

Mayor and Council Communication

DATE: 12/01/20

M&C FILE NUMBER: M&C 20-0887

LOG NAME: 25FY2020C&TOPERATING WIND UP

SUBJECT

(All) Adopt Appropriation Ordinances Enacting Fiscal Year 2020 Year End Budget Adjustments for the Culture and Tourism Funds by Appropriating Unanticipated Surplus Revenue and Reallocating Resources, Available Current Year Revenues and Available Fund Balances to Offset Projected Shortfalls and Update the FY2020-FY2024 Capital Improvement Plan

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance making adjustments to the FY2020 budget in the Culture and Tourism Fund to reflect the significant revenue loss resulting from the impact of COVID-19 on the culture and tourism industry as follows: decreasing appropriations in the net amount of \$8,882,872.00 due to an estimated decrease in revenue in the amount of \$14,744,022.00, and an increased use of fund balance of \$5,861,150.00, reflecting a total approximate net use of fund balance of \$5,934,782.00 and a final FY2020 amended budget of \$33,726,900.00;
2. Adopt the attached appropriation ordinance increasing receipts and appropriations in the Fort Worth Convention Center Minor Renovation and Repair Project (City Project No. P00053) of the Culture and Tourism Capital Projects Fund in the amount of \$4,090.00 from transferred operating revenues and associated with unanticipated surplus revenue from the Smart Cities project;
3. Adopt the attached appropriation ordinance increasing appropriations in the Culture and Tourism Fund 2% Hotel Occupancy Tax Fund in the amount of \$581,400.00, and increasing contributions to fund balance by the same amount, resulting in a final revised FY2020 budget of \$4,272,847.00 for the Fund, which also reflects the result of prior reversal of capital transfers in FY2020 due to COVID-19 revenue losses;
4. Adopt the attached appropriation ordinance making adjustments to the FY2020 budget in the Culture and Tourism Project Financing Zone Fund as follows: appropriating the use of transferred unpledged surplus debt funds from the Culture and Tourism Debt Service Fund in the amount of \$3,361,130.00, which offsets a decrease in revenue of \$3,109,656.00 and allows for a reduction in the appropriated use of fund balance of \$251,473.00, reflecting a final net use of fund balance of \$5,358,201.00, and a final FY2020 budget of \$11,979,989.00, which is the same amount as the originally adopted budget; and
5. Adopt the attached appropriation ordinance making adjustments to the FY2020 budget in the Venue Operating Fund, to reflect the significant revenue loss resulting from the impact of COVID-19 on the culture and tourism industry, as follows: appropriating the use and transfer of unpledged surplus debt funds from the Culture and Tourism Debt Service Fund, in the amount of \$515,991.00, and decreasing appropriations and contribution to fund balance by \$1,886,228.00, for a total revised net contribution to fund balance of \$3,815,521.00, with those adjustments offsetting decreases in revenue of \$2,402,219.00 and resulting in a final FY2020 amended budget of \$4,331,512.00.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to allocate funding and make budget adjustments for the Public Events Department (PED) for FY2020 as a result of the COVID-19 pandemic and the near collapse of the tourism industry in the spring of 2020.

A portion of the actions proposed by this M&C are connected to a separate one on today's agenda (Log Name: 25 FY2020 DEBT ADJUSTMENTS) that recommends the use of unpledged surplus fund balance in the Culture and Tourism (C&T) Debt Service Fund to benefit the final FY2020 balances for the Project Finance Zone (PFZ) Fund and Venue Operating Fund as well.

The 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 Comprehensive Annual Financial Report (CAFR) 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 funds balance or net 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.

FUND	FY20 ADOPTED	FY20 AMENDED	FY20 FINAL AMENDED	VARIANCE ADOPTED TO FINAL
Culture and Tourism	\$42,536,140.00	\$42,609,772.00*	\$33,726,900.00	(\$8,809,240.00)
Hot 2%	\$7,261,447	\$3,691,447.00	\$4,272,847.00	(\$2,988,600.00)

PFZ	\$11,979,989.00	\$0.00	\$11,979,989.00	(\$0.00)
Venue	\$6,217,740.00	\$0.00	\$4,331,512.00	(\$1,886,228.00)

Culture and Tourism Fund (recommendation 1)

Although the Culture and Tourism Fund is projected to have significant expenditure savings for FY2020, the loss of events and decrease in hotel occupancy taxes, as a result the COVID-19 pandemic, has created an approximate operating budget short fall of \$14.74M. Even with a total expenditure adjustment of \$8.88M, including \$8.33M in savings and the elimination of a planned \$545K contribution to fund balance, the severe loss of revenue requires the additional use of approximately \$5.86M in fund balance, for a total FY2020 approximate use of \$5.93M in fund balance, amending the FY2020 budget for the C&T Fund to \$33,726,900.00.

Transfer and Appropriations to Capital/ Technology Smart City Networks-Fort Worth Convention Center Project* (recommendation 2)

Excess revenue was received in FY2020 for the Technology Smart City Networks-Fort Worth Convention Center (FWCC) capital project from the Smart Cites Networks, LP agreement (City Secretary Contract No. 46140-R1). This M&C transfers those additional receipts and creates additional appropriations in the same amount for the capital project. A previous reconciliation of appropriations and transfers was made to this project January 20, 2020 with M&C 20-0029, which increased the FY2020 C&T Fund budget to \$42,609,772.00 by appropriating \$73,632.00 in fund balance for the purpose of the reconciliation transfer. Appropriations for the Technology Smart City Networks-FWCC capital project were included in the FY2020-2024 Capital Improvement Plan in the amount of \$35,000.00 via the Culture and Tourism Capital Projects Fund-programmable project. Additional appropriations in the amount \$4,090.00 are needed for the true up to account for revenue received in FY2020 that was not previously appropriated in the project.

Culture and Tourism Fund 2% Hotel Fund (recommendation 3)

The Culture and Tourism 2% Hotel Occupancy Tax (HOT) Fund budget was amended August 20, 2020 with M&C 20-0597 which, as a result of the COVID-19 pandemic, also revised the FY2020 capital plan by deferring \$3.57M in capital transfers, decreasing the adopted budget to \$3,691,447.00. Due to the deferral of the capital transfer, the fund is now projected to have an anticipated surplus of approximately \$581K which will be contributed to fund balance and allocated for capital projects in FY2021 to cover shortfalls for capital transfers in other funds.

Culture and Tourism Project Finance Zone Fund (recommendation 4)

The Culture and Tourism PFZ Fund budget was adopted with anticipated revenues of \$6.37M and use of approximately \$5.61M in fund balance for a total debt service payment of \$11,979,988.00. However, FY2020 actual PFZ receipts are approximately \$2.58M, interest earned of \$30.5K and contributions from other funds of \$650K from capital returns to operating with the completion of the Cattle Barn project (M&C 20-0089 on February 18, 2020) for a total of \$3.26M in revenues. In collaboration with Financial Management Services and the City Attorney's Office, PED was able to develop a revised strategy utilizing unpledged surplus in the debt fund to offset a portion of the costs for the FY2020 debt service payment. There is another M&C on today's agenda (Log Name: 25 FY2020 DEBT ADJUSTMENTS) that authorizes the transfer of \$3.36M from unpledged debt fund surpluses for FY2020, supplementing the needed use of operating fund balance. As a result, the planned use of fund balance can be decreased by \$251K, for an estimated total use of \$5.36M, which with the transfer from unpledged debt surplus and revenues actually received creates the total needed funding for the FY2020 PFZ operating budget of \$11,979,989.00 as adopted.

Venue Operating Fund (recommendation 5)

The Venue Operating Fund anticipated \$6.21M in revenues in the first year of implementation, with an anticipated contribution to fund balance of \$5.70M and a debt obligation of \$515K. However, FY2020 actual receipts are approximately \$3.81M. In collaboration with Financial Management Services and the City Attorney's Office, PED was able to develop a revised strategy utilizing unpledged surplus in the debt fund to offset the costs of the FY2020 debt service payment. A separate M&C on today's agenda (Log Name: 25 FY2020 DEBT ADJUSTMENTS) authorizes the transfer of \$515,991.00 from unpledged debt fund surpluses for FY2020, allowing all FY2020 operating receipts be retained as fund balance for the fiscal year. The FY2020 Venue Operating Fund budget is amended to reflect only the amount of actual receipts received and the transfer of unpledged surplus debt funds for an amended FY2020 Budget of \$4,331,512.00. In anticipation of shortfalls in the FY2021 revenue collections during the on-going COVID-19 pandemic recovery, fund balance will be necessary for the Venue Operating Fund to meet the FY2021 scheduled debt obligation of \$8.85M.

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 upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Culture & Tourism, Culture & Tourism 2% Hotel, Culture & Tour Proj Fin Zone, Venue Operating and the Culture & Tourism Cap Projects Funds. Prior to an expenditure being incurred, the Public Events Department has the responsibility of verifying the availability of funds.

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