

**To the Mayor and Members of the City Council****September 17, 2019**

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SUBJECT: USE OF GAS WELL REVENUE FOR “OPEN SPACE” ACQUISITION

This Informal Report is provided in response to an inquiry on the use of revenue derived from income of the Fort Worth Permanent Fund (Trust) to fund acquisition of “Open Space” land.

Since the first gas well revenue policy was adopted by the Fort Worth City Council in 2005, the criteria for expenditure of the funds has placed a focus on non-routine and one-time expenditures. As examples of eligible expenses that initial policy listed “land and building purchases, construction and maintenance projects with at least a 10-year life, feasibility, design and engineering studies related to such projects, capital equipment and vehicles with at least a 10-year life, and technology improvements with at least a 5-year life.” (M&C G-14767)

The gas revenue policy was revised a number of times since it was first enacted, but the focus of the expenditure criteria has remained largely the same. (M&Cs G-15715, G-16013, and G-16632)

According to the current version of the Gas-Related Revenue & Expense/Expenditure Policy, adopted by the City Council on November 1, 2016 (M&C G-18872), expenditures/expenses of revenues derived from lease bonuses and royalties, other gas-related revenue, and distributions from the Trust/Endowment Funds shall be appropriated for one-time program initiatives and capital projects which meet one or more of the program and project criteria listed below:

- Capital projects with a minimum ten (10) year useful life;
- To provide matching grant funds to leverage funds for capital projects;
- Technology with a minimum five (5) year useful life;
- Acquisition of equipment and fleet assets including contributions to a revolving replacement fund;
- Capital equipment with a minimum ten (10) year useful life;
- To fund one-time community-wide economic and neighborhood development initiatives and projects;
- To fund labor and materials associated with production, distribution and establishment activities for trees on public property (including school and county property);
- To periodically transfer funds to the General Fund to offset budgeted administrative costs associated with administering this policy and managing the City’s gas leases and pipeline agreements, with the allocation of the cost being proportional among all gas revenue funds according to each fund’s relative percentage of the total revenue collected in all funds (including the Trust/Endowment funds and City affiliated corporation funds) during that reporting period;
- To periodically transfer Park funds from gas lease and pipeline revenues to the General Fund to offset program costs associated with leases, conversions, and pipelines;

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- To replenish the Unassigned Fund Balance (for the General Fund), Assigned Fund Balance (all other Governmental Funds except the General Fund), or Net Position (for Enterprise Funds), if necessary, in any designated City fund, to meet the minimum reserve requirements established for that fund;
- To make payments in support of arts organizations provided, however, such payments may only be made using distributions from the General Endowment Gas Lease Fund and not from bonus, royalties, ad valorem tax revenues, or any other gas-related revenue.

Based on the criteria above, it is staff's position that the cost to acquire "Open Space" land is an eligible expenditure of income from the Fort Worth Permanent Fund (Trust) within the letter of current policy.

If you have any questions, please call Reginald Zeno, Director of Financial Management Services / Chief Financial Officer, at 817-392-8500.

David Cooke
City Manager