

Mayor and Council Communication

DATE: 02/08/22

M&C FILE NUMBER: M&C 22-0088

LOG NAME: 03FY2021 CLOSING

SUBJECT

(ALL) Adjust Appropriations in Various Funds and Amounts to Bring Revenues and Expenditures into Balance for the Operating Budgets for Fiscal Year 2021, Enact Budget Adjustments to Reallocate Resources, Commit Funds to Facilitate Fiscal Year 2021 Year End Closeout and Rollover into Fiscal Year 2022, Authorize All Associated Transfers and Adopt Attached Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance adjusting Fiscal Year 2021 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 03FY2021 WINDUP Mayor and Council Communication:
 - A. Adjust appropriations in the following General Fund Department budgets for a net impact of \$0.00:
 - a. Increase City Secretary by \$457,000.00 to cover election expenses;
 - b. Increase Fire by \$3,585,000.00 to cover regular and civil service separation leave expenses;
 - c. Decrease Non-Departmental by \$3,984,940.00, reallocating appropriations to cover election and separation leave expenses for the aforementioned departments;
 - d. Decrease Code Compliance by \$57,060.00, utilizing savings for reallocating appropriations to cover election and separation leave expenses for the aforementioned departments;
2. Adopt the attached appropriation ordinance decreasing receipts and appropriations in the Fire Department of the General Fund in the amount of \$2,500,000.00, decreasing the use of fund balance and eliminating the previously authorized transfer to the Grants Operating Federal Fund for a 25% cash match for disaster assistance related to COVID-19;
3. Adopt the attached appropriation ordinance reallocating receipts and appropriations in the Community Tree Planting Fund by authorizing an additional use of fund balance in the amount of \$372,345.00 for a total use of fund balance of \$407,245.00, and decreasing operating revenue by \$372,345.00 to address a revenue shortfall and effectively balance financial transactions of the fund;
4. Authorize the commitment of Fiscal Year 2021 fund balance from Fiscal Year 2021 savings in the General Fund for contractual commitments in the amount up to \$73,480.00 in the Code Compliance Department, \$20,000.00 in the Financial Management Services Department, \$54,400.00 in the Park and Recreation Department, \$797,547.00 in the Police Department, and \$391,000.00 in the City Manager's Office for rollover into Fiscal Year 2022;
5. Adopt the attached supplemental appropriation ordinance increasing estimated receipts and appropriations in the General Fund in the amount of \$1,366,427.00 in Fiscal Year 2022 and decreasing the unaudited fund balance of the General Fund by the same amount, from the rollover of surplus funds from Fiscal Year 2021 in order to fund contractual commitments;
6. Authorize the assignment of Fiscal Year 2021 fund balance from Fiscal Year 2021 savings in the General Fund for \$22,600,000.00 to be potentially appropriated to fund Fiscal Year 2022 programs and projects;
7. Designate the amount of \$12,413,696.00 as committed fund balance within the General Fund to reflect the total amount owed to the State of Texas as of September 30, 2021 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, 2021. 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 wind up M&C approved by City Council on September 28, 2021.

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 zero net impact. Below is a brief explanation of the activity that caused deviations from the adopted budget:

Department Additional Appropriations

GENERAL FUND

City Secretary Department \$457,000.00

Reason: The deficit is due to contractual obligations and salary expense related to election costs. This is typically covered via delegated authority using Non-Departmental funds, however, due to higher than anticipated separation leave citywide; savings from the Code Compliance Department

will be utilized to supplement Non-Departmental funds to cover these costs.

Fire Department \$3,585,000.00

Reason: The deficit is due to higher than anticipated separation leave expense for both general and civil service employees. This is typically covered via delegated authority using Non-Departmental funds, however, due to higher than anticipated separation leave citywide; savings from the Code Compliance Department will be utilized to supplement Non-Departmental funds to cover these costs.

Non-Departmental Department -\$3,984,940.00

Reason: The remaining appropriations for separation leave and other operating costs are being moved via delegated authority to the City Secretary and Fire Departments.

Code Compliance Department -\$57,060.00

Reason: Separation Leave expense was higher than anticipated city-wide, therefore Non-Departmental funds delegated to cover these costs was insufficient. Code Compliance experienced high savings due to excessive vacancies and these savings will be used to supplement Non-Departmental funds provided to the City Secretary and Fire Departments.

Fire/Emergency Operations -\$2,500,000.00

Reason: In December 2020, the Mayor and Council authorized interim disaster assistance funding in the amount of \$10,000,000.00 in the Grants Operating Federal Fund via M&C 20-0973. This required a 25% cash match; \$2,500,000.00 was appropriated from the General Fund's fund balance to meet this requirement. This grant match was not needed or expended and the appropriated use of fund balance is being eliminated accordingly.

Revenue Adjustments

COMMUNITY TREE PLANTING FUND

Community Tree Planting Fund: \$0.00

Reason: The anticipated budgeted revenue included a transfer from the PARD Gas Lease Capital Project Fund. This transfer did not occur and \$372,345.00 originally budgeted as a transfer is being exchanged with the use of fund balance to effectively bring revenues, including the use of fund balance, and expenditures into balance for the Community Tree Planting Program Fund. The exchange of revenue source within the fund will result in a net impact of \$0.00 to the budget.

Commitment of Funds and Rollover

GENERAL FUND

Committed Fund Balance for Contractual Obligations Rolled Over from Fiscal Year 2021

Parks & Recreation Department: \$54,400.00

Reason: Installation of a chlorine generator at the Water Gardens scheduled for and originally budgeted in FY2021 was not completed due to an overall delay in the bid and contract execution process. This non-recurring expense will be completed during FY2022.

Code Compliance Department: \$73,480.00

Reason: Two generators ordered during FY2021 could not be delivered until FY2022 due to supply chain and delivery issues.

Financial Management Services: \$20,000.00

Reason: Consulting contract in the amount of \$40,000.00 was only half-completed at year end.

Police: \$797,547.00

Reason: Severe ammunition supply shortages resulted in an outstanding delivery of \$148,669.00 of ammo ordered in FY2021 and expected to be delivered in FY2022. An emergency purchase memo approved on 9/24/21 authorized the procurement of helmets and associated equipment required for anticipated large-scale unrest response, of which \$432,976.00 was outstanding at year end. Additionally, towing services were over budget by \$215,902.00 due to winter storm-related calls and increased activity with relaxed pandemic restrictions. These services are required as part of the City's impound operations and are generally offset by impound fee revenues.

City Manager's Office: \$391,000.00

Reason: The City entered into a contract for panel experts during Fiscal Year 2021. These activities, along with required legal costs, continued into Fiscal Year 2022 and are expected to be completed by the end of March.

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	Budget Increase	FY2022 Revised Budget
Revenues			
Use of Fund Balance	\$0.00	\$1,336,427.00	\$1,336,427.00
Expenditures			
Parks & Recreation	\$50,229,971.00	\$54,400.00	\$50,284,371.00
Code Compliance	\$25,691,223.00	\$73,480.00	\$25,764,703.00
Financial Management Services	\$12,772,748.00	\$20,000.00	\$12,792,748.00
Police	\$282,524,533.00	\$797,547.00	\$283,322,080.00
City Manager's Office	\$9,942,348.00	\$391,000.00	\$10,333,348.00

Committed Fund Balance for Sales Tax Repayment Agreement

General Fund: \$12,413,696

Reason: In 2011, it was determined that the City of Fort Worth had been paid sales and use taxes for equipment that was later found to be tax exempt. An agreement was entered into with the State for a repayment plan. Of that repayment agreement, \$5,002,362.00 remains outstanding as of September 30, 2021. In 2021, it was determined that the City had received additional overpayment of sales tax. A new agreement was entered into to repay an additional \$12,413,696.00. The total committed fund balance for sales tax repayment will be \$17,416,057.00.

Assignments of Fund Balance

General Fund: \$22,600,000.00

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) 2021 fund balance:

Description	Amount
Arterials in North Fort Worth	\$11,000,000.00
Land Purchase - Nature Center	\$5,000,000.00
Land Purchase - Future City Facilities	\$2,000,000.00
Future City Hall Operating Expenses (originally set aside in FY20)	\$2,000,000.00
Budget Management System	\$1,400,000.00
City Match for Texas Military Preparedness Commission's (TMPC) Defense Economic Adjustment Assistance Grant (DEAAG) Program	\$1,200,000.00
TOTAL ASSIGNED FUND BALANCE	\$22,600,000.00

These priorities will be presented for approval to Council during the course of Fiscal Year 2022 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.

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 the adoption of the attached appropriation ordinances, funds will be available in the FY2021 operating and capital budgets and the FY2022 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 FY 2022.

Submitted for City Manager's Office by: Fernando Costa 6122

Originating Business Unit Head: Mark McAvoy 6222

Additional Information Contact:

Expedited