



October 1, 2012

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

The Fiscal Year 2013 (FY2013) Adopted Budget is the product of a long, thoughtful and arduous staff process in the midst of challenging times both nationally and internationally. Yet, Fort Worth and Texas both enjoy a reasonably healthy economy. Unlike many cities around the country, the City of Fort Worth is stable financially. However, similar to many families and businesses here in our own community, the City must also make difficult choices with limited financial resources. In 2010 and 2011, the City was rocked by effects of the great recession. The recession driven budgets had significant cuts in service and staff. The FY2012 budget can be characterized as a recovery budget, a budget which strategically restored some positions and services. The FY2013 adopted budget reflects the careful efforts of staff to be responsive to the Fort Worth City Council goals and objectives, cognizant of the community's needs and desires and stay within the tight parameters of available funding while avoiding lay-offs where possible. The FY2013 adopted budget is a maintenance budget, as a result of stable revenue streams, judicious use of City savings and careful control of spending in the past year. Maintaining City services for FY2013 in a difficult economic environment is possible because of responsible past budget decisions and deliberate service modifications. Indeed there are many desirable services that could be funded, but because today's economy is not robust, choices were made to maintain the Council's priorities in public safety and transportation. It is important to note that, like the past 18 years, the budget includes no property tax rate increase.

The adopted FY2013 budget totals \$1.4 billion 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. The citywide budget includes 6,461.05 authorized positions. This is a net increase of 49.85 positions from the FY2012 budget. Of the total budget, 40% or \$583,836,315 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. 73.20 positions increased in the General Fund and 23.35 positions decreased from Other Funds. Significant transfers of approved positions to the General Fund include 43 Police positions formerly in the Crime Control Prevention District (CCPD) along with 10 Code Enforcement and 19 Parks and Community Services positions formerly in the Special Trust Fund. Major operational staffing changes, resulting from a reorganization, yield a net decrease of 10.5 authorized positions to the Library. Additional positions in the adopted FY2013 budget include 8.0 to meet Parks and Community Services staffing levels created by the new Chisholm Trail Community Center, expansion of the aquatics program and Z. Boaz Community Park, 3.0 to support Code Compliance's ability to address veterinary needs and consumer health functions, 1.0 project manager added in Transportation and Public Works specifically for the North Tarrant Express (NTE) highway construction project and an additional net adjustment of 0.3 decreases in other areas.

Staff began the FY2013 budget process early by presenting Council with critical forecasting and projection analysis in December 2011. The quarterly reporting process established in FY2011 was continued throughout FY2012 to keep both the City Council and the public up-to-date on the current year's financials status, capital project accomplishments and departmental performance.

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Each City Council quarterly presentation included current budget performance to-date, a gas lease program and capital program update, and an overview of the FY2013 budget timeline. The May presentation also included an updated five-year forecast and presentation of the preliminary FY2013 budget gap. As welcomed as the revenue uptick has been, in reality, the cost of providing the same City services this year have increased. The City payroll and associated benefits, the single largest expense, is up, maintenance needs are growing, such as the 127 new acres of parkland and 50 new lane miles of roadway added within the past year, and many operating costs in a city of 767,000 have risen. 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 accelerate capital projects by expanding debt capacity yielded an initial General Fund budget gap of approximately \$49.2 million for FY2013.

For the second year in a row, I established five guiding principles for the FY2013 budget which are 1) balance the budget without proposing a property tax rate increase, 2) accelerate the funding of existing infrastructure projects and start new projects sooner by shifting one cent of the property tax rate from the operation and maintenance budget to debt service, 3) continue to maintain the City Council's fund balance requirement of 10% of the General Fund, 4) reduce the on-going gap between expenses and revenues beyond FY2013 and 5) minimize employee layoffs.

In light of the anticipated budget challenges for FY2013, all departments continued to scrutinize their spending during the first half of FY2012 including delayed hiring or implementing hiring freezes where possible to meet the guiding principal of avoiding layoffs, reductions in travel and other cost saving measures or deferred purchases. Thanks to these efforts, June estimates projected over \$3 million in General Fund savings, which will increase the available fund balance and helped address the gap in FY2013. Additionally some increased revenues resulted in part from the City's own diligence through sources such as the unexpected \$2.4 million from FEMA for Hurricane Katrina reimbursement, support from the 911 District to offset cost in the call center and the recovery of expenses for public safety overtime on events such as the races at Texas Motor Speedway. These and other revenue increases have contributed in part to lessening the need for the use of fund balance in FY2012 from an original planned use of over \$24M to the estimated use of less than \$12M. Feedback from the community has been to avoid drastic cuts to existing City service. The community is telling City Government that the road to an improved local economy is maintaining a safe and attractive place to live and work. It is doable. Because the City has been frugal with its unexpected income, and created some current year savings, City staff was able to balance the adopted budget using \$40.8 million of the excess fund balance to maintain City services in FY2013 at current levels.

It is always challenging to balance resources with needs. Accordingly, the preparation for FY2013 was carefully done in this 5th consecutive fiscal year of expenditure projections outpacing revenue. Citywide expenditure and revenue opportunities, individual programs and existing service levels were all thoroughly evaluated and, in addition to the guiding principles, budget propositions for both enhancements and reductions were assessed on their alignment with meeting the core objectives of the Management Plan again for FY2013. The Management Plan, developed by City staff, was designed to help guide Fort Worth in meeting three management priorities 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 management priorities, five core objectives have been identified, which are; 1) be a well-managed organization, 2) build strong neighborhoods, 3) develop a sound economy, 4) foster a healthy environment and 5) provide a safe community. Beginning with the FY2012 budget and

continuing this year, these core objectives have 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 the adopted balanced budget for FY2013, with the closure of any anticipated budget gap, which was approved by City Council on September 18, 2012. As we look to next year, we recognize that the world economy is volatile and has a direct impact on the local economy. As national leaders have experienced, there are no easy fixes to the economy. The City will begin its preparations for the FY2014 budget now with an eye to the local, national and international economy. Staff will continue to look for operational savings from day one. The City's management staff will be vigilant by recognizing immediately if the local economy is taking a turn for the worst and it must take corrective actions at once. By being diligent in FY2013, the City will be prepared for FY2014 when, in all likelihood, the economic situation will require an "adaptation budget"—a budget in which the City adjusts from the financial roller-coaster years to living with the financial reality of the time.

Again, there is no change in the adopted property tax rate of \$.8550/\$100 of assessed valuation. The only approved change to the property tax was the reallocation of one and one-half cent from the General Fund O&M to debt service. Staff continues to review and adhere to policies set by the City Council when making budgetary and operational decisions and will continue to utilize opportunities to reevaluate additional existing directives for their applicability to the FY2014 budget.

The adopted FY2013 budget also makes strides toward the long-term focus of reducing the future gap in expenses and revenues beyond next year. Because elimination of the projected gap will take a number of years to complete, it is vitally important that we make efforts each and every year until we reach our goal. As we continue to address future gaps, there are several topics that gathered significant attention throughout the FY2013 budget development process. A few of the most significant of those issues are worth mentioning here.

Capital Project Needs

The city's capital project needs are immense. Transportation needs alone over the next seven years exceed \$99 million for new arterial street construction, \$79 million for street and bridge repair and \$33 million for traffic safety improvements. Additionally, there are new facility needs for service centers, libraries, new parks and fire stations, as well as public safety improvements and the renovation of existing Municipal Court facilities. For these reasons, the shifting of an additional half cent, beyond the one cent outlined in the guiding principles, from the General Fund operating budget to debt service was approved in the FY2013 adopted budget, despite the fact that it adds \$2 million to the General Fund budget gap. The shift of the total one and one half cent is projected to generate approximately \$6.1 million in additional revenue for debt repayment. The additional revenue will increase the City's debt capacity, and thus its ability to accelerate capital project delivery and completion.

Pension Plan Changes

There has been a great deal of discussion concerning the growth in unfunded liability for Fort Worth's pension system, which some estimated could reach over a billion dollars. The need to address the retirement funding gap is not a new issue and has been given considerable attention by both staff and elected officials in recent years. Approved changes for addressing challenges in the pension plan reduce benefits for future service not benefits already accrued. A quick summary of those changes as approved by Council are the elimination of overtime in the benefit calculation, a decrease in the multiplier to 2.5% from 3% on future service for existing employees, which was already implemented for new hires since July 2011, changing

the average salary calculation to high five years instead of high three years, an adjustment to minimum retirement age for new hires after July 2011 and providing flexibility for cost-of-living adjustments. The required 90 days notice for changes was met and a final vote by Council took place on October 23, 2012 with an October 1, 2013 effective date.

Public Safety Contract Negotiations

In November 2006 through a general election, voters authorized the municipal police officers association as the exclusive bargaining agent to make agreements between police employees and the City as provided by State law. As you are well aware, current Police Meet & Confer negotiations began in the fall of 2011 and the existing contract expired on September 30, 2012 ending year four of that four year contract. Negotiations are still in progress, therefore it is too soon to determine if any definitive financial impact will result in contract changes but negotiated stipulations involving salary and benefits, hiring procedures or even disciplinary actions could potentially affect next year and future budgets. More information will be available in future financial forecasts. Firefighter Collective Bargaining began October 1, 2012.

MAJOR FUNDING AND ORGANIZATIONAL CHANGES:

Funding Updates / Changes:

Program Improvements – To provide essential public programs and levels of service in a fiscally sound manner, \$12.7 million in program improvements for the General Fund, of which \$2 million is offset in additional revenue, and \$1.6 million in program improvements for Other Funds have been included in the adopted FY2013 budget. As mentioned previously, each of these improvements promotes one or more of the City's five core objectives from the Management Plan.

Program Reductions- To address the budget gap and ensure that essential public services have the necessary resources to meet performance goals and citizen expectations, funding decisions among competing needs is inevitable. Of the over \$15 million initially identified in potential reductions, \$8.5 million in General Fund reductions have been included in the adopted FY2013 budget. Many of the reductions are in contract services. Again, these competing needs were evaluated in every attempt to maintain acceptable citizen service standards, and avoid entirely eliminating critical programs if objectives could continue to be met at a reduced cost.

Other Post Employment Benefits (OPEB) – OPEB addresses the City's liability for retiree healthcare benefits. In FY2009, the City established a trust fund to address the growing retiree healthcare unfunded liability. As with the City's pension obligation, an actuarial valuation was completed on the retiree healthcare benefit and based on guidance from the City's Financial Advisers, Council approved a 20 year funding horizon. Accordingly, the FY2013 budget proposes OPEB cost increases of 100% or \$7 million in all funds to be transferred to the Trust for the City's contribution.

Public Safety Radio System Upgrade – The Public Safety Radio System provides the critical communication link from the 911 call operators to public safety responders. When citizens call 911, the operator uses the radio system to communicate with the correct personnel to respond. The system is also used by public safety to coordinate among personnel during emergency events such as fires and police incidents. Upgrades to the radio communication system have been identified as a significant need and the project includes replacing all receiver/transmitter equipment, all handheld and vehicle radios and the 911 Center Communication Consoles. Additionally it will provide two additional tower sites for coverage in growth areas and improve

weak coverage areas. The annual cost beginning in FY2013 is \$4.8M and will be funded through a cost sharing partnership between the General Fund and CCPD.

Chapter 380 Economic Development Agreements – Chapter 380 agreements, made in accordance with Texas Local Government Code 380, may be used as a gap financing tool and are adopted by the City Council to serve as local grants to reimburse private developers for a range of expenses that may otherwise render projects financially unfeasible. Public support of these projects yields significant positive impact to the community and neighborhood surrounding the project. During FY2012 funding was budgeted for sixteen projects at \$7.7 million. For FY2013 five additional projects are expected to come online and additional funding of \$3.5 million is included in the FY2013 budget to satisfy all the projected agreements for the coming fiscal year.

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 \$4 million for Other Funds.

Motor Vehicle Fuel Allocations – Fuel cost continue to be a challenge for the City similar to all other sectors of the economy. Based on the continued escalation of fuel prices, the Equipment Services Department recommended an increase of \$890,000 organization-wide for the purchase of motor vehicle fuel in FY2013, which has been allocated among those General Fund and other fund departments that utilize the City's fleet. Of this amount \$324,000 is applicable to the General Fund.

Outside Agencies and Service Partnership Programs– Both the Arts Council and United Way are funded by the General Fund. The United Way receives funding for social service agencies that provide the community with an extension of City services including Safe Haven, Women's Center, Resource Recovery Council, Tarrant County Recovery Campus and the Tarrant County Youth Collaboration. The adopted budget maintains the City's allocation in FY2013 at 75% of FY2012 for \$210,750. Additionally, the Arts Council receives allocations for the Community Arts Center, Artes de la Rosa (the Rose Marine Theater) and the Arts Council's Grant Program. The adopted budget maintains the City's allocation in FY2013 at 75% of FY2012 for \$799,690. Funding is also provided to various local chamber groups to assist them in providing services to business in the local community. The adopted budget maintains the City's allocation in FY2013 at 80% of FY2012 for \$253,008. The Directions Home program provides vouchers for the housing of the homeless as well as funding of social service providers who offer support services for the homeless including a mental health and substance abuse program, shelter based case management and direct client services. The adopted budget maintains the City's allocation in FY2013 at 90% of FY2012 for \$2,154,020. The Comin' Up Gang Intervention Program is a partnership with the Boys & Girls Clubs of Greater Fort Worth, designed to positively impact the lives of youth engaged in gangs by providing need-based services and athletics to reduce the level of gang violence in the City of Fort Worth. The funding provides for 100 individuals to participate per site in the program. A total of 8 sites were funded in the General Fund for FY2012 for a total of \$1,876,141. The adopted FY2013 budget eliminates on site, reducing funding by \$187,600, however participants at that site can be accommodated at other locations.

Summer 2013 Pool Openings – As part of last year's budget process, repair and operating funds for the existing Marine Park Pool, which allowed the pool to be open for the summer of 2012 only, were allocated at the request of City Council. Subsequently, the complete review of the entire Aquatics Master Plan continued throughout the 2011 and 2012 calendar years. As a result, construction of an entirely new facility, the Marine Park Enhanced Neighborhood Family

Aquatic Center, is on target to be completed and open to the public for the summer of 2013, with approximate construction cost of \$3.2 million being provided from capital project reserves and Community Development Block Grant (CDBG) funds as approved by Council. The FY2013 operating cost is approximately \$214,000. Additionally, a major financial contribution from the Radler Foundation has made it possible to complete necessary repairs to reopen the city's historic Forest Park Pool by the summer of 2013, with a City contribution of up to \$200,000 towards the repairs. The FY2013 operating cost is approximately \$289,000.

Organizational Changes:

- The Code Compliance Department transferred 10 existing positions for the Petsmart Adoption Centers from the Special Trust Fund to the General Fund to comply with the requirements of GABS 54.
- The Parks and Community Services Department transferred 19 existing positions for the Botanic Gardens and the Nature Center from the Special Trust Fund to the General Fund to comply with the requirements of GASB 54.
- The Crime Control Prevention District (CCPD) transfer to the General Fund (Phase II) included 43 positions and operating expenses for the CCPD portion of Narcotics Enforcement, the Gang Unit and Patrol Support. The functions performed by these units will remain unchanged.
- The Library will implement its Shared Management Staffing Plan retaining master degreed librarians in positions to direct service delivery and replacing the time that librarian supervisors spend at reference desks with less costly professional staff, eliminating 31 positions, replacing those with 19.5 revised positions and offsetting the reductions with vacancies. Additionally 1.0 new position was created for a net decrease of 10.5 positions.

GENERAL FUND REVENUES

Unlike many other parts of the country, the North Texas economy is slowly growing with both property tax revenue and fee income improving. Revenue growth not only enabled City staff to implement the FY2012 budget priorities, but the same growth enabled contributions to the City's savings account or fund balance. Fort Worth shows positive results on many economic fronts, while the nation is generally flat. Retail sales are growing and hotel occupancy tax collections also have steady growth.

Additionally, building permit volume has returned to a more sustainable level. Building permits for FY2012 were 10% higher than the same period in FY2011 but still low compared to the housing boom from 2006-2008. The housing recovery is real, with foreclosures hitting a 4 year low and builder confidence rising. Consumers will be more inclined to put their houses up for sale, which could further energize a market that has been hampered by a low supply of available homes.

The overall economic outlook for Fort Worth is encouraging. Revenue growth continues and will have a direct, positive impact on the City.

ADOPTED GENERAL FUND REVENUE BUDGET

FY2012 <u>Adopted</u>	FY2013 <u>Adopted</u>	Percent <u>Increase</u>	Dollar <u>Increase</u>
\$533,406,669	\$ 543,044,058	1.8%	\$9,637,389

PROPERTY TAX

The City receives a significant portion of its revenues (approximately 53%) from property taxes assessed on real and personal property. City staff works with appraisal districts from Tarrant, Wise, Parker 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 four districts in July 2012 shows an increase in the City’s property tax base. The increases from the July 2011 certified property tax roll to the July 2012 certified property tax roll include:

- An increase of 2.4% growth in adjusted net taxable property value.
- No significant change in the prior year’s delinquent property tax collection trend;
- An increase of 8% in industrial values;
- A increase of 5.6% in commercial values;
- A decrease of 19.6% 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 FY2013 of one cent from the General Fund O&M to debt service was incorporated in keeping with the City Council’s previous commitment to build capacity for capital projects. However, this year an additional half cent was also approved for reallocation, which would shift approximately \$6.1 million in 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 FY2012.

Subsequent to the reallocation of the one and one-half cent, the General Fund portion is expected to yield approximately \$282 million in FY2013 and is based on a levy amount of \$0.6859/\$100 of assessed valuation. The debt service amount is then expected to yield almost \$70 million, which will allow the repayment of all current and adopted debt obligations, and is based on a levy amount of \$0.1691/\$100 of assessed valuation.

SALES TAX

At 20% of the General Fund revenue budget, sales tax revenue is a major revenue component. Improving economic conditions in FY2012 proved promising as monthly sales tax collections have been higher than projected and higher than prior year actual receipts throughout the year. Nationally, it appears consumers are holding off on discretionary and non-discretionary spending. Although in Texas, the Comptroller’s Office reported that statewide collections for May were 7.32% higher than the previous year. This high growth rate is attributed to unusually warm weather nationwide and increasing consumer confidence. Nationwide, retail sales are projected to grow modestly the remainder of 2012. Among large Texas cities, Fort Worth is continuing a positive trend with year-to-date received in sales tax revenue up 5.1% over last year.

September 2012 receipts show an additional amount of almost \$8.7 million in sales tax revenue has been collected over budget projections for the year. There were no significant audit adjustments in FY2012 like we experienced the previous year and the City continues to follow the 20 year incremental repayment plan agreement with the State Comptroller to refund the \$9.3 million in audit adjustments identified in FY2011.

EXPENDITURES

ADOPTED GENERAL FUND EXPENDITURE BUDGET

FY2012 <u>Adopted</u>	FY2013 <u>Adopted</u>	Percent <u>Increase</u>	Dollar <u>Increase</u>
\$557,625,181	\$583,836,315	4.7%	\$26,211,134

Expenditures continue to out-pace revenues due to a variety of expenses such as group health increases, retiree group health (OPEB) funding, CCPD transfers to the General Fund and necessary program improvements. Therefore, similar to the FY2012 budget, the General Fund will continue to rely on fund balance in the amount of \$40.8 million towards closing funding gaps. The FY2013 adopted budget also includes some additional salary and benefit changes.

Salary / Benefit Changes:

- Salary for Firefighters increased as agreed by the Collective Bargaining contract
- Continuation of the Tuition Reimbursement Program
- Vacation buyback benefit is included for general employees in FY2013
- No furloughs are planned for employees in FY2013
- Health insurance premiums increase by 8% in both City contribution and those of active employees and retirees
- Continued City subsidy of approximately 70% of health insurance costs for all employees including domestic partners

The FY2013 adopted budget includes both additional investments and reductions. I would like to highlight several of those changes for you as listed by service group.

PUBLIC SAFETY SERVICES GROUP

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. In keeping with the Management Plan core goal and objective of providing a safe community, this budget includes the addition of two positions to improve animal care at the Chuck Silcox Animal Care and Control Center and one position for public health inspections in the Consumer Health Division.

Fire Department – The Fire Department, under the direction of the Fire Chief, currently has 42 stations in six battalions, with 908 Civil Service employees and 47 civilian employees. As part of the core objective to provide a safe community, this budget includes additional funding for a fire trainee class. The 4th year costs to implement the collective bargaining contract and contractually obligated salary increases are also included.

Municipal Court – The 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. Two positions associated with the Fort Worth ISD Truancy Court have been eliminated as a result of lost funding from the school district.

Police Department – The Police Department, under the direction of the Chief of Police, develops and implements programs to deter crime and to protect life and property within the City of Fort Worth. In keeping with the Management Plan goals and objectives of providing a safe community and building strong neighborhoods, for FY2013 the Police Department has added three civilian positions. Two of the positions provide assistance to victims of family violence. These positions represent the continuation of a longstanding grant-funded program that has expired. The third position will provide improved oversight of the Awarded Assets Funds. Phase II of the CCPD to General Fund transfer also continues with the adoption of the FY2013 budget which transferred 43 authorized positions and associated expenses. Increases in the multi-year jail services contract are also absorbed in the adopted budget.

INFRASTRUCTURE SERVICES GROUP

Two of the four Infrastructure Services departments, Water and Aviation, are addressed in the Enterprise Funds section along with Stormwater 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 – 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. The department will complete implementation of the new city-wide permitting system in FY2013 and implement additional technology that allows electronic plan review. In keeping with the Management Plan core goal and objective of being a well-managed organization, the Electronic Plan Review software is included in the FY2013 adopted budget.

Transportation and Public Works – The Transportation and Public Works Department (TPW) manages the City's traffic and pedestrian orientated mobility. In support of the Management Plan core goal and objective to build strong neighborhoods is the addition of a professional engineer as the City's project manager for the North Tarrant Express (NTE) to be funded by the NTE project at no cost to the General Fund. The most significant changes for TPW include program reductions for alleyway maintenance, in-house street maintenance and janitorial service at the municipal complex. Outside contracts for as-needed traffic engineering services have been eliminated as well as one graduate engineer position in the signal operations program.

COMMUNITY DEVELOPMENT SERVICES GROUP

Housing & Economic Development – 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. In FY2013, HED consolidated the Real Property Division into the Community Development Division to improve efficiencies both financially and organizationally.

Library – The library system is made up of the Central Library, 13 branches, and two satellite facilities. The Department is divided into two divisions, the Public Services Division and the

Operations Division. The Library will implement its Shared Management Staffing Plan retaining master degreed librarians in positions to direct service delivery and replacing the time that librarian supervisors spend at reference desks with less costly professional staff eliminating, 31 positions replacing those with 19.5 positions and offsetting the reductions with vacancies. Library will also add an Integrated Library System Database position that will be offset with special shared revenue from surrounding communities.

Parks and Community Services– The Parks and Community Services operations include the maintenance of parks and public spaces citywide encompassing over 12,000 acres as well as the 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, the addition of the North Z. Boaz Community Park (formerly Z Boaz Golf Course), the seasonal operation of Marine Park Enhanced Neighborhood Family Aquatic Center and the repair and seasonal operation of the historic Forest Park Pool.

MANAGEMENT SERVICES GROUP

Financial Management Services – The Financial Management Services Department is responsible for providing timely and accurate financial, operational and management information through a variety of functions. The Department is scheduled to implement Enterprise Resource Planning (ERP) Phase II (Core Financials) in October 2014. Subsequent phases will be complete in spring 2015 (Budget) and fall 2015 (Capital Projects and Procurement), respectively.

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.

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. The reduction in the City’s contribution to the Arts Council and United Way by 25% and the elimination of one-time funding to the Ambulance Authority result in the most significant reduction in the Non-Departmental adopted budget. Non-discretionary cost, including retiree group health contributions, Other Post Employment Benefits (OPEB) for all General Fund employees and the Upgraded Public Safety Radio System, resulted in budget increases.

APPOINTED OFFICIALS

City Attorney’s Office – Formerly called the Department of Law, under the direction of the City Attorney, staff are 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. The adopted budget reflects a decrease, with the primary being an increase in budgeted salary savings by maintaining three authorized positions vacant in FY2013.

City Auditor's Office – Under the direction of the City Auditor, staff are responsible for ensuring the City of Fort Worth's operations are effective, efficient and have adequate internal controls to ensure accountability, transparency, and accuracy, through independent assessments of operations and business practices. 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 primary changes in the FY2013 budget include increases in consultant and professional services related to independent audit services for the 2012 CAFR and FY2013 Peer Review. In keeping with the Management Plan goal and core objective of being a well-managed organization, the adopted budget also includes the addition of one authorized professional auditor position.

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. The primary changes in the FY2013 budget include increases for consultants and professional services relating to the FY2013 Collective Bargaining contracts. In keeping with the Management Plan goal and core objective of being a well-managed organization, the adopted budget also reflects an increase for the 2013 State Legislative Session, which will convene in January of 2013; the addition of funds for the continued implementation of the grant tracking software system and the addition of two authorized positions to provide both professional and administrative services to the City.

City Secretary's Office – 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 primary change in the FY2013 budget includes a decrease in other contractual expenses due mainly to one-time costs associated with the implementation of the Enterprise Information Management System (EIMS).

ENTERPRISE FUNDS

The budgets for all enterprise funds include an 8% increase for group health insurance, administrative services charges reimbursed to the General Fund and allocations for Other Post Employment Benefits (OPEB) transfers to the Trust Fund based on the City Council approved 20 year funding horizon. I would like to highlight several additional changes, specific to the various funds, for you as well.

Municipal Airports Fund – The FY2013 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, slight cost increases in the Alliance Air Services contract, contractual services for control tower management and terminal lease payments at Spinks Airport and facility repairs for the control tower at Alliance Airport. The most significant change to the Municipal Airports fund is the elimination of the ERP payment for FY2013 as the Fund made a single lump-sum payment in FY2012 using gas lease revenues.

Municipal Golf Fund – The FY2013 Municipal Golf Fund includes the operation of four municipal courses. The adopted budget includes a reduction in costs associated with the closing of the Z. Boaz Golf Course. With the closure of Z. Boaz, 40% of play is projected to shift

to the Pecan Valley and Rockwood courses. A new short course is opening at Rockwood that will draw new players to the game. Golf has also invested in a new Client Tracking system in hopes to improve customer service and increase returning players.

Municipal Parking Fund – The FY2013 Municipal Parking Fund maintains five parking garages, twenty surface lots and 2,500 metered spaces. The Parking Fund made significant budget changes, which transform the entire structure of the Fund for FY2013. Transfers to the General Fund of parking garage, parking fines and parking meter revenue will be eliminated, and parking enforcement fine receipts will now be deposited directly into the General Fund. In support of the Management Plan core objective to provide a safe community is the conversion of six overage positions including five Traffic Control Technicians and one Traffic Control Supervisor for Parking Ordinance enforcement and to serve as on-the-street ambassadors in the downtown area. Additional revenue generated from parking enforcement, beyond the \$1.9 million commitment to the General Fund, will be retained by the Parking Fund to cover the program cost. The adopted budget increases for debt service principal and interest payments as the Fund assumes full responsibility for debt payments on the Western Heritage and Houston Street Municipal Parking Garages and the Series 2010A certificates of obligation with no subsidy from the General Debt Fund. The Parking Fund also anticipated an increase in revenues with the implementation of initiatives that were approved by the City Council in late September, but were not included in the FY2013 adopted budget due to timing, including variable rate parking at the Will Rodgers Memorial Complex.

Solid Waste Fund – As part of the Code Compliance Department, the Solid Waste 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. In keeping with the Management Plan core goal and objective of providing for a safe community, the budget increases by one position in the City Call Center to improve customer service throughout the city.

Stormwater Utility Fund – The Stormwater Utility was authorized by the City Council in FY2006 and the first full year of operation was FY2007. As of this budget year, staff has identified over \$1.0 billion in stormwater projects necessary to address life safety issues, mitigate flooding and erosion, and replace undersized and deteriorated stormwater 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 Stormwater Fee charged to approximately 215,000 residential and commercial customers at an Equivalent Residential Unit (ERU) rate. For FY2013, the City's per ERU rate remains unchanged at \$5.40. The Stormwater Capital Projects Program is supported by revenue bond sales every two years, and three sales have occurred to date. The 2007 sale provided \$25 million, the 2009 sale provided \$45 million and the 2011 sale provided \$80 million for stormwater capital projects through FY2013. The adopted budget increases for transfers to the Stormwater Capital Fund and new contractual initiatives such as the flood warning study, billing audit, and condition assessment program. The adopted budget decreases for cost associated with the completion of the initial Work Order Asset Management System contract and decreased need for vehicle replacements. In support of the Management Plan core goals and objectives to build strong neighborhoods, foster a healthy environment and provide a safe community is the addition of nine positions providing professional engineering, program analysis and administrative support to the vital functions of the Stormwater Utility.

Water and Sewer Fund – The Water and Sewer Fund provides water and wastewater services to residential, commercial industrial and wholesale customers. The annual revenue budget is based on the anticipated amount of services the various customers will require for the year. The

FY2013 Water and Sewer Fund adopted budget includes several operational cost increases, the largest of which are raw water purchases from the Tarrant Regional Water District. 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 2.6% for the Sewer System and no change for the Water System. Additionally, the wholesale rate will decrease by 5.35% for Water and increase by 27.12% for Wastewater.

OTHER FUNDS

Capital Projects Service Fund – The Capital Projects Service Fund provides internal services to General Fund departments and other funds for their capital projects needs based on a fee structure. The annual revenue and expenditure budgets are based on the anticipated amount of services the various departments/funds will require for the year. The FY2013 adopted budget includes a decrease of three positions, two of which are transferred to the Water and Sewer Fund and one transferred to the Stormwater Fund, an increase in anticipated salary savings from vacancies and turnover throughout the year, as well as increased terminal leave costs for retirements. Other contractual expense increases for long-range capital planning are also included in the FY2013 proposal, while vehicle replacement and specialized equipment needs, administrative service charges and overtime costs decrease.

Culture and Tourism Fund – The Culture and Tourism fund was established primarily to manage the revenue from the city's Hotel and Motel Tax. Revenue received is used for the Will Rogers Memorial Center (WRMC) and the Fort Worth Convention Center (FWCC) by the Public Events Department. The FY2013 adopted budget includes a reserve for long-term maintenance and repair to Will Rogers Memorial Center and the Fort Worth Convention Center. Also included are six additional authorized positions for the new Equestrian and Multi-Purpose facility. Debt service for bond interest payments also increased in FY2013.

Environmental Protection Fund – As part of the Public Works Department, the Environmental Protection Fund is responsible for providing stormwater permit compliance (inspections, monitoring, enforcement and education), internal City compliance with state and federal environmental regulations and the household hazardous waste program. The most significant change to this Fund is the initiation of transfers to the Water Department for billing and collection services provided. This Fund also proposes to acquire an additional 20% of the existing Environmental Manager position's services, increasing the split to 70/30 with the General Fund.

Equipment Services Fund – The Equipment Services Fund is the City's fleet management fund. The Equipment Services Department manages all fuel provided by the City as well as the maintenance, oil and lube services, repair and replacement of heavy duty and light duty vehicles. The only significant changes for the Fund in the FY2013 adopted budget are cost increases related to rising fuel prices. NAPA won a competitive contract for providing the City with vehicle repair parts and a decrease in unit prices will be offset by the accompanying administrative costs. Also, in FY2013, an on-site oil analysis sampling unit will be purchased to provide more efficiency with heavy duty equipment oil changes with a decrease in equipment maintenance charges covering the cost of the unit.

Information Systems Fund – The Information Technology (IT) Solutions Department provides internal services to General Fund departments and other funds for their IT services based on a fee structure through the Information Systems Fund. The annual revenue budget is based on the anticipated amount of services the various departments/funds will require for the year. Interdepartmental charges are primarily based on numbers for radio, telephone, and computing

services. The FY2013 adopted budget includes a significant decrease from the FY2012 adopted budget. The primary changes to the budget includes a decrease in other contractual costs due to Enterprise Resource Planning (ERP) Phase I one-time expenses related to software, maintenance and upgrades. In keeping with the Management Plan core goal and objective of being a well-managed organization, the adopted budget also reflects seven additional authorized positions to focus on the implementation of the ERP Phase II project.

Group Health Insurance Fund – The Group Health Insurance Fund is a special fund that provides services to General Fund departments and other funds for their employee health benefit coverage based on a fee structure. The annual revenue budget is based on the anticipated amount of services the various departments/funds will require for the year. For FY2013, 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 8%, and will impact the paycheck of a current employee on the Basic Plan by an approximate \$58.68 in additional cost annually for employee only coverage, and \$299.08 annually for employee and family coverage. Healthcare costs are expected to continue to increase approximately 8% again in FY2014.

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. Lake Worth patrol will continue to be staffed at three approved positions for FY2013.

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 and 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 of Fort Worth 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. The Red Light Enforcement Fund’s adopted budget decreases by two positions, which were created in FY2012 but never filled, and for contractual expenses in the Traffic Safety program as many initiatives currently underway will still be in-progress, limiting the number of new projects that can be initiated in FY2013. An increase in funding for materials to repair traffic signals is also included in the adopted budget and staff plans to install an additional 5 cameras during the FY2013.

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 present the FY2013 City of Fort Worth Adopted Budget and appreciate your diligence throughout the budget process along with the hard work of our dedicated staff.

Respectfully submitted,

Tom Higgins
City Manager