$ 179,155.00
Transfer to IT Refresh Capital	\$ 44,054.00			\$ 44,054.00
Transfer to Debt Fund	\$ 798,907.00			\$ 798,907.00
Contribution to Fund Balance/Net Position	\$ 1,469,521.00			\$ 1,469,521.00
Total Expenditures	\$ 46,366,717.00		\$ 136,000.00	\$ 46,502,717.00

Fiscal Year 2023 Debt Strategy Adjustments

Public Events received new tax revenue projections in May, after the submission deadline for the Public Events Department (PED) FY2023 budget request. Projections increased significantly. Therefore, with the new information and subsequent strategy sessions, PED seeks to amend its FY2023 budget to re-source the revenues supporting debt service payments.

PED also proposes using \$382,716.00 in residual dollars from a cash-funded reserve that had been created as a programmable project in the Public Events Capital Projects Fund in anticipation of the Bodycote property acquisition and relocation that was part of the Dickies Arena project. With the arena project having been completed, the remaining dollars in this reserve (from prior annual capital allocations out of the Culture & Tourism operating funds) are available for use on 3rd party expenses or debt service payments associated with the Venue Debt Service Fund.

PFZ Fund (Recommendation 2)

Adoption of this M&C increases the FY2023 budget for PFZ by 95%, as post-pandemic stability continues to be established in the travel and tourism industry. The addition of new hotels in the PFZ, as well as increased average daily rates (ADR), also acted as significant drivers for anticipated increases in the Fund's growth as the State does not retain any portion of taxes generated from establishments within the zone that were opened after 2013. Additionally, FY2022 revenue has exceeded the adopted budget. Staff recommends allocating the entire \$8.2M in anticipated PFZ collections for FY2023 to venue debt obligations.

When combined with the use of the \$382K from the cash-funded "reserve" (City Project No. 104473), these actions allow the elimination of all HOT 2% allocations to Venue Debt and result in the PFZ revenues and Capital Fund "reserve" covering 54% of the total \$15M FY2023 payment for Dickies Arena debt.

Assuming continued stability in hotel-related revenue forecasts, future debt payments will be structured in keeping with the original strategy of the PFZ and Venue Tax covering all Dickies debt.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 2. Special Revenue Funds, as listed on page 8.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Culture and Tourism Project Finance Zone Fund				
Revenues				
Intergovernmental Revenue	\$ 8,229,763.00			\$ 8,229,763.00
Total Revenues	\$ 8,229,763.00			\$ 8,229,763.00
Expenditures				
Transfer to Debt Fund	\$ 6,571,554.00	This M&C Rec 2	\$ 1,658,209.00	\$ 8,229,763.00
Contribution to Fund Balance/Net Position	\$ 1,658,209.00	This M&C Rec 2	\$ (1,658,209.00)	\$ -
Total Expenditures	\$ 8,229,763.00		\$ -	\$ 8,229,763.00

Venue Tax Fund (Recommendation 3)

The consistent return of events to the venues in the spring of 2022 resulted in FY2022 year-end projections for revenue exceeding budget by 48%, creating a \$2.8M restoration of the fund balance that was exhausted in FY2021 to meet debt obligations. As such the FY2023 proposed budget increases by 37%, and staff recommends allocating the entire anticipated tax collections of \$5.9M for FY2023 to debt obligations on Dickies Arena, covering 40% of the total \$15M payment, and allowing the elimination of all HOT 2% allocations to the Venue Debt Fund in FY2023.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 2. Special Revenue Funds, as listed on page 9.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Venue Operating Fund				
Revenues				
Other Taxes				
Stall Tax Revenue	\$ 274,067.00			\$ 274,067.00
Ticket Tax Revenue	\$ 3,633,704.00			\$ 3,633,704.00
Parking Tax Revenue	\$ 2,047,469.00			\$ 2,047,469.00
Total Revenues	\$ 5,955,240.00			\$ 5,955,240.00
Expenditures				
Transfer to Venue Debt Fund	\$ 5,255,547.00	This M&C Rec 3	\$ 699,693.00	\$ 5,955,240.00
Contribution to Fund Balance/Net Position	\$ 699,693.00	This M&C Rec 3	\$ (699,693.00)	\$ -
Total Expenditures	\$ 5,955,240.00		\$ -	\$ 5,955,240.00

HOT 2% Fund (Recommendation 4)

With the significant impact of the pandemic – particularly to the PFZ and Venue Tax revenues from FY2021 through FY2022 - use of HOT 2% was increased to meet venue debt service obligations, resulting in PED capital improvement projects being suspended. With the significant revenue increases projected for FY2023 in both the Venue Tax and the PFZ projections anticipated to cover the venue debt service payments, staff recommends elimination of HOT 2% transfers/contributions to the Venue Debt Fund in FY2023, replaced with increased debt service payments from these other funds.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 2. Special Revenue Funds, as listed on page 8.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Culture and Tourism 2% Hotel Fund				
Revenues				
Hotel Occupancy Taxes	\$ 7,939,697.00			\$ 7,939,697.00
Total Revenues	\$ 7,939,697.00			\$ 7,939,697.00
Expenditures				
Transfer to Capital Fund	\$ 3,371,000.00			\$ 3,371,000.00
Transfer to Debt Fund	\$ 3,717,367.00	This M&C Rec 4	\$ (2,740,617.00)	\$ 976,750.00
Contribution to Fund Balance/Net Position	\$ 851,330.00	This M&C Rec 4	\$ 2,740,617.00	\$ 3,591,947.00
Total Expenditures	\$ 7,939,697.00		\$ -	\$ 7,939,697.00

Venue Debt Fund (Recommendation 5)

The recommended changes to the Venue Debt Fund correct budget submission errors for overstated debt contributions from HOT 2% (\$8.5M) and understated contributions for PFZ (\$803K) as compared to the adopted transfer amounts in the operating funds for HOT 2% (\$2.7M) and PFZ (\$6.5M). This recommendation will align the debt contribution from these two funds, inclusive of the other reallocations in PFZ and HOT 2% and use of the residual cash-funded reserve from the Capital Fund programmable as recommended in this M&C.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 3. Debt Service Funds, as listed on page 13.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Venue Debt Service Fund				
Revenues				
Transfer from Culture and Tourism	\$ 455,535.00			\$ 455,535.00
Transfer from Culture and Tourism 2%	\$ 8,508,535.00	This M&C Rec 5	\$ (8,508,535.00)	\$ -
Transfer from Culture and Tourism Project Finance Zone	\$ 803,637.00	This M&C Rec 5	\$ 7,426,126.00	\$ 8,229,763.00
Transfer from Culture and Tourism Venue	\$ 5,255,547.00	This M&C Rec 5	\$ 699,693.00	\$ 5,955,240.00
Transfer from Culture and Tourism Capital Projects Fund		This M&C Rec 5	\$ 382,716.00	\$ 382,716.00
Total Revenues	\$ 15,023,254.00		\$ -	\$ 15,023,254.00
Expenditures				
Financial Management Services (Debt Obligation)	\$ 14,930,243.00			\$ 14,930,243.00
Contribution to Fund Balance/Net Position	\$ 93,011.00			\$ 93,011.00
Total Expenditures	\$ 15,023,254.00		\$ -	\$ 15,023,254.00

Fiscal Year 2023 Capital Strategy Adjustments

DFW Revenue Sharing Fund (Recommendation 6)

Consistent with increases in HOT, as post-pandemic stability continues to be established in the travel and tourism industry, the DFW Revenue Sharing projection and budget increased by 32% for FY2023 as compared to the FY2022 adopted budget. Also this Fund performed better than anticipated in FY2022, with collections exceeding budget by \$1.2M, which reduced the planned use of fund balance from \$2.2M to \$913K to meet debt obligations. The adopted budget already includes \$1.875M for capital improvements in FY2023, and staff recommends an increase of \$2.175M (resulting in a total capital transfer of \$4.05M) to fund the WRMC 2023 Facility Assessment and WRMC Stall Panel Replacement and to stage funds to supplement active grant-funded capital projects, as needed, for anticipated shortfalls, all while still allowing for an approximately \$675K contribution to fund balance in FY2023.

Additionally, the FY17 CIP for Public Events as adopted in the 2017-2021 Five Year Capital Improvement Plan on December 13, 2016, appropriated \$250,000.00 for programmable project P00054-WRMC Minor Renovations and Repairs. The budgets were appropriated in accordance with M&C G-18914; however the receipts were transferred monthly in equal 1/12th increments that resulted in a total transfer of only \$249,996.00 due to rounding. The result is that currently, the Culture & Tourism Capital Project Fund is off balance by \$4.00. The action in this M&C is a transfer only and will balance the amount previously appropriated and expended.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 2. Special Revenue Funds, as listed on page 8.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
DFW Revenue Sharing Fund				
Revenues				
DFW Revenue Sharing	\$ 7,297,215.00			\$ 7,297,215.00
Total Revenues	\$ 7,297,215.00			\$ 7,297,215.00
Expenditures				
Transfer to Capital Fund	\$ 1,875,000.00	This M&C Rec 6	\$ 2,175,454.00	\$ 4,050,454.00
Transfer to Debt Fund	\$ 2,570,904.00			\$ 2,570,904.00
Contribution to Fund Balance/Net Position	\$ 2,851,311.00	This M&C Rec 6	\$ (2,175,454.00)	\$ 675,857.00
Total Expenditures	\$ 7,297,215.00		\$ -	\$ 7,297,215.00

Amendments to Capital Plan (Recommendations 7&8)

WRMC 2023 Facility Assessment (CPN 104399)

The original assessment, dated August 31, 2018, identified approximately 260 deficiencies throughout the Will Rogers Memorial Center (WRMC). Since that assessment, approximately 40% of the deficiencies have been addressed or remediated. The 2023 Facility Assessment will use data from the 2018 Assessment and review existing conditions and document areas found that are deficient or in need of repairs. Like the 2018 Assessment, the new Assessment will provide a review and analysis of existing conditions and recommendations for remediation and proposed corrective action. Finally, the Facility Assessment will develop an opinion of probable construction cost for the proposed modifications. The current budget for this project is \$350,000.00, which includes the actual assessment, review and analysis of existing conditions and recommendations for remediation and proposed corrective action, an opinion of probable construction cost for the proposed modifications, and a final report. The project will take approximately 36 weeks to complete from start to published findings.

WRMC Stall Panel Replacement (CPN 104397)

Current stall panels in the Burnett Building are heavy and bulky. Staff recommends moving these panels to other stall locations in the WRMC Complex where these panels only have to be moved once or twice a year and buying replacements for the Burnett. The new panels will be lighter and more easily moved, thus reducing the risk of employee injury. Additionally, power distribution in the Burnett Building does not meet the needs of WRMC customers. The current flooring in the facility is uneven, with areas that are potential tripping hazards. Recommended remediation includes purchasing light-weight, durable and transportable stall panels; reconfiguration to improve overall power distribution throughout the interior of the building to the end users; and replacing existing asphalt floors. The time from ordering the panels to full completion is projected at approximately 36 weeks due to current supply chain issues. The current estimate to complete this project is \$825,450.00 which includes the purchase and installation of the light-weight and durable stall panels, the redistribution of power to the individual stall, and replacement of the asphalt floor.

These new capital projects will add to those previously approved in the Capital Improvement Program as follows:

Capital Fund Name	Project Name	FY2023 CIP Appropriations	Authority	Budget Adjustment	Revised FY2023 Budget
30205 - Public Events Capital	WRMC 2023 Facility Assessment P_104399	\$	- This M&C rec 7	\$ 350,000.00	\$ 350,000.00
30205 - Public Events Capital	WRMC Stall Panel Replacement P_104397	\$	- This M&C rec 7	\$ 825,450.00	\$ 825,450.00

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 Culture & Tour Proj Fin Zone, Venue Operating, Culture & Tourism 2% Hotel, Venue Debt Service and DFW Rev Share Operating Funds and in the Dickies Arena programmable project within the Culture & Tourism Cap Project Fund, as previously appropriated, and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Venue Debt Service Fund and the Public Events Capital Fund for the WRMC 2023 Facility Assessment and WRMC Stall Panel Replacement projects. 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: William Johnson

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Expedited