

Mayor and Council Communication

DATE: 08/27/19

M&C FILE NUMBER: M&C 19-0004

LOG NAME: 13GAS WELL TRUST DISTRIBUTION

SUBJECT

Authorize Distribution in the Amount of \$3,520,201.68 in Income from the City's Mineral Trust Known as the City of Fort Worth Permanent Fund for Projects Meeting Designated Purposes, Authorize Transfers and Adopt Appropriation Ordinances (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the distribution in the amount of \$3,520,201.68 in income from the City's Mineral Trust Fund, the Fort Worth Permanent Fund, commensurate with the terms of the amended trust document;
 2. . Adopt the attached appropriation ordinances increasing estimated receipts and appropriations in the listed Gas Lease Endowment Funds in the cumulative amount of \$3,320,201.68 allocated as follows:
 - a. Aviation Endowment Gas Lease Fund in the amount of \$1,695,339.70;
 - b. Park System Endowment Gas Lease Fund in the amount of \$640,474.74;
 - c. Water and Sewer Endowment Gas Lease Fund in the amount of \$325,957.04; and
 - d. General Endowment Gas Lease Fund in the amount of \$658,430.20;
 3. Authorize a transfer in the amount of \$658,430.20 from the General Endowment Gas Lease Fund to the General Fund to fund Arts programming for a gross total of \$858,430.20 for FY19, in accordance with the City Council approved Financial Management Policy Statements;
 4. Authorize the transfer in the amount of \$1,695,339.70 from the Aviation Endowment Gas Lease Fund to the Aviation Gas Lease Project Fund for expenditure, in accordance with the City Council approved Financial Management Policy Statements;
 5. Authorize the transfer in the amount of \$640,474.74 from the Park System Endowment Gas Lease Fund to the Parks Gas Lease Capital Project Fund (\$449,167.35 for the restricted Parks Project; \$191,307.39 for the unrestricted Parks Project) for expenditure, in accordance with the City Council approved Financial Management Policy Statements; and
 6. Authorize the transfer in the amount of \$325,957.04 from the Water and Sewer Endowment Gas Lease Fund to the Water and Sewer Gas Lease Capital Project Fund for expenditure, in accordance with the City Council approved Financial Management Policy Statements;
-

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to distribute and appropriate income from the City's mineral revenue trust fund so that the income can be used to fund eligible projects and activities. This M&C gives permission for the funds to be disbursed from the trust accounts and then transferred to the appropriate capital projects. It does not authorize any expenditures. The departments that receive the revenue from this distribution will seek authorization for appropriate expenditures at a later date.

For Fiscal Year 2021 (FY2021) Treasury will give the Budget Office the amount of earnings that is eligible to be disbursed from the trust accounts. This revenue will be included in the FY2021 budget. This will allow the departments to include the expenditure of this revenue in their FY2021 budgets and eliminate the need for additional M&Cs to increase revenue and capital expenditures.

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 executing an Agreement with Wells Fargo Bank, N.A. (Wells Fargo), to serve as Corporate 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 2013.

In accordance with the terms of the written Trust Agreement and the FMPS, the Fund is maintained as a consolidated account and divided into five sub-accounts. Money in the Trust is invested in accordance with the City Council adopted Investment Policy and Strategy for the Fund.

Under the terms of the Trust Agreement, the Trustee works with City's Chief Financial Officer (CFO) to determine the amount of income available for distribution each year. Then a recommendation is made to the City Council for distribution procedures for the different funds of the Trust consistent with the goal to preserve, as well as increase, the principal of the Trust. Expenditure of distributed income is subject to the FMPS, with the dollars generally being available only for funding one-time program initiatives, capital projects that comply with certain listed requirements and, in the case of distributions from the general endowment, arts programming.

Wells Fargo has worked with the CFO to identify available income and Staff in the Financial Management Services Department has consulted with other City departments to develop recommendations regarding allocation of the distributable income. This distribution includes no corpus of the trust, rather it relates only to income received from the investments within the trust itself.

The following actions are recommended for available Trust income in each of the designated sub-accounts:

1. The Aviation Endowment Gas Lease Fund - distribution of income totaling \$1,695,339.70 for use toward capital projects.
2. The Park System Endowment Gas Lease Fund - distribution of income totaling \$640,474.74 (\$449,167.35 from restricted parks; \$191,307.39 from unrestricted parks) for use toward capital projects.
3. The Water and Sewer Endowment Gas Lease Fund - distribution of income totaling \$325,957.04 for use toward capital projects.
4. The General Endowment Gas Lease Fund - distribution of income totaling \$858,430.20 (including \$200,000.00 that was previously appropriated as part of the annual budget) for use toward arts programming needs paid for within the General Fund.

The Nature Center Endowment Gas Lease Fund does not currently have any income available for distribution.

Approval of recommendations three through six authorizes the transfer of the disbursed revenues to corresponding capital funds.

A Form 1295 is not required for this contract 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 recommendation, available income from the Fort Worth Permanent Fund (Gas Lease Trust) will be transferred and appropriated as outlined within the Recommendation section of this Mayor and Council agenda item.

Submitted for City Manager's Office by: Kevin Gunn 2015

Originating Business Unit Head:

Additional Information Contact: John Samford 2318