



October 1, 2011

Honorable Mayor and Members of the City Council
City of Fort Worth, Texas

As an award winning All-American City for the third time, Fort Worth stands as a shining example of what a city can be when its residents, businesses and communities work together to resolve challenges. The Fiscal Year 2012 (FY2012) City of Fort Worth Adopted Budget reflects the careful efforts of staff to develop a budget that is both responsive to the Fort Worth City Council goals and objectives while also exemplifying the community's needs and desires while demonstrating fiscally sound judgment and prudent decision making. The Adopted Budget balances City priorities against available resources, while seeking to maintain essential public programs and levels of service. It is important to note that the budget includes no property tax rate increase.

The adopted FY2012 budget totals \$1,399,716,661 and consists of 20 different operating departments and four appointed officials, including the General Fund, Enterprise Funds, Internal Service Funds, Special Funds and Insurance Funds. Of that amount, 40% or \$557,625,181 reflects the cost of General Fund activities such as public safety, parks and community services, transportation and public works, planning and development, public libraries and general management of the City. The citywide budget includes 6,411.20 authorized positions. This is a net increase of 98.75 positions from the FY2011 budget. Of that amount, 82.50 positions are in the General Fund and 16.25 positions are in Other Funds. Of the 82.50 authorized positions added to the General Fund, 30.00 were police officers increasing their authorized civil service strength, 16.00 positions are transferred from the Crime Control and Prevention District (CCPD) to the General Fund as part of a five-year plan to transfer 50% of the authorized positions in CCPD to the General Fund and 20.00 positions added as overage in FY2011 to Code Compliance with their cost offset by an equal transfer of revenue from the Solid Waste Fund. Additionally, the budget proposes to restore 16.50 positions that were eliminated previously from the library budget.

During the FY2010 budget process, the City Council directed staff to start earlier on the FY2011 budget development to ensure ample time to make decisions on critical and complex budget issues. Staff continued that trend for the development of the FY2012 budget. A quarterly reporting process was also implemented to keep both the City Council and the public up-to-date on the current year's financial in addition to progress on the development of the FY2012.

On February 15, the City Council received their 1st Quarter presentation on the FY2012 budget process and expectations. In addition to growing service demands and minimally increasing revenues, the required funding for employee and retiree health care, maintenance of the 10% reserve fund balance and the desire to consider nominal compensation increases for general employees yielded an initial General Fund budget gap of approximately \$31.5 million for FY2012.

On May 17, 2011 during our 2nd Quarter presentation, I shared with the City Council my "Guiding Principles" for the FY2012 adopted budget. These five guiding principles included; 1) no property tax rate increase for property owners, 2) no service disruptions for residents, 3) a stabilization period that avoided departmental consolidations, furlough days and layoffs, 4) increases to the City's investment in debt capacity to fund major projects and, if at all possible,

5) nominal increases in salary for general employees. At that time, the City Council received an update on the multi-year financial forecast and the updated budget gap projection for FY2012, which decreased to \$30.4 million. The presentation also included the results of an organization-wide effort to decelerate spending at mid-year 2011. This "Building Fund Balance" exercise identified savings to create available resources in the General Fund's fund balance for FY2012 as a starting measure to address the pending gap. The exercise identified \$5.8 million in savings from a combination of program expenses to be captured in the current year, departmental and citywide deferrals of capital equipment and vehicle purchases where possible and vacancy management. No mandatory reduction targets or hiring freezes were initiated.

It is always challenging to balance resources with needs. Accordingly, the preparation for FY2012 had to be done very carefully as this has been the 4th consecutive fiscal year that expenditure projections have outpaced revenue. During such difficult economic times, it is imperative that staff is cautious in determining what new revenues to recommend or additional services to eliminate while considering the needs of citizens and morale of current staff. For each area of operations, staff utilized a comprehensive and inclusive process. Citywide expenditure and revenue opportunities were thoroughly evaluated and in addition to the guiding principals, budget propositions were also assessed on their alignment with meeting the core objectives of the Management Plan.

The Management Plan, developed by City staff, was designed to help guide Fort Worth in meeting three strategic goals of ensured financial health, retention of a highly skilled and diverse workforce and efficient uses of land, infrastructure and public services. To meet these three strategic goals, five core objectives and performance measures have been identified, which are; 1) be a well-managed organization, 2) build strong neighborhoods, 3) develop a sound economy, 4) ensure a healthy environment and 5) provide a safe community. For the FY2012 budget and beyond, these core objectives become another tool for making difficult decisions about scarce but vital resources among competing needs.

Ultimately, the result of all these efforts across the organization is a balanced budget for FY2012, with the closure of any anticipated budget gap, which I propose to this City Council today. Again, there is no change in the adopted property tax rate of \$.8550/\$100 of assessed valuation.

The only recommended change to the property tax levy is the allocation. The allocation of the levy, as you know, determines the amount available for operations and maintenance (O&M) and the amount available to repay City debt. The FY2012 budget recommends the reallocation of one cent from the General Fund O&M to debt service and would shift approximately \$4 million in revenue to debt repayment. This increases our capacity, which allows us to accelerate the completion of capital projects. Staff continues to review and adhere to policies set by the City Council when making budgetary and operational decisions and utilized the opportunity to reevaluate additional existing directives for their applicability to the FY2012 budget. This reevaluation resulted in the development of two further recommendations.

Aviation ARFF Reimbursement – On January 2, 2011 City Council approved the use of revenues generated from mineral leases on aviation property as compensation to the City for Air Rescue Fire Fighting (ARFF) services provided by Station 44 at Meacham Airport and Station 35 at Alliance Airport. The Aviation Department worked closely with the Financial Management Services, the Fire Department and the Budget Office to determine the financial impact on the General Fund of providing ARFF services over the previous six years. As a result of those efforts, the Federal Aviation Administration (FAA) approved a total reimbursement of \$13.8 million to the General Fund. An initial reimbursement of \$3 million was approved by City

Council on January 4, 2011 with Ordinance 19509-01-2011 and \$202,000 was paid in FY2010 from the Aviation operating budget. The FY2012 adopted budget recommends authorization by the City Council to transfer the remaining reimbursement balance from aviation gas lease revenues to the General Fund. Doing so provides an additional \$10.6 million in operating revenue for the General Fund in FY2012. The Mayor and Council approved this reimbursement at their August 16, 2011 City Council Meeting with Ordinance Numbers 19847 & 19848.

Capital Projects Reserve Fund Transfer – In conjunction with the adoption of the FY2011 budget, the City Council passed Ordinances 19488 & 19489 on December 14, 2010, authorizing the transfer of \$15 million to the Capital Projects Reserve Fund for the purpose of funding high-priority capital projects. For FY2012, the Capital Projects Reserve Fund has the necessary resources to address high-priority capital projects in the immediate future. The adopted budget for FY2012 recommends rescinding Ordinance 19488 in order to reverse a portion of the original transfer. Doing so provides an additional \$5 million in operating revenue for the General Fund in FY2012. The Mayor and Council approved this transaction at their September 13, 2011 City Council Meeting with Ordinance Number 19895-09-2011.

MAJOR FUNDING AND ORGANIZATIONAL CHANGES:

Funding Updates / Changes:

Transportation Utility Fund – The City Council adopted Resolution No. 3941 on December 7, 2010, directing staff to develop a transportation service charge, modify the existing water billing system and draft an accompanying ordinance in support of the creation of a transportation utility. A General Fund loan of \$1.5 million was authorized for interim financing. On August 30, 2011, the City Council placed the development of the Transportation Utility on hold for further discussion in a future budget year. During the course of FY2011, approximately \$100 thousand of the approved loan was used to fund staff time and a consultant study dedicated to the utility development and the remaining balance of \$1.4 million was returned to the General Fund's fund balance prior to the FY2012 budget adoption. One additional position proposed for the Transportation Utility Fund via decisions package was withdrawn and .85 of a position proposed for transfer from the General Fund to the Transportation Utility fund remains in the General Fund as part of the Planning and Development Department.

Program Improvements – To provide essential public programs and levels of service in a fiscally sound manner, \$5.6 million in program improvements for the General Fund and \$6.2 million in program improvements for Other Funds have been included in the FY2012 adopted budget. As mentioned previously, each of these improvements promotes one or more of the City's five core objectives and performance measures from the Management Plan.

Electricity Contract – The City's electricity contract with TXU expired in May 2011. Through the bidding process, the City negotiated a new contract with the Texas General Land Office. The term of the agreement is for 48-months. The savings impact for FY2012 is anticipated to be \$4 million for all funds, with an anticipated total savings of \$16 million over the term of the contract.

Motor Vehicle Fuel Allocations – Based on escalating fuel prices and analysis performed by the Equipment Services Department and Budget and Research Division, a \$2 million increase for the purchase of motor vehicle fuel in FY2012 has been allocated among those General Fund departments that utilize the City's fleet.

Outside Agencies – The Arts Council and United Way are funded by the General Fund. For FY2012, the United Way will continue receive funding of \$281,000 for the currently supported social service agencies that provide the community with an extension of City services. These agencies include Safe Haven, Women’s Center, Resource Recovery Council, Tarrant County Recovery Campus and the Tarrant County Youth Collaboration. The Arts Council will receive \$1,066,253, which includes allocations for Sister Cities, Artes de la Rosa and the Neighborhood Arts Program.

Implementation of Phase II of the Enterprise Resource Planning (ERP) Project – The City will continue the effort of improving all financial systems. The implementation of ERP Phase II was postponed from FY2011 and is scheduled to begin in FY2012; this project will be reviewed by City staff and will be brought back to the Audit and Finance Advisory Committee for consideration in FY2012.

Vehicles and Specialized Equipment – To address the mission critical needs of the City in the area of vehicles and heavy equipment, funding has been maintained for fleet replacements and acquisitions in the amount of \$3.5 million for the General Fund and \$5.3 million for Other Funds.

Summer 2012 Pool Reopening – At the September 13, 2011 Budget Work Session, at City Council’s request staff identified \$250 thousand dollars for facility repair expenses and seasonal operational cost to facilitate the opening of at least one municipal pool for the summer of 2012 while additional review of the City of Fort Worth Aquatics Master Plan and a long-term solution for additional aquatics opportunities for the community is developed. Prior to the budget adoption on September 20, 2011 the City Council concurred with staffs recommendation that Marine Park Pool was the most feasible option based the current condition of the facility and amount of needed repairs, community location, accessibility and lack of similar options in the given geographic area. The limited financial and time constraints to meet a summer 2012 opening deadline were also factors considered in the recommendation by staff. Repair work on the Marine Park Pool began the last week of September 2011 to meet this Council approved goal.

Organizational Changes:

- The Crime Control Prevention District (CCPD) proposes transfers to the General Fund (Phase I) including 11 positions and operating expenses for the Homeland Security Program. The Program’s functions will remain unchanged. CCPD Phase I also includes the transfer of five positions for school security due to the loss of contracts with two of the smaller school districts served by FWPD. These positions will be reassigned as needed in the Police Department General Fund.
- Traffic signs, pavement markings and traffic signals maintenance will remain part of the Transportation and Public Works Department but be transferred to the Red Light Enforcement Fund’s Traffic Safety Program, including 39 positions.
- The Weatherization Assistance Program will merge into the Parks and Community Services Department’s Community Action Partners Program from the Housing and Economic Development Department. This includes the transfer of 8 positions and \$2.3 million; however, the program is entirely grant funded and has no impact on the General Fund.

GENERAL FUND REVENUES

A slow and arduous recovery of the nation’s economy continues to impact revenues and the City of Fort Worth still struggles with the effects of the recession. Although the City has not been as negatively impacted as some other cities across the nation, we are also not insulated from the current trends. Where retail sales are growing and hotel occupancy tax collections are on the rise, unemployment is essentially unchanged, inflation is increased and the number of new home permits continues to lag.

According to the Texas Workforce Commission’s August 2011 report, the unemployment rate for Fort Worth is at 8.8%, down slightly from the 2nd Quarter, along with a slight decrease in the national rate to 9.1%. The State unemployment rate continues to be lower than both the nation and the city at 8.5%. The effects of employment continue to manifest in the housing market as single family building permits have declined 15.1% compared with the same period last year. Home sales nationwide have also shown declines, including foreclosure sales, both locally and nationally. In addition to foreclosure sale declines, foreclosure listings have also decreased locally as the result of delays by bank and mortgage companies for accuracy in the proceedings rather than from actual reductions in the inventory of homes eligible for foreclosure.

Inflation and high fuel prices have also played a role in the stalled recovery. Despite these concerns, the overall economic outlook appears flat for the remainder of the calendar year. A continuation of growth in retail sales, supporting sales tax revenue, and climbing hotel occupancy taxes will have a direct positive impact on City revenues.

ADOPTED GENERAL FUND REVENUE BUDGET

FY2011	FY2012	Percent	Dollar
<u>Adopted</u>	<u>Adopted</u>	<u>Increase</u>	<u>Increase</u>
\$522,351,865	\$ 533,406,669	2.12%	\$11,054,804

PROPERTY TAX

The City receives a significant portion of its revenues (approximately 54%) from property taxes assessed on real and personal property. City staff works with appraisal districts from Tarrant, Wise and Denton County to prepare property tax revenue projections. By State law, each appraisal district is responsible for the valuation of all property within its jurisdiction. The certified property tax roll received from all three districts in July 2011 shows an increase in the City’s property tax base. The increases from the July 2010 certified property tax roll to the July 2011 certified property tax roll include:

- An increase of 2.6% growth in adjusted net taxable property value. This figure is the net taxable property value plus the minimum taxable value of protested and incomplete property accounts, and is the amount on which the budget is based;
- A decrease in the prior year’s delinquent property tax collection;
- An increase of 1.3% in mineral values.

While updating the five-year financial forecast and preparing the presentation for City Council, staff analyzed many factors that contribute to the amount of revenue property tax is projected to generate including anticipated population growth, historical change in values for residential and commercial properties, current and projected permitting data and the potential but uncertain impact of foreclosures, exemptions and protests. Staff also evaluated the allocation of the levy amount, and resulting availability of revenue for operations and maintenance (O&M) as compared to the amount available to repay City debt. Again, the reallocation for FY2012 of one cent from the General Fund O&M to debt service would shift approximately \$4 million in

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revenue, but does not change the combined property tax rate from \$0.855/\$100 of assessed valuation, nor does the collection rate assumption of 98% change from FY2011.

Subsequent to the reallocation of the one cent, the General Fund portion available for discretionary use related to O&M of property tax-supported City departments is expected to yield approximately \$280 million in FY2012 (including the previously restricted amount of revenue related to mineral values) and is based on a levy amount of \$0.7009/\$100 of assessed valuation. The debt service amount is then expected to yield slightly more than \$61 million, which will allow the repayment of all current and adopted debt obligations, and is based on a levy amount of \$0.1541/\$100 of assessed valuation.

SALES TAX

At 19% of the General Fund revenue budget, sales tax revenue is a major revenue component. Improving economic conditions in FY2011 proved promising as monthly sales tax collections have been higher than projected and higher than prior year actual receipts throughout the year. Collection for construction, manufacturing, wholesale and retail trade industries have recovered and even shown signs of growth due to the general improvement in the economy. However, agriculture, transportation and warehousing industries continue to experience the effects of the economic downturn.

September 2011 projections show an additional \$9.2 million in sales tax revenue has been collected over budget projections for the year-to-date. The City saw 9.6% in additional revenue, above budgeted amount, for the 2011 fiscal year.

In contrast to the unexpected increase in sales tax revenues, an unanticipated audit adjustment resulted in the determination of a refund for over payments that occurred during a 25 year collection span. This refund decreased the actual amount of sales tax dollars the City initially received during FY2011. According to the Comptroller’s Office, two entities made legal claims that refunds were due to them for sales tax paid on tax exempt equipment and that credit was granted to them as the result of a declared legal judgment. This resulted in refund amounts being withheld from the City’s monthly sales tax receipts in the summer of 2011. Due to the unusual nature of the event, in August of 2011 staff requested and the Comptroller agreed to credit the City with any previously withheld sales tax earnings. Further, the City and the Comptroller agreed to the payment plan for twenty years for all adjustments resulting in refunds for these particular audits and legal judgments. The twenty year repayment plan allows the City to avoid the immediate and significant burden of lost revenue that would result from refunding the total \$9.3 million adjustment in any large lump sum amounts during FY2011 and FY2012 since the overpayment was also collected in increments over a period of twenty or more years. The over payments and resulting judgment were found to be of no fault nor was it the result of any actions by the City.

EXPENDITURES

ADOPTED GENERAL FUND EXPENDITURE BUDGET

FY2011	FY2012	Percent	Dollar
<u>Adopted</u>	<u>Adopted</u>	<u>Increase</u>	<u>Increase</u>
\$531,369,924	\$557,625,181	4.94 %	\$26,255,257

Expenditures continue to out-pace revenues due to a variety of expenses such as group health increases, retirees group health funding and CCPD transfers to the General Fund. Therefore, similar to the FY2011 budget, the General Fund will continue to rely on fund balance in the

amount of \$23 million towards closing funding gaps. The FY2012 adopted budget also includes some additional salary and benefit changes.

Salary / Benefit Changes:

- 3% Across the board salary increases for general employees in addition to those agreed to by contract for Police and Fire
- Reinstatement of the Tuition Reimbursement Program
- No furloughs are planned for employees in FY2012
- Health insurance premiums will increase by 10.44% for the City's contribution to active employees and retirees
- Continued City subsidy of 70% health insurance costs for all employees including domestic partners
- Vacation buyback benefit is planned for general employees in FY2012
- No net changes in other benefits offered
- City's continued contribution to fund retirement benefits and no change to retirement benefits for those hired before July 2011. Pension workshops will be held in FY2012 to address the ongoing funding requirements.

Reduction in Work Force:

- No reduction-in-force was necessary to balance the FY2012 adopted budget

The FY2012 adopted budget includes various additional investments. I would like to highlight several of those changes for you as listed by service group.

PUBLIC SAFETY SERVICES GROUP

In addition to these four Public Safety Service departments, the Solid Waste budget is addressed under the Enterprise Funds section and the Crime Control Prevention District is included in the discussion of the Police Department.

Code Compliance – The Code Compliance Department maintains Fort Worth's status as a clean, livable city by ensuring property complies with rules set by City Council. Code Officers routinely patrol assigned neighborhoods for code violations and investigate complaints with a mission of abating issues and educating residents. This budget includes the addition of 20 positions to implement a safe neighborhoods team, enhance animal control services, improve commercial waste enforcement and address urban wildlife issues.

Fire Department – The Fire Department currently has 42 stations in six Battalions, with 908 Civil Service employees and 46 civilian employees. As part of the core objective to provide a safe community, this budget includes additional funding for a Fire Trainee class, for recruitment and testing for Fire Station 42, and to upgrade computer equipment that provides alert and dispatch information to fire stations. The 3rd year cost to implement the collective bargaining contract and contractually obligated salary increases are also included.

Municipal Court – Municipal Court is a court of record with five courtrooms located in the historic AD Marshall Public Safety & Courts Building, two courtrooms and full payment services located at the Southwest Municipal Court, a twenty-four hour/seven day a week arraignment jail, Truancy Court and a six day a week satellite payment location. These courts have jurisdiction within the City of Fort Worth's territorial limits over all Class C misdemeanor criminal cases brought under City Ordinances and the Texas Penal Code, as well as civil parking cases within

the city. In order to promote of the core objective of being a well-managed organization, one overage customer service position has been converted to permanent status to assist with payment processing. Three vacant positions previously assigned to the Lake Worth Patrol will be eliminated as a result of the declining revenues in the Lake Worth Fund. FY2012 will mark the first full year of operations for the new Southwest Municipal Court facility.

Police Department – For FY2012, the Police Department has been reorganized into three bureaus plus five commands. This reorganization will allow the Department to increase supervision, work in closer alliance with the community, foster accountability, strengthen patrol and increase police presence. This budget also includes the addition of seven positions to strengthen management as a result of the new organizational structure and adds six civilian positions for a variety of objectives; two specifically to address the Management Plan core objective of providing for a safe community by strengthening red light enforcement and improving intelligence-based policing. Additional positions will increase support for crime lab operations, assist in meeting Texas Department of Public Safety reporting requirements, and includes the transfer of 16 positions from the Crime Control District. The 4th year cost of the meet and confer contract and contractually obligated salary increases are also included.

INFRASTRUCTURE SERVICES GROUP

Two of the four Infrastructure Services departments, Water and Aviation, are addressed in the Enterprise Funds section along with, Storm Water and Municipal Parking. Likewise, Capital Projects Service, Environmental Protection, Lake Worth and Red Light Enforcement Funds are addressed in the Other Funds section.

Planning and Development Department – The Planning and Development Department seeks to make Fort Worth the most livable city in Texas by promoting orderly growth and development, safe construction and neighborhood vitality. Permit software upgrades and the restoration of funds for computer equipment are both included in the FY2012 adopted budget.

Transportation and Public Works Department – The Transportation and Public Works Department (TPW) manages the City's traffic and pedestrian orientated mobility. The most significant change for TPW is the transfer of the staff and operational cost for traffic signs, pavement markings and traffic signals maintenance to the Red Light Enforcement Fund's Traffic Safety Program. The deferral of contract street maintenance services in FY2011 allows service levels to remain the same FY2012 with a reduced expenditure amount. In support of the Management Plan core objective for ensuring a healthy environment is the replacement of the boiler at the AD Marshall Public Safety Building. Funding for annual traffic camera maintenance supports the core objectives for build strong neighborhoods and providing a safe community, and maintenance for City facilities opened between 2008 and 2011 is provided through off-setting eliminations in one-time costs associated with Super Bowl XLV.

COMMUNITY DEVELOPMENT SERVICES GROUP

One of the Community Development Services budgets, Group Health Insurance, is addressed under the Other Funds section. Likewise, the Public Events Department (Culture and Tourism) is addressed under the Other Funds section and Municipal Golf is addressed under the Enterprise Funds section.

Housing & Economic Development Department – The Housing and Economic Development Department (HED) seeks to assist residential and commercial development through tax incentives, loan programs, property redevelopment and other homebuyer and small business

assistance programs. As of FY2012, HED will align the Grant Fiscal Year with the City's Fiscal Year.

Library – The library system has 16 facilities including current branches and the Central Library located in downtown Fort Worth. The budget increases funding and restores 16.5 positions to maintain full year operations for the Northside and Ridglea Libraries. Three positions were added to restore hours at the BOLD and COOL facilities. And the Management Plan core objective to build strong neighborhoods is supported with an increase in five positions in the Early Childhood Matters section. Staffing increases are offset by savings elsewhere in the Department.

Parks and Community Services Department – Parks and Community Services operations include the maintenance of approximately 257 parks and public spaces citywide encompassing 11,596 acres as well as provision of recreational and cultural activities, community assistance and educational programming that makes Fort Worth a great place to live, work and play. The most significant change in the Department's adopted budget is an increase for contractual fees to the Fort Worth Zoological Association for the management of the Fort Worth Zoo. Increased maintenance costs for over 250 acres of parkland added to the citywide system in FY2011 are funded through off-setting eliminations in one-time costs associated with Super Bowl XLV. The FY2012 also provides for the repair and seasonal operation of Marine Park Pool for the summer of 2012.

Human Resources – The Human Resources Department administers the City's compensation and fringe benefits program, prepares and revises job classifications, maintains employee records, and administers the Workers' Compensation, Group Health and Life Insurance and Unemployment Compensation Funds. The Human Resources staff will continue to look for ways to reduce health care costs, improve employee health and wellness, and provide cost effective health care.

MANAGEMENT SERVICES GROUP

Two of the five Management Services budgets, the Budget Office and the Human Relations Unit, are addressed under the City Manager's Office Section. Likewise, the Equipment Services Department and Information Technology Solutions Department are addressed in the Other Funds section.

Financial Management Services – The City of Fort Worth's Financial Management Services Department is responsible for providing timely and accurate financial, operational and management information through a variety of functions. Their budget includes the restoration of seven positions to reduce the dependence on costly outsourced contractual services. These positions were restored in order to sustain the critical operational services within the Department and continue to improve the Department's ability to provide timely reporting.

APPOINTED OFFICIALS

City Manager's Office – The City Manager's Office is composed of six divisions: Administration, Mayor and Council, Budget and Research, Human Relations, Governmental Relations and the Office of Media and Public Affairs. Increases in the Department are a result of the transfer of the operating expenses of the Cable Communication Fund and three authorized positions into the newly created Office of Media and Public Affairs Division. Two additional positions one Management Analyst I in the Budget and Research Division and one Administrative Technician in the Mayor and Council Division are included in the adopted budget

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to address Management Plan core objectives. Compensation increases of 3%, as provided for general employees, were also included for the City Council Aides. Travel expenses and other contractual funds were reduced significantly for one-time funding in Governmental Relations for the legislative year during FY2011.

City Secretary – The City Secretary's Office serves as a coordinator for the City Council meetings and maintains records of all official City Council minutes. The Department also coordinates the City Council's boards and commissions' appointment process and maintains the records relating to these appointments. The City Secretary serves as the Election Administrator for all city-held elections. The adopted budget includes increased funding for Enterprise Information Management System software and recodification of the City of Fort Worth Code Of Ordinances book, as well as funding for the addition of a kiosk in City Hall, which will allow increased public participation opportunities by providing additional access to meeting notices and speaker/comment cards.

Law – The Department of Law, under the direction of the City Attorney, is responsible for the administration of all City legal affairs; City representation in all suits, litigation and hearings; preparation of ordinances, contracts, and all other legal documents; and the rendering of legal advice and opinions to the City Council, City Manager and City departments.

Office of City Auditor – The Office of City Auditor, through independent assessments of operations and business practices, helps to ensure the City of Fort Worth's operations are effective, efficient and have adequate internal controls to ensure accountability, transparency, and accuracy. The Department conducts financial audits that focus on verification of financial transactions and balances; operational audits which involve reviewing the performance of a program or service; grant audits which focus on compliance with the financial, contractual, and operational terms of grant agreements; construction project audits, which include reviews of construction project cost and information system audits which involve verifying that computer systems are accurate and efficient. The Office of City Auditor budget increases for the costs of audit services for the FY2011 CAFR and for scheduled temporaries to address the Department's additional staffing needs which were augmented by a total of \$150K.

NON-DEPARTMENTAL

Non-Departmental is a General Fund department that records all expenditure items not exclusively within the programmatic responsibilities of a General Fund department. A reduction in electricity costs, the elimination of election expenses and the transfer of the cable subsidy to the City Manager's Office result in the most significant of the changes to the Non-Departmental adopted budget. Non-discretionary cost, including retiree group health contributions and Other Post Employment Benefits (OPEB) for all General Fund employees, resulted in budget increases. In FY2010, \$10 million was budgeted for the OPEB contribution in the General Fund and \$5 million in Other Funds which was necessary as the City was initially pursuing a five year funding strategy. On September 21, 2010, City Council increased the funding horizon to 20 years based on guidance by the City's financial advisors. This revised the FY2010 funding plan so that the \$5 million from Other Funds was credited as the City's contribution to the Trust Fund for FY2010 and of the \$10 million budgeted in the General Fund in FY2010; \$5 million was transferred to the Trust Fund for the City's FY2011 contribution. Therefore, the General Fund will continue to contribute to the Trust Fund, based on the 20 year funding horizon, providing an additional \$5 million for FY2012.

ENTERPRISE FUNDS

The budgets for all enterprise funds include increases of 3% Across the Board in salary compensation, the reinstatement of tuition reimbursement and a 10.44% increase for group health insurance. The budgets also include, administrative services charges reimbursed to the General Fund and allocations for the ERP Phase II project implementation. Like the General Fund, enterprise fund budgets' also include Other Post Employment Benefits (OPEB) transfers to the Trust Fund based on the City Council approved 20 year funding horizon. The amount varies by individual fund based on their budget allocation. I would like to highlight several additional changes, specific to the various funds, for you as well.

Municipal Airports Fund – The adopted budget for the Aviation Department includes the operations of the City's airports; Alliance, Meacham and Spinks. The adopted budget recognizes that revenues are generally stable from the airports and contractual services are expected for engineering and architectural services at Meacham and Spinks Airports.

Municipal Golf Fund – The FY2012 Municipal Golf Fund includes the operation of five municipal courses. The adopted budget increases for non-discretionary administrative services charges and equipment and irrigation systems maintenance and decreases for the elimination of three positions (totaling two full-time-equivalents) at Meadowbrook Golf Course and the reduction of lease purchase equipment for Z. Boaz Golf Course.

Municipal Parking Fund – The FY2012 Municipal Parking Fund maintains five parking garages, twenty-one surface lots and 2,300 metered spaces. The adopted budget increases primarily for debt service principal and interest payments on the Western Heritage and Houston Street Municipal Parking Garages in addition to other non-discretionary expenses such as storm water fees and commercial insurance premiums. Contractual service payments for the management and operating expenses of Commerce Street, Houston Street and Western Heritage Garages have decreased, as have electricity costs.

Solid Waste Fund – Effective October 1, 2010, the Solid Waste Services Division was assigned to the Code Compliance Department. The Division is responsible for providing residential solid waste collection and disposal, drop-off stations, contract compliance, illegal dump cleanup, dead animal removal and customer service through the City Call Center. We increased the transfer to the General Fund to enhance enforcement of the solid waste ordinance by Code Compliance. The budget also increases with four positions for litter abatement and four overage positions converted to permanent employee status, all initiatives that support the Management Plan core objectives of building strong neighborhoods, ensuring a healthy environment and providing a safe community.

Storm Water Utility Fund – The Storm Water Utility was authorized by the City Council in FY2006 and the first full year of operation was FY2007. As of this budget proposal, staff has identified over \$1.0 billion in Storm Water projects necessary to address life safety issues, mitigate flooding and erosion, and replace undersized and deteriorated storm water infrastructure. Over \$330 million of this backlog involves areas of the city, where chronic flooding has occurred, that present a threat to life and property. The revenue budget is generated almost entirely from the Storm Water Fee charged to approximately 200,000 residential and commercial customers at an Equivalent Residential Unit (ERU) rate. For FY2012, the City's per ERU rate increases by \$0.65 from \$4.75 to \$5.40. The FY2012 adopted budget increase is required to fund the debt service supporting the Storm Water Capital Projects Program. The Program is supported by revenue bond sales every two years, and two sales have occurred to date. The 2007 sale provided \$25 million and the 2009 sale provided \$45

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million for Storm Water capital projects in FY2008 through FY2011. The adopted budget adds \$6.7 million to pay the debt service on the \$80 million revenue bond sale planned for fall 2011, which will fund projects in FY2012 and FY2013. The adopted budget decreases for consultants and professional services on watershed studies and some additional one-time contracts which have been completed.

Water and Sewer Fund – The FY2012 Water and Sewer Fund adopted budget includes several operational costs increases, the largest of which are raw water purchases from the Tarrant Regional Water District and debt service costs. Payment in Lieu of Taxes and Street Rental Fees, which are based on projected gross revenue collections, are also anticipated to increase. To cover anticipated costs, retail rates will increase by 4.83% for the Water System and by 4.95% for the Sewer System. Additionally, the wholesale rate will increase by 10.66% for Water and decrease by 5.51% for Wastewater.

OTHER FUNDS

Capital Projects Service Fund – The FY2012 adopted budget includes the addition of one administrative position and funding for the installation of an automated vehicle location system, both initiatives that support the core objective of being a well-managed organization. The adopted budget also includes additions for the initiation of Internal Service Funds budgeting for administrative service charges for the first time in FY2012 and other non-discretionary cost related to personnel, including the transfer to Law.

Culture and Tourism Fund – The FY2012 adopted budget includes an increase in other contractual cost for a 2% increase in the Fort Worth Convention and Visitors Bureau contract, long term maintenance and repair to Will Rogers Memorial Center and the Fort Worth Convention Center and funding for the Herd Program. Debt service for bond interest payments will also increase in FY2012.

Environmental Protection Fund – Effective October 1, 2010, the Environmental Services Division was assigned to the Transportation and Public Works Department and is responsible for providing storm water permit compliance (inspections, monitoring, enforcement and education), internal city compliance with state and federal environmental regulations and the household hazardous waste program. The budget includes the reinstatement of both contractual street sweeping services and one position for public education, initiatives that support the core objectives of building strong neighborhoods, ensuring a healthy environment and providing a safe community. Non-discretionary expenses increased cost for personnel, including the transfer to Law, but also decreased cost for administrative service charges and IT telephone allocations.

Equipment Services Fund – The only significant changes in this adopted budget are related to rising fuel prices. During FY2009, staff initiated a Managed Competition effort. The Equipment Services Department bid on this proposal and won based on net cost reductions of over \$1.4 million that were identified and implemented. The Equipment Services Department will continue to manage these activities based on the Department reorganization implemented in FY2011.

Information Systems Fund – The FY2012 Information Systems Fund's adopted budget includes additional funds to cover the initiation of Internal Service Funds budgeting for administrative service charges for the first time in FY2012. Modest increases, primarily related to software upgrades and maintenance, will be funded with an available cash balance thereby

minimizing allocations to City departments for some ERP and other system and infrastructure expenses.

Group Health Insurance Fund – For FY2012, increases are required to cover the rising cost of health care. This increase, as previously mentioned, applies to the City's contribution, current employees and retirees at a rate of 10.44%, and will impact the paycheck of a current employee on the Basic Plan by an approximate \$69.36 in additional cost annually for employee only coverage, and \$586.56 annually for employee and family coverage. Healthcare costs are expected to continue to increase over 10% in FY2013.

Lake Worth – The Lake Worth Trust Fund is managed by the Water Department, and used to fund maintenance, various projects and the Municipal Court Lake Patrol operations at and around Lake Worth. The main source of revenue for the Lake Worth Trust Fund is lease income from the properties surrounding the lake, which continues to diminish as properties are sold to individual property owners. Because revenues are not sufficient to cover the full costs of the Lake Patrol at prior year staffing levels, patrol will be reduced from six to three approved positions in FY2012. Additionally, no maintenance expenses or projects costs are adopted for next fiscal year.

Red Light Enforcement Fund – The Red Light Enforcement Fund was formally established in FY2011 as a special fund. The program was previously in the General Fund but remains part of the Transportation & Public Works Department. Automated red light enforcement is an effective tactic for reducing red light running violations, which decreases accidents and improves community safety. Revenues, derived from the issuance of citations to red light violators through automated camera enforcement at 55 City roadway intersections, cover the program's cost. Half of the annual revenue after expenses is then sent to the State Trauma Fund Account. The remaining revenue is spent on traffic safety programs, intersection improvements and traffic enforcement in the City of Fort Worth. The Red Light Enforcement Fund's adopted budget increases for the addition of two positions and a transfer of 39 positions and associated cost for materials for traffic signs, pavement markings and traffic signals from the General Fund Transportation and Public Works Department to expand the Traffic Safety Program in the Red Light Enforcement Fund. The budget also increases for contractual services to install and maintain ten red light enforcement cameras, which will be added to the system. They will support the core objectives to build strong neighborhoods and provide a safe community. An increase in the transfer payment to the State of Texas for 50% of proceeds earned is also included in the adopted budget. New traffic safety initiatives incorporated into the Fund's adopted budget for FY2012 include upgrades to signage and pavement markings in school zones, replacement of crosswalks citywide and proactive replacement of aging traffic signal infrastructure at high priority intersections.

I am confident that the combination of critically analyzing revenue projections, adhering to the guiding principles and applying finite resources towards meeting the Management Plan core objectives has allowed us to successfully support the City Council's strategic goals while minimizing the impacts to both citizens and employees. I am pleased to submit the adopted FY2012 budget for your consideration and appreciate the hard work of our dedicated staff who have made it all possible.

Respectfully submitted,

Tom Higgins
City Manager

FORT WORTH

