

Mayor and Council Communication

DATE: 09/28/21

M&C FILE NUMBER: M&C 21-0772

LOG NAME: 03FY21 WINDUP

SUBJECT

(ALL) Enact Fiscal Year 2021 Year End Budget Adjustments by Reallocating Resources, Operating Surpluses, Available Current-Year Revenues and Available Fund Balance and Net Position to Offset Projected Shortfalls, Fund Departmental Capital Projects and Outlays, Ratify All Transfers Between Budget Categories and Authorize All Associated Transfers and Adopt Attached Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance making the following fiscal year 2021 year-end adjustments in the General Fund by increasing the following General Fund Departments budget by a combined total of \$5,348,057.00 and reducing Non-Departmental in the General Fund by the same amount:
 - A. City Attorney department by \$233,774.00 (Separation Leave);
 - B. City Secretary department by \$149,982.00 (Election Costs);
 - C. Development Services department by \$697,069.00 (Separation Leave);
 - D. Economic Development department by \$3,217,130.00 (380 Agreements);
 - E. Financial Management Services department by \$116,834.00 (Separation Leave);
 - F. Park & Recreation department by \$408,039.00 (Separation Leave); and
 - G. Transportation & Public Works department by \$525,229.00 (Decreased vacancy rate).
2. Adopt the attached appropriation ordinance reducing estimated receipts in the amount of \$1,590,000.00 and increasing the use of net position by the same amount in the Municipal Parking Fund;
3. Adopt the attached appropriation ordinance increasing appropriations in the amount of \$1,500,000.00 and increasing the use of net position by the same amount in the Solid Waste Fund;
4. Adopt the attached appropriation ordinance adjusting appropriations in the Water & Sewer Fund by increasing estimated receipts in the amount of \$10,100,000.00, increasing appropriations in the Operating and Maintenance accounts by \$100,000.00, and increasing the allocation in the Transfer to Water/Sewer Capital account by \$10,000,000.00 for the purpose of transferring excess revenues to fund future projects (City Project No. UNSPEC);
5. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Alliance Maintenance Facility Fund in the amount of \$2,268,195.00 for damages related to the 2021 Winter Storm and purchase and installation of a variable speed chiller replacement in the Central Utility Plant at the Fort Worth Alliance Maintenance Facility, and decreasing the fund balance by the same amount;
6. Adopt the attached appropriation ordinance increasing appropriations in the Capital Projects Service Fund by \$2,250,000.00 and increasing the use of fund balance by the same amount, for renovations to the Southwest service facility;
7. Ratify all transfers between budget categories during Fiscal Year 2021, as allowed per the budget ordinance; and
8. Authorize all necessary transfers to affect the appropriations identified above.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to bring various funds into balance to facilitate year-end closing and to comply with City Charter. Those actions can generally be described as (1) adjusting funding among General Fund departments; (2) adjusting receipts in funds affected by the pandemic and/or hiring freeze (Municipal Parking Fund); (3) increasing receipts and appropriations in funds experiencing higher than anticipated expenditures (Solid Waste Fund); and (4) increasing receipts and appropriations in the Water & Sewer Fund from excess revenues due to dryer than usual weather conditions in the Fall months, for future capital.

The City's annual operating budget is formally enacted into law by City Council action adopting an appropriation ordinance (Ordinance No. 24445-09-2020, see attached, hereinafter the "Ordinance") that establishes spending limits for each department's and fund's operation. In the past, Staff has waited until the completion of the Annual Financial Report to affect the settlement of General Fund departments. The current practice is to bring forward this Windup M&C during the fiscal year and allocate anticipated net savings to meet one-time needs or to address items that have arisen during the fiscal year.

General Fund (recommendation 1)

The Non-Departmental budget in the General Fund includes allocations based on the anticipated need for separation leave costs for General Fund employees, contractual costs, election costs and tuition reimbursement costs for Fiscal Year (FY) 2021. These allocations are available to be distributed to individual departments as they have specific expenses in these areas. This year there were sufficient savings in Non-Departmental to cover shortfalls in other departments.

Per *Ordinance No. 24446-09 2020 Section 1*, the General Fund adopted budget for FY2021 was \$782,064,035.00. M&C appropriations of \$5,624,803.00 throughout the year resulted in an adjusted budget of \$787,688,838.00. This recommendation suggests the transfer of

\$5,348,057.00 from Non-Departmental to various general fund departments to cover budget shortfalls due to elections, separation leave, and 380 agreements.

Municipal Parking Fund (recommendation 2)

Per *Ordinance No. 24446-09 2020 Section 4*, the FY2021 adopted budget for the Municipal Parking Fund was \$7,536,570.00. There were no additional appropriations to the fund throughout the year.

The Municipal Parking Fund is projected to be below their expense budget; however, the fund will have a remaining deficit of \$1,590,000.00 from the significant revenue loss due to COVID-19. This deficit will be covered by the use of net position. The balancing transaction adjusts the following revenue accounts: increase *4402501 Pkg Meter Receipts* by \$700,000.00, increase *4402508 Parking-Daily* by \$890,000.00, and decrease *4990000 Use of Fund Bal/Net Position* by \$1,590,000.00.

Due to these reduced revenues, the Municipal Parking Fund will no longer have enough unrestricted net position to meet the reserve policy for enterprise funds, per the City's Financial Management Policy Statements.

Solid Waste Fund (recommendation 3)

Per *Ordinance No. 24446-09 2020 Section 4*, the FY2021 adopted budget for the Solid Waste Fund was \$69,401,570.00. This M&C recommends an increase in appropriations of \$1,500,000.00 for FY2021, for an adjusted budget of \$70,901,570.00. There were no other M&C appropriations throughout the year.

The Solid Waste Fund is projected to be over-budget by about \$1,500,000.00 mostly due to larger than anticipated contractual obligations. This deficit will be covered by the use of net position. The balancing transaction increases the following accounts by \$1,500,000.00 each: revenue account *4990000 Use of Fund Bal/Net Position* and expense account *5330201 Other Contractual Services*.

Due to these projected excess expenditures, the Solid Waste Fund will no longer have enough unrestricted net position to meet the reserve policy for enterprise funds, per the City's Financial Management Policy Statements.

Water & Sewer Fund (recommendation 4)

Per *Ordinance No. 24446-09 2020 Section 4*, the FY2021 adopted budget for the Water and Sewer Fund was \$479,482,832.00. M&C appropriations throughout the year increased the budget by \$500,000.00 to \$479,982,832.00. This M&C recommends an additional \$10,100,000.00 in appropriations for FY2021, for an adjusted budget of \$490,082,832.00.

The main purpose of this appropriation is to re-allocate excess revenue from operating to the Water and Sewer Capital Project fund to fund ongoing capital improvement projects. The balancing transaction increases the following revenue accounts by a combined \$10,100,000.00: *4406001 Water Service Revenue* by \$4,000,000.00, *4406005 Wholesale Reclaim Water Rev* by \$100,000.00, and *4441001 Sewer Service Revenue* by \$6,000,000.00. Additionally, the following expense accounts will increase by \$10,100,000.00: *5956001 Transfer to Water/Sewer* by \$10,000,000.00 and *5610109 Minor Equipment* by \$100,000.00.

Alliance Maintenance Facility Fund (recommendation 5)

Per *Ordinance No. 24446-09 2020 Section 2*, the FY2021 adopted budget for the Alliance Maintenance Facility Fund was \$5,452,022.00. This M&C recommends an increase in appropriations of \$2,268,195.00 for FY2021, for an adjusted budget of \$7,720,217.00. There were no other M&C appropriations throughout the year.

During the winter storm in 2021 multiple City properties were damaged. As a result of the storm and the extended period of extremely low temperatures, the physical gas and power infrastructure were severely impaired at the Fort Worth Alliance Maintenance Facility. The considerable increase in demand, coupled with severe reduction in supply, resulted in expenses in the amount of \$591,743.00.

On September 22, 2020, the City Council authorized the execution of a construction contract with Johnson Controls, Incorporated for the purchase and installation of a variable speed chiller in the amount of \$1,676,542.00 to replace the existing chiller in the Central Utility Plant at the Fort Worth Alliance Maintenance Facility located at 2000 Eagle Parkway, Fort Worth, Texas 76177 (M&C 20-0724). This M&C will authorize the appropriation for this purchase.

The balancing transaction increases revenue account *4990000 Use of Fund Bal/Net Position* by \$2,268,195.00, and increases expense accounts *5330201 Other Contractual Services* by \$1,676,452.00 and *5410102 Gas Utility Service* by \$591,743.00.

Capital Projects Service Fund (recommendation 6)

Per *Ordinance No. 24446-09 2020 Section 5*, the FY2021 adopted budget for the Capital Projects Service Fund was \$14,901,340.00. This M&C recommends an increase in appropriations of \$2,250,000.00 for FY2021, for an adjusted budget of \$17,151,340.00. There were no other M&C appropriations throughout the year.

The Capital Projects Service Fund requires a new office location, and plans to renovate the former Southwest Municipal Court complex to solve the issue. Costs of the renovations are estimated at \$2,250,000.00, and appropriations will increase in the Capital Intrafund Transfer Out account. This will be offset by an increase in Use of Fund Balance.

The balancing transaction increases revenue account *4990000 Use of Fund Bal/Net Position* by \$2,250,000.00 and increases expense account *5900016 Capital Intrafund Transfer Out* by the same amount.

Transfers Between Budget Categories (recommendation 7)

See attachment *Transfers Between Budget Categories FY2021* for two tables that list all transfers between budget categories, within the same department, for this fiscal year. The tables show any changes in appropriations between the various budget categories (Salaries & Benefits, Operating & Maintenance, Debt Service Accounts, Capital Accounts, and Transfer Out & Other), and will all net to zero for each department.

The attachment also includes a breakdown of the changes between the Adopted budget and Adjusted budget for all operating funds in FY2021.

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 the approval of the above recommendations and adoption of the attached ordinances, funds will be available in the current operating budget, as appropriated, of the General Fund, Municipal Parking Fund, Solid Waste Fund, Water & Sewer Fund, Alliance Maintenance Facility Fund, and the Capital Projects Service Fund. Prior to any expenditure being incurred, the participating departments have the responsibility to validate the availability of funds.

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

Originating Business Unit Head: Mark McAvoy 6222

Additional Information Contact:

Expedited