



December 16, 2008

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

The FY2008-09 Adopted Budget approved by the City Council reflects the careful efforts of staff to develop a budget that is responsive to the Fort Worth City Council goals and objectives in a fiscally sound and prudent manner. The City Manager's Adopted Budget balances City priorities against available resources, while seeking to maintain essential public programs and levels of service.

The budget process this year began with an identified gap ranging from \$20-24 million per year over the next 5 years. Closing this gap required making significant organizational adjustments to improve efficiency and provide better service. Earlier this year, an identified shortfall in the City's available fund balance necessitated curtailing spending by reducing appropriations and imposing hiring restrictions on vacancies in order to ease the pressure on next year's budget. The strategy was successful in that we were able to present a budget that not only balances revenues and expenditures in FY2008-09, but nearly achieves the Council's 10% reserve policy for the General Fund and demonstrates the ability to retain that fiscal position over the next 3 to 5 years if only modest growth is permitted in our future budgets. We were also able to include certain critical service enhancements in this adopted budget. The items listed above are being accomplished with no tax rate increase.

The adopted FY2008-09 budget totals \$1,255,500,809, and is comprised of 14 different operating funds, as well as internal service and insurance funds. Of that amount more than half, or \$538,987,152, 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 administration and management. This adopted budget includes 6,557.30 authorized positions citywide.

A new budget process was introduced which focused on budgeting for results. Departments began with an in-depth, critical review of their programs, functions and services; identifying those that were core and those that were non-core. They explored options for consolidating, privatizing, outsourcing or reducing these functions with the goal of managing the City's growth through improved efficiencies rather than larger government. Department budgets were developed at the 70%, 80%, 90% and 100% levels in order to provide options for accommodating new requirements and priorities. As these reviews were beginning, numerous meetings and/or presentations occurred during which guidance and feedback were obtained on budgetary issues. Significant sessions included:

- March 25th - Budget Process presentation to City Council where the new budget process was presented which included a more strategic approach, focus on improvement in efficiencies, and encouragement of cost savings through program prioritization and building budgets from the bottom up.
- April 8th - Economic Foundation and Budget Workshop; presented an overview of the national and local economic environment and outlook. A five year financial forecast was also presented as well as a thorough review of City Council strategic goals and discussion of City Council desired outcomes and results.
- April 24-25th - City Council Budget Retreat; Council Strategic Goals were refined and the budget process was reviewed and discussed.
- May 30th - Budget Workshop with City Council; interaction with Council members to ensure that their input was adequately captured in the development and production of this budget.
- August 14 - 15th - City Council Budget Retreat during which Council received requested presentations and began their review of the final budget recommendations.
- August 19th - September 4th - City Council Budget Study Sessions for further presentations and review of the final budget recommendations.

B-2

As a result, this adopted budget responds to Council direction regarding the following priorities:

- Fiscally sound, balanced budget with an emphasis on shoring up General Fund reserves
- Explore efficiency improvements before recommending a tax increase
- Ensure a transparent and inclusive process
- Focus on core services, including infrastructure and transportation needs
- Provide funding for the Homelessness (“Directions Home”) initiative
- Improve process of managing gas drilling related activities
- Maintain effective and responsive public safety services
- Respond to new labor relations/negotiations environment
- Simplification of City government
- Continue service to the “Other Fort Worth”
- Consider long term (3-5 year) impact of budget decisions

The budget process also included input received from the City’s annual Citizen Survey, as well as the results of the newly established Sunset Review Process, which included organizational studies conducted by MGT of America and the Waters Consulting Group. Additionally, meetings were held with various Employee Association representatives to listen to their requests for the FY2008-09 Adopted Budget. Several issues and concerns arose. Of those, compensation increases and the reinstatement of the vacation sellback benefit option were recurring requests.

The adopted budget includes funding to reinstate the vacation sellback benefit for all Fire and General Employees, as well as a modest compensation increase of 3% across the board. City employees eligible for step increases receive their step increases in addition to the across the board increase. The combination of these recommendations provides that all employees receive a minimum 3% increase and a maximum of 8% (excluding the value of the vacation sellback).

The adopted budget aims to provide fiscal stability over the next three to five years by improving the fund balance of the General Fund to meet the Financial Management Policy reserve requirement of ten percent, aligning expenditures with anticipated revenues, reducing or “rightsizing” the workforce, and providing an appropriate compensation package for the remaining staff.

A Citywide reduction-in-force was necessary to reduce current and long term labor costs. Labor costs represent 69% of the total adopted General Fund budget for FY2008-09 and 42% of the citywide budget. There are a total of 6,557 authorized positions being budgeted Citywide, which includes reduction of a net 116.58 positions. No Police or Fire Civil Service positions were eliminated, and due to the City’s hiring restrictions implemented on February 19, 2008; virtually all of the employees affected by eliminated positions were offered alternative employment within the City. Employees were notified their position might be eliminated on August 16th, 2008, as the proposed budget was being presented, so that they would have the opportunity to find employment before the reductions become effective on September 26, 2008. The Human Resources Department worked with employees whose positions were identified to be eliminated to assist in finding alternative employment within the City, and employees who received a notice of lay-off were given preferential consideration for vacant City positions for which they are qualified. Preferential consideration means the laid off employee was to be interviewed before other candidates and, if the individual is not selected, the non-selection reason would be reviewed by the Human Resources Department. As a policy, laid off employees continue to be given preferential consideration for one (1) calendar year from the date of their layoff. Preferential consideration provisions end when an employee is rehired by the City.

FORT WORTH ECONOMY

The recent slow down in the nation’s economy has had some impact on revenues but fortunately, the City of Fort Worth has been buffered from some of the more severe effects being experienced by other communities. Although residential construction and new home sales have slowed, property values continue to grow. The foreclosures that are pulling values down in other cities haven’t hurt Fort Worth as

badly due to the disparity of where they are located. Other economic areas, such as gas well drilling and new commercial construction, have helped keep employment strong, as well as sustaining the growth in sales tax collections. These factors and more, have cushioned the City against the severity of potential other negative economic impacts. The City's biggest economic challenge continues to be managing the rapid growth and the related demand for services, with adequate resources to provide those services.

REVENUES

The table shown below illustrates the change in the General Fund revenue from the FY2007-08 Adopted Budget to the FY2008-09 Adopted Budget. The significant changes include a decrease in the Property Tax revenue category due primarily to changing the way the debt service tax levy is recorded. This portion of the ad valorem tax will be recorded and monitored directly in the Debt Service Fund beginning in FY2008-09.

Another significant change is the revenue classification of the transfer to the General Fund from the Water and Wastewater Fund for street rental fees. This revenue source was formally recorded in the Licenses and Permits category, but is now recorded in the Transfers category. Additional detail is provided below on the two major sources of revenue in the General Fund; Property Tax and Sales Tax.

GENERAL FUND REVENUE COMPARISON

	ADOPTED FY 2007-08 (excludes debt levy)	ADOPTED FY2008-09	VARIANCE \$	VARIANCE %
Property Taxes	\$274,449,560	\$293,055,766	\$18,606,206	6.78%
Sales Tax	\$99,583,863	\$104,536,265	\$4,952,402	4.97%
Other Local Taxes	\$9,297,234	\$9,515,000	\$217,766	2.34%
Licenses and Permits	\$53,899,857	\$44,222,278	(\$9,677,579)	-17.95%
Fines and Forfeitures	\$13,727,486	\$12,528,370	(\$1,199,116)	-8.74%
Use of Money and Property From Other Agencies	\$17,697,559	\$14,263,915	(\$3,433,644)	-19.40%
Service Charges	\$1,068,420	\$1,168,420	\$100,000	9.36%
Other Revenue	\$25,714,687	\$24,964,394	(\$750,293)	-2.92%
Transfers	\$1,338,262	\$1,450,137	\$111,875	8.36%
	<u>\$15,497,208</u>	<u>\$33,282,607</u>	<u>\$17,785,399</u>	114.77%
Total General Fund Revenues	\$512,274,136	\$538,987,152	\$26,713,016	5.21%

PROPERTY TAX

The General Fund receives a significant portion of its revenues (approximately 55%) from property taxes. This year, staff worked with appraisal districts associated with Tarrant, Wise, and Denton counties to prepare property tax revenues projections for FY2008-09. By State law, each appraisal district is now charged with the valuation of all property within its jurisdiction. Prior to this year, the Tarrant Appraisal District assessed all properties for Fort Worth, including those outside of Tarrant County.

With all three appraisal districts accounted for, the July 2008 certified property tax roll shows growth in the City's tax base and an increase in the tax levy available for operations compared to the FY2007-08 Adopted Budget. The property tax number listed in the table above includes all categories of property tax collections which are, current taxes, delinquent taxes, and penalty and interest charges. In addition to the change in accounting for the debt levy revenue discussed earlier, the Over-65/Disabled Tax Freeze that was passed in March 2007 is affecting revenues for the first time in FY2008-09. The effect of the

B-4

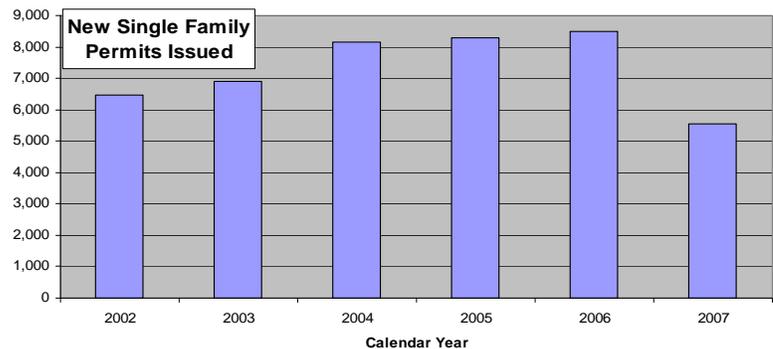
exemptions for Over-65/Disabled citizens in terms of lost revenue for FY2008-09 is approximately \$9.4 million. Significant differences from the July 2007 certified tax roll to the July 2008 certified tax roll include:

- An increase of 2.63% in total appraised value (when the minimum value for protested and incomplete properties is included, total appraised value grows by 8.96% over July 2007 Certified)
- An increase of 4.49% in net taxable value
- An increase of 57.31% in new construction value
- An increase of 12.59% in total home value
- An increase of 48.37% in mineral values (the revenue from which is restricted from general use)

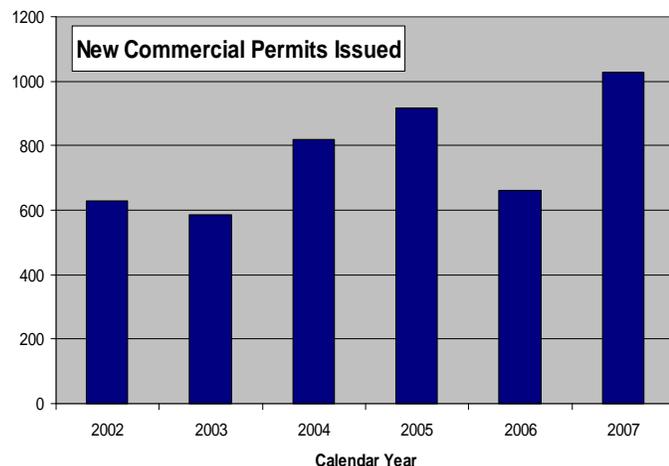
In April 2008, a comprehensive five-year financial forecast was presented to the City Council. In order to project property tax revenues for fiscal years 2008-09 through 2012-13, staff and the consultant conducted a rigorous analysis of the many factors that contribute to this revenue source. These include, but are not limited to, population growth, historical change in property values, and permitting data. The projections presented to the City Council in April proved to be quite accurate. While the preliminary appraisal rolls received in May would have produced less than one-half of 1% less revenue than was forecasted, the certified appraisal values received in July came in less than one-tenth of 1% lower than the April forecast.

Another indicator of the City's economic viability that may impact property tax revenues is residential and commercial construction. The City experienced a surge that began in the late 1990s and continued through calendar year 2006.

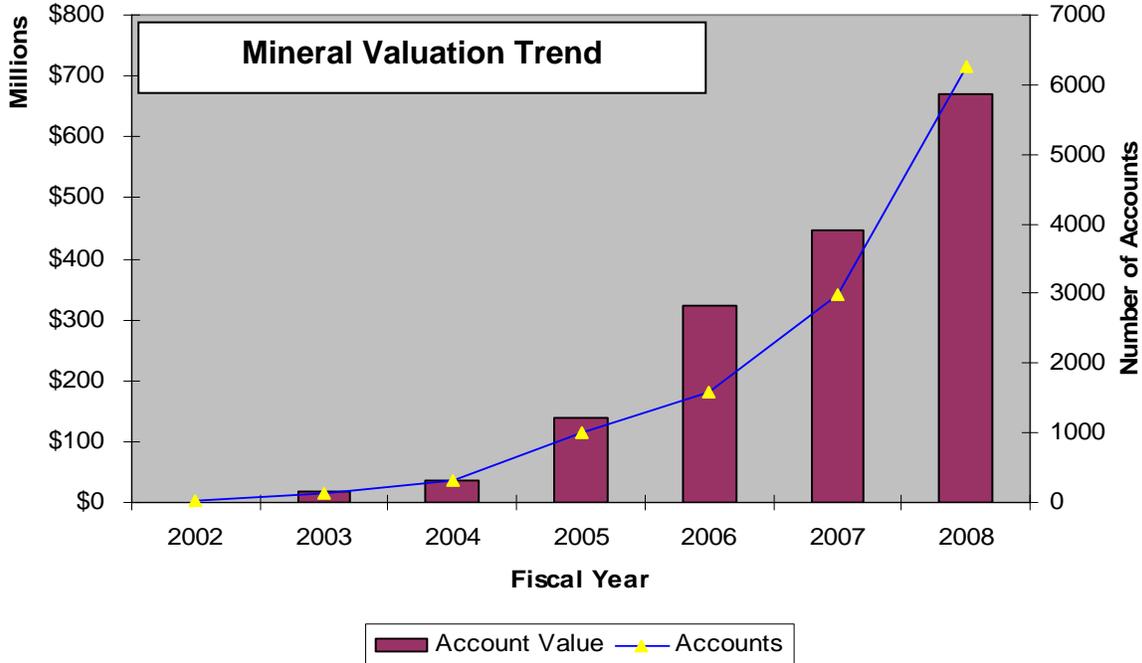
Planning and Development Department data show that single family home construction increased by an average of 7% between 2002 and 2006. However, residential construction started to slow down in 2007 with a decrease of 2,960 in number of permits issued. The average value of single family home permits issued for 2007 was \$148,242, which was \$9,261 higher than 2006. As of May 2008, the average single family permit value is \$148,848, and the number of single family permits issued from January to May is 1,734. This increase potentially impacts the average single family home value when construction is completed and added to the property tax rolls. This year the 2008 Certified Tax Roll identified an increase of 5.64% in existing average single-family home value from \$114,026 to \$120,461 when compared to 2007.



New commercial construction has shown an average increase of 14% between 2002 and 2007 in permits issued. There was an increase of 55% in permits issued for new commercial construction from 2006 to 2007. In addition, there was an average increase of 20% in the dollar value between 2002 and 2007. As of May, the average dollar value is \$891,834 and the number of commercial permits issued is 574.



Gas well drilling is another positive fiscal impact for the City; the following chart shows the increase in mineral valuations for the past 6 years, due almost entirely to the rapid expansion of gas well drilling.

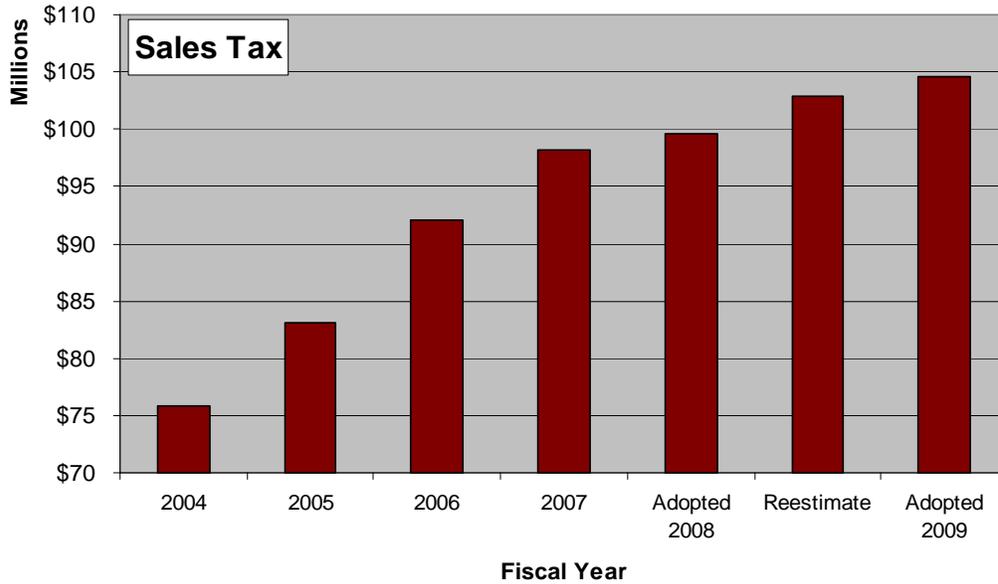


The recent slow down in the nation's economy has impacted revenues and expenditures. Fortunately, the City of Fort Worth has not been as negatively impacted as some other cities and, although new single family construction and home sales have slowed, other economic areas, such as new commercial construction and bonus and lease royalties associated with gas well drilling, have cushioned the City against the severity of the negative economic impacts.

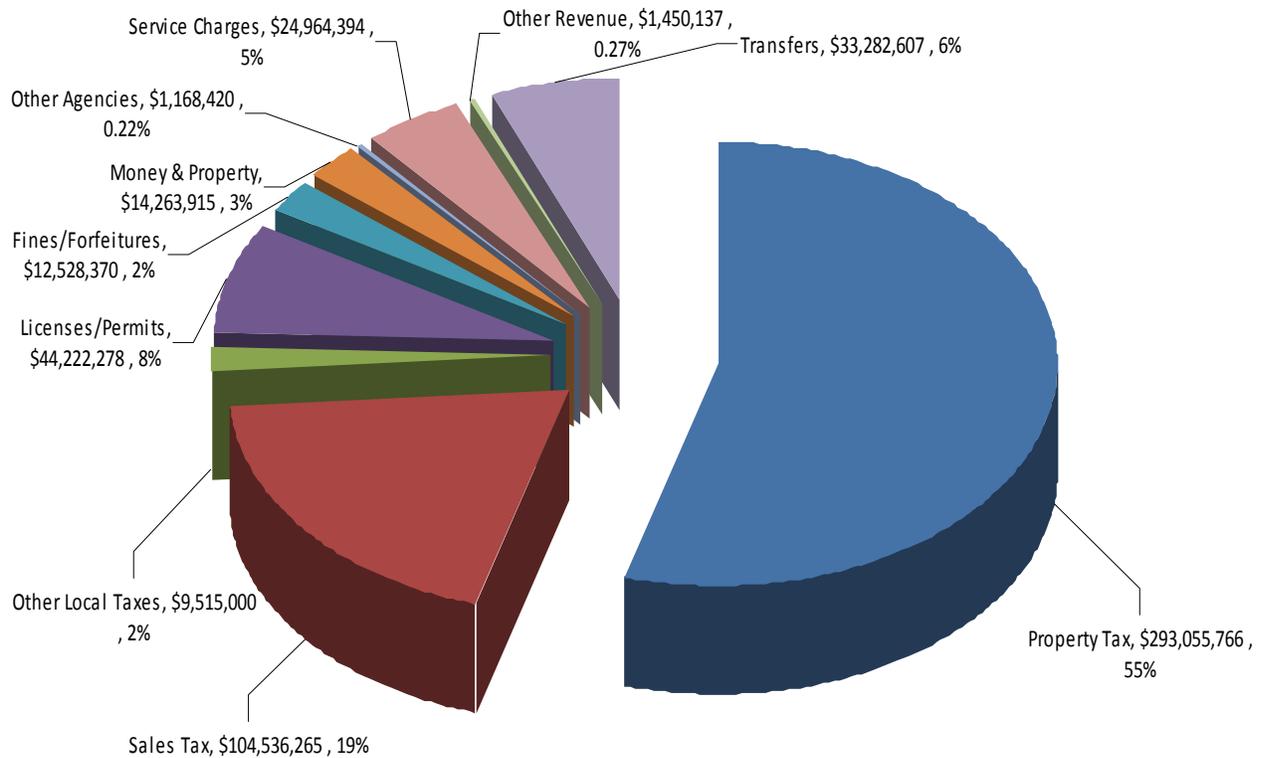
One indicator that has fared well is the unemployment rate. According to the Bureau of Labor Statistics (May 2008 report), the Dallas/Fort Worth unemployment rate is 4.4% compared to a national rate of 5.2% and a state rate of 4.3%. The unemployment rate has remained relatively stable when compared to the 4.3% annual rate for 2007.

SALES TAX

At 19.5% of the General Fund revenue budget, sales tax revenue is a major revenue component. Despite the lagging economic indicators, annual sales tax collections continue to show steady, although very limited growth. Due to the volatility of sales tax revenues, which are heavily influenced by prevailing economic conditions, individual consumer discretion and world events, this budget projects FY2008-09 collections to increase by 2% over the FY2007-08 June re-estimate, as shown in the following chart.



Therefore, based on current and historical economic conditions, and using the assumptions described earlier, the FY2008-09 Adopted General Fund Revenue Budget is as shown in the following pie chart:



**FY2008-09 ADOPTED
TOTAL GENERAL FUND REVENUES
\$538,987,152**

EXPENDITURES

As mentioned previously, City staff worked diligently to produce a balanced budget consistent with City Council goals. To maintain these goals and the desire to utilize revenue efficiently, this budget reflects significant efficiency savings due to reorganizations of functions and departments. Such savings have permitted limited enhancements in some core service areas. The City cannot however, continue to rely on efficiencies in order to meet its service demands. More difficult choices and prioritization will be critical in order to ensure we can keep pace with our rapidly growing and changing City, and its commitment to the quality of life citizens enjoy today.

TOTAL ADOPTED BUDGET

FY2007-08 <u>Adopted</u>	FY2008-09 <u>Adopted</u>	Percent <u>Increase</u>	Dollar <u>Increase</u>
\$1,170,697,699	\$ 1,255,500,809	7.24%	\$84,803,110

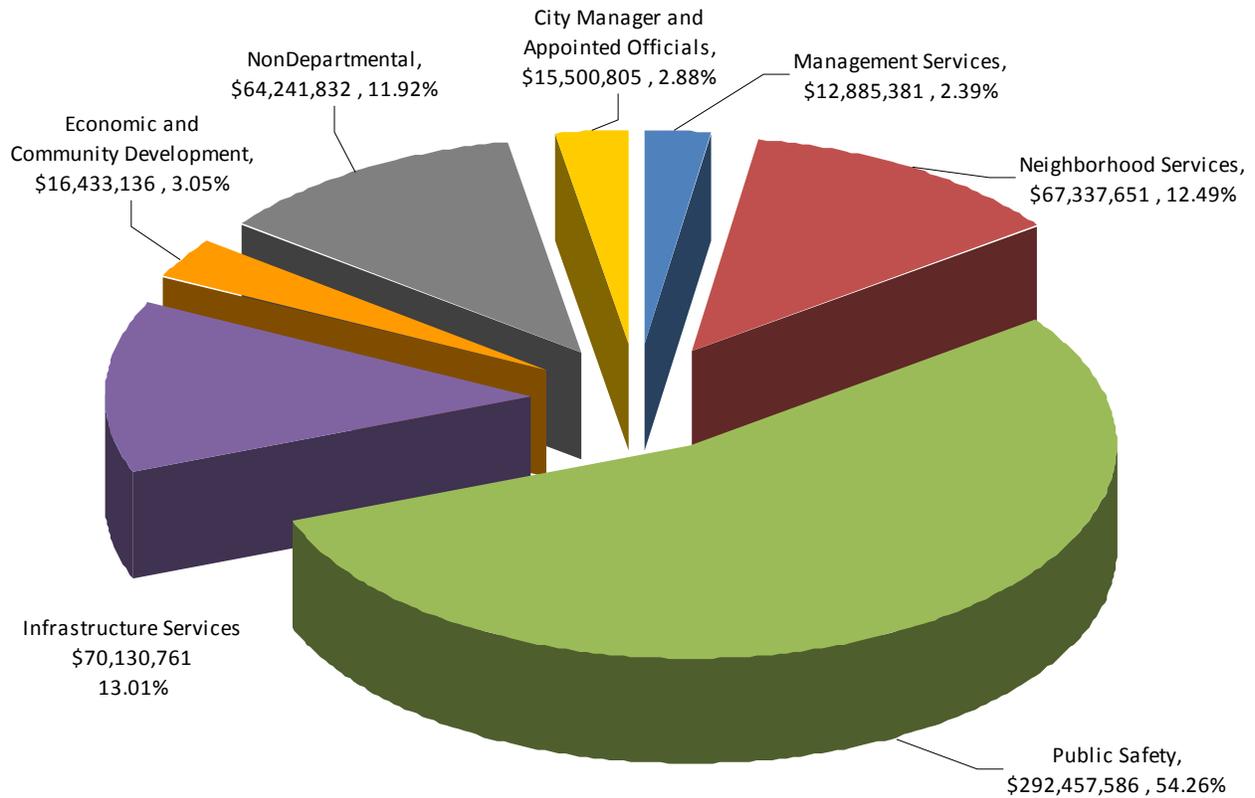
ADOPTED GENERAL FUND BUDGET

FY2007-08 <u>Adopted</u>	FY2008-09 <u>Adopted</u>	Percent Increase/ <u>(Decrease)</u>	Dollar Increase/ <u>(Decrease)</u>
\$ 562,732,206	\$538,987,152	<u>(4.22%)</u>	<u>(\$23,745,054)</u>
(without Debt Service)			
\$ 510,444,137		5.59%	\$28,543,015

The City's Departments are organized into Service Groups which are Public Safety, Neighborhood Services, Infrastructure Services, Economic and Community Development, and Management Services. The Public Safety Group includes: Fire, Code Compliance, Community Relations, and, Police. The Neighborhood Services Group includes: Environmental Management, Library, Municipal Courts, and Parks. The Infrastructure Services Group includes: Planning and Development, Program Management Office, Transportation and Public Works, and Water and Sewer. The Economic and Community Development Group includes: Aviation, Housing and Economic Development, and Public Events. The Management Services Group includes: Equipment Services, Financial Management Services, Human Resources, and Information Technology Solutions.

B-8

Below is a graph of the Adopted General Fund Budget by Service Group category. *(Please note that other funds are not included in this chart and are described at the end of this message.)*



FY2008-09 ADOPTED TOTAL GENERAL FUND EXPENDITURES \$538,987,152

DEPARTMENT AND DIVISION CONSOLIDATIONS:

- The Mayor and Council Department was merged with the City Manager's Office and consolidated into one department to provide administrative efficiencies. The FY2008-09 adopted budget realizes savings of \$991,130 compared to the combined budgets for both departments in FY2007-08.
- The Budget and Management Services Department merged with the Finance Department. This consolidated department is known as the Financial Management Services Department and will provide a more streamlined fiscal organization.

B-9

- The Records Information Management Division, previously of the City Manager's Office, was transferred to the City Secretary's Office. This transfer will provide a single source of record keeping for the City.
- The Public Improvement District function was transferred from the Financial Management Services Department to the Housing and Economic Development Department where it is better aligned with the mission of that department
- The Fort Worth Zoological Association Contract, in the amount of \$5,101,028 for operations of the Fort Worth Zoo, transferred from the Zoo Department to the Parks and Community Services Department. This transfer eliminates the Zoo Department that was solely this contractual obligation. In addition, funding for the Zoo increases by \$357,591 to meet contractual obligations with the Fort Worth Zoological Association for annual inflation adjustment and utility improvements.
- The Department of Engineering was merged into Transportation and Public Works Department. The purpose for this organizational change was to improve project delivery and serves to place the project management in the organizations where it can be most effective. This change will move project management for water projects to the Water Department and for Transportation and Public Works (TPW) projects to the TPW Department. Preliminary reviews of recommended optional organizational structures will also improve staffing efficiency and is expected to eliminate approximately seven authorized positions and save approximately \$500,000 in Capital Projects Funds.
- The Public Information Programs and Education staff were consolidated within Community Relations Department to expand the role of the outreach programs in Community Relations by consolidating similar functions that have developed in several departments, and by assuming responsibility for the bulk of the City's Public Information and Education requirement. This change enables the City to eliminate eight authorized positions (A.P.s) and save \$478,049 distributed as follows; \$284,983 (5 A.P.s) saved in the General Fund, \$90,331 (1 A.P.) saved in Capital Projects Funds and \$102,735 (2 A.P.s) saved in Grants Funds. Only four departments will continue to have a designated Public Information Officer and they are Police, Fire, Water, and the City Manager's Office.
- The Housing Department was consolidated with and Economic and Community Development. This consolidated department is known as Housing and Economic Development and will bring together similar functional areas. Efficiencies produced with this consolidation are projected to save approximately \$158,391 and eliminate 2.1 authorized General Fund positions.

OTHER SIGNIFICANT CHANGES:

- The majority of the Public Health Department functions were transferred to either Tarrant County or other City departments in order to eliminate duplication of services and create greater efficiency. Specifically, on October 1st the Epidemiology functions transferred to Tarrant County and the county will also take on the responsibilities for Vital Records by January 1, 2009. Remaining functions, such as Consumer Health, Animal Control, and Animal Kennel transferred to the City's Code Compliance Department. Public Outreach and Education transferred to the City's Community Relations Department.
- Library hours were changed and in some cases, reduced across the City. All libraries however, will remain open 5 days a week and will stagger the days they are closed to ensure access to all citizens seven days a week.
- The Day Labor Center operations transferred from the Economic and Community Development Department to the Parks and Community Services Department in an effort to link those individuals who utilize the Center with community service programs.
- The Urban Forestry function of the Parks and Community Services Department transferred to the Planning and Development Department. This will eliminate duplication of services provided.

B-10

- Public Events Department parking staff that operates the Commerce Street Parking Garage transferred from the General Fund to the Municipal Parking Fund to combine all parking services throughout the City.
- The administration of gas well leases and community facilities transferred from the Department of Engineering to the Planning and Development Department. This will create a more comprehensive Gas Well Division and improve customer service.
- Ground Transportation Management transferred from Municipal Court Department to the Transportation and Public Works Department to consolidate the transportation related services.
- Real Property Services transferred from Department of Engineering to the Economic and Community Development Department. This will allow focused management of this City function which was non-core to the Department of Engineering.

KEY RECOMMENDATIONS

Homelessness Initiative:

- The City Council's commitment to make homelessness rare, short-term and non-recurring within ten years in Fort Worth, Texas is realized in this year's budget with enhanced funding of \$3 million. A comprehensive ten year plan has been created and prioritized. Most of the initiatives will be overseen by the City Manager's Homelessness Coordinator. The following programs are priority Homelessness initiatives for FY2008-09. The Planning and Development Department's contribution to this important initiative totals \$2,393,356 and provides a Permanent Supportive Housing Voucher Program, Mental Health and Substance Abuse, Case Management, Tarrant County Homeless Coalition, and a consultant. Funding also includes \$195,588 for the Police Department for seven months of funding to add three narcotics officers to monitor and apprehend narcotics dealers that are in locations where homelessness occurs. The Code Compliance and Municipal Court Department's funding increased by approximately \$78,200 each to provide a Senior Human Services Specialist in each department to coordinate social services, community service and court functions needed for the Community Prosecution – Homeless Court Program. In addition, the Law Department's budget increased by \$180,599 to add two attorneys to work with the Police, Code, and Municipal Court Departments in the Community Prosecutor Program to identify owners of property that cause negative impacts on the neighborhood and seek to find solutions to the problem.

Housing Trust Fund:

- In FY2006-07, the City Council began implementing a three funding program by way of creating a Housing Trust Fund. There was \$2 million funded in that year, and the second \$2 million was budgeted in FY2008-09. However, in the middle of the fiscal year, it was determined that the General Fund was not meeting its reserve requirement, and as a result, the funding for this item was one of the mid year budget reductions approved by the City Council.

The FY2008-09 adopted budget again includes \$2 million, which is anticipated to fulfill the second year requirements of the three year program. The FY2009-10 budget is projected to include the third \$2 million installment to fulfill the Council's commitment to this program.

Gas Drilling Activity:

- Creation of a Gas Well Management Division within Planning and Development will allow the segregation of staffing and related services to ensure the City can respond to this dynamic activity in our community. The Financial Management Services Department has also identified two positions directly associated with the related reporting requirements. Since the gas drilling activity is not anticipated to remain at its current level indefinitely, it is reasonable to use the related gas revenues now to pay for the direct cost of this service. Then once the activity begins

B-11

to level off and ultimately to decline significantly and go away altogether, the related costs can be reduced and eliminated as well.

Financial Stability:

- Delays in financial reporting have created numerous and expensive problems for the City, ranging from an inability to ascertain reserve requirements in a timely manner to increased costs of bond sales. As a result, additional positions are being added to the Financial Management Services Department.
- The hiring of a new City Auditor has brought much needed oversight and reporting on areas of the City that need attention.
- The cost of the City's annual independent audits continues to increase and exceed the budgeted amounts. As a safeguard against that in FY2008-09, the adopted budget includes \$2 million more than the prior year. It is anticipated that this funding will provide for the increased audit fees as well as additional staff and consultants that may be needed to assist in the preparation and completion of the Comprehensive Annual Financial Reports (CAFRs).

Debt Capacity:

- Managing the need for increased and improved infrastructure, facilities, and ERP (Enterprise Resource Planning) tools, has pushed the City's debt capacity to its limit. The Adopted Budget reflects in the Debt Service Fund, continuing bond sales authorized by the voters in 2004 and 2008. The continuing sale of Certificates of Obligation in order to address critical capital needs identified in 2007, is included as well as the anticipated sale of tax notes to fund the first of two phases of an ERP system. The result of these obligations is that there is no new capacity anticipated for additional bond issues until 2014, and then the amount of a 4 year program would only be \$183 million, significantly less than the \$2 billion in existing requirements.

Retiree Healthcare:

- The unfunded actuarial accrued liability for this benefit is over \$858 million as of October 1, 2006. The City is not currently funding the annual required contribution which was estimated at \$89 million, except for the approximately \$20 million that is paid every year for retiree healthcare claims and premiums.

As a result, the FY2008-09 budget includes \$5 million to begin phasing in a 12 year plan to achieve full funding of the annual required contribution by 2020. In order to avoid further increasing the \$858 million unfunded liability, this budget is also recommending the elimination of City funded retiree health-care benefits for all new employees hired on or after January 1, 2009.

Group Health Insurance:

- Recent budgets have not included an increase in the cost of health insurance, which has historically been funded 70% by the City and 30% by employees. However, the rising cost of health care does necessitate an increase of 15%, which has been approved for the FY2008-09 budget. While the percentage sounds large, in reality, the dollar amount of this increase is moderate. For employee only coverage the amount ranges from \$2.59 to \$11.64 per pay period, and for employee and family the increase ranges from \$21.88 to \$48.62 per pay period, depending on the coverage selected.

Transportation Needs:

- Funding for streets comes from a variety of sources, and is expected to remain strong. The debt service fund will continue to reflect bond sales for street improvements including the 2004 bond program, the 2007 critical capital program (which leverages federal and state transportation dollars), the 2008 bond program (\$150 million dedicated solely to transportation needs), the City

B-12

Council policy to direct \$15 million of unrestricted gas revenues into street improvements and the General Fund annual contract street maintenance budget. The last item was reduced in the FY2007-08 budget when the reserve shortfall was identified, but has been fully restored in the FY2008-09 Adopted Budget.

Other FY2008-09 Adopted Budget significant changes are highlighted below by Service Group:

PUBLIC SAFETY AND HOUSING

- **Public Health Department**– A decision was made to reassign the Public Health related functions. This eliminates 21 positions and includes the transfer of epidemiology research (effective October 1, 2008), and the Vital Statistics Division (effective January 1, 2009) to Tarrant County to eliminate duplication of services by the two entities. This also includes elimination of several support positions and totals \$1,541,919 of savings for the General Fund.
- **Fire Department** – For FY2008-09, no net new positions are being added to the Fire Department. There are significant changes however, which include the addition of \$807,221 in funding for a 27 person fire trainee attrition class to maintain required daily staffing levels in light of anticipated vacancies. The Department's funding also included an additional \$225,000 for Fire Acting Pay. Civil Service Acting Pay is based on an increase in expenditures incurred as firefighters move up in rank when a firefighter is absent and is a requirement of Chapter 143 of the Government Code. The Adopted Budget adds \$75,000 for the continuation of the wireless data infrastructure in support of the Fire Computer Aided Dispatch and mobile data system for fire apparatus. The Department's budget is reduced by \$605,127 eliminating one firefighter in each of the following areas: Technical Inspections, Commercial Inspections, Fire Investigations (Bomb/Arson), and two in Fire Safety Education (five total). This reduction also includes an administrative support position in Fire Operations Administration, two temporary positions in Fire Safety Education, a position in Fire Vehicle Services, and positions in Fire Supply. The Adopted Budget also includes a reduction in funding for \$578,700 for constant staffing overtime based on a level of four firefighters. The addition of new vacation relief firefighters positions reduced reliance on overtime staffing with four firefighters at all times therefore reducing expenditures in constant staffing.
- **Police Department** – Highlights for the Police Department include the transfer of seven positions from Crime Control and Prevention District fund to the Police Department General Fund in the amount of \$671,778 for the sex crimes unit. This unit provides the registration, monitoring, tracking, investigation and apprehension of sex offenders. The budget adds \$767,351 for 34 patrol officers and 5 sergeants. This improvement provides three months of funding during FY2008-09. The full year cost for these officers will be \$2,704,524. In addition, \$193,340 is added for four positions for the conversion of one overage city attorney that specifically handles police legal issues and one overage electronic technician in Fleet Services. Funding also adds two auto pound property attendants to meet increasing demands. The budget decreases by \$162,468 by eliminating two vacant clerical positions within the Special Services Bureau and three vacant office assistants who operated the overtime operation system.
- **City Manager's Office** – Highlights for the City Manager's Office include increases of \$221,184 for the FY09 State Legislative Session, and funding for City Council travel related to legislative activities. In addition, the budget decreases by \$322,620 for the reduction of a vacant Emergency Management Officer position and the transfer of four positions from the General Fund to the Grants Fund, to be used as matching funds for state and federal grants.

ECONOMIC AND COMMUNITY DEVELOPMENT

- **Housing and Economic Development Department** – The surplus tax property and leasing functions were transferred to this Department. This will allow focused management of the surplus tax property function which was non-core to the Department of Engineering. The Department's budget is reduced by \$485,845 to completely eliminate the Fort Worth International Center, begin a ten year phase out of Tech Fort Worth, and eliminate matching funds for Fort Worth Metropolitan Black and Hispanic Chambers initiatives. This reduction also includes a public information specialist in the citywide consolidation of the Public Information Office functions.

INFRASTRUCTURE SERVICES

- **Transportation and Public Works Department** – The Department's budget is enhanced by \$1.5M in contract street maintenance. Street maintenance project costs are continually challenged by increased inflation costs. Asphalt prices have increased by 33.6% since November 2005. Funding increases by \$500,000 for Phase Two of the Bridge Maintenance Program. This is the second year of the program which is providing structural repairs, deck sealing, and painting of structures to prevent corrosion and mitigate deterioration. The Traffic Signal System Program funding is increased by \$218,938 for the second phase of improving the traffic signal system and adds to the number of loops replaced each year. This is a continued effort to raise the City's Grade from a "D" to a higher level of service and assist in better air quality. The City's street lights currently have mercury vapor ballasts which are now illegal to manufacture based on the 2005 Energy Conservation Act. In addition street light material costs have exceeded budget. The Street Light Maintenance Program will receive \$300,000 to continue replacing the mercury vapor ballasts and maintain street lights. The Department also realized reductions. These include \$1,028,422 and 16 authorized positions. These reductions are in the following areas and should not directly impact service provision to the public: human resources support, information technology technical staff, a position in the Contract Alleyway Cleaning Program, and two Street Permit Center positions. In addition technology will be implemented to replace three positions eliminated in Customer Services Dispatch as well as one front desk customer support position. The reduction in positions includes coordination with Texas Department of Transportation and the Independent School Districts and a position responsible for the Mobility and Air Quality Transportation Studies.
- **Planning and Development Department** – The management of the Gas Well Section, which has been a high priority for citizens and City Council, will receive \$431,665 and five authorized positions. This improvement includes management staff and specific technical and fiscal staff to provide improved customer service and fiscal tracking of this important program. In addition, the Department's budget decreases by \$987,824 and 12 authorized positions. These reductions are in the following areas: administrative support, plans examination, and building inspections.

NEIGHBORHOOD SERVICES

- **Citywide Library Services** – The Municipal Archives Programs is enhanced this year by \$106,200 for funding for offsite storage, archival boxes and supplies, digitization services, and archives management software. The Library Department budget includes reductions totaling \$1,865,248 with 44.75 authorized positions. Weekly library service hours will be reduced at ten branches from 42 to 40. All branches will go from two nights of service to one. Southwest and East Regional weekly hours will reduce from 64 to 40 and service will be reduced from four nights to two. Sunday hours will also be eliminated at the regional branches. Central Library's hours will reduce from 70 to 52 and service from four nights to two. The Creative Solutions Unit responsible for creation and distribution of annual library

B-14

publications is eliminated resulting in a reduction of \$122,628 with three authorized positions. In addition, the Library budget decreases by \$45,240 for computer technical support positions.

- **Parks and Community Services Department** – Several significant budgetary changes were made in this Department. The adopted budget's authorized positions increased by six for a small capital projects crew, a planner for park dedication, and a management analyst for the parks gas well program capital projects. These six positions do not have a General Fund impact as they are funded from other revenue streams. In addition to the Zoo contractual agreement being moved to this Department, the budget added \$390,742 for new parkland scheduled for dedication during FY2008-09. This includes improvements, maintenance, and forestry operations at 14 new park areas totaling 172.709 acres throughout the City. Additional funds of \$120,000 were added for initial operating funds for the North Park Community Center. This funding allows the YMCA the time to generate memberships to fund the operation and management of the facility at full cost recovery. The facility is scheduled to open in December 2008. The budget adds \$190,457 for right-of-way maintenance for the Berry Street and Lancaster Commercial Corridors projects. The budget also adds \$500,144 to restore the Late Night Program at Como, Northside, Worth Heights, Martin L. King, and Sycamore Community Centers. This includes two positions at each center for a total of ten positions restored. In addition, the budget is increased by \$338,197 to restore the Neighborhood Tree Planting Program and associated volunteer and outreach programs. In addition to the increased funding, the Department also reduced several programs. There were several decreases totaling \$264,762 to eliminate a training position, an information technology coordinator position, a park reservation position, and an engineering position in the Urban Forestry Division. This reduction also includes operational budget for staff training, travel, and parks marketing budget. The budget decreases by \$561,969 to eliminate four maintenance positions and one superintendent for reduced neighborhood and community park maintenance throughout the City. This amount also includes \$125,000 in maintenance at the Fort Worth Water Gardens and \$50,000 for Botanic Garden Irrigation. The budget decreases by \$169,545 to reduce athletic field maintenance throughout the City. The budget eliminates \$66,596 for the Cowboy Santa Program which eliminates one permanent position associated with the program. The number of families served will be reduced from 3,815 to 2,670 and the number of children served will be reduced from 10,112 to 7,078.
- **Municipal Court** - In response to audit findings in regard to accurate record collection with the CourtView system, additional funds are added for a Senior Accountant.
- **Code Compliance** – In addition to the previously mentioned functional transfer of Public Health services to the Code Compliance Department, this adopted budget includes reductions in the areas of administrative/fiscal support and customer service. These decreases are in accordance with the effort to gain efficiencies within departmental budgets.
- **Environmental Management** – Highlights in the Environmental Management Department adopted budget include a focused effort to encourage commercial recycling. This provides funding of \$63,536 for the addition of a Commercial Recycling Manager that will be responsible for fostering and developing programs that encourage recycling at multi-family apartment complexes, commercial facilities, public events, and for the recycling of construction and demolition debris from construction projects. Rightsizing was also implemented in the Environmental Management departmental budget. This includes the elimination of four and one-half authorized positions.

MANAGEMENT SERVICES

- **Human Resources** – Due to recent policy changes, the Human Resources Department has been charged with staff support for Meet and Confer and Collective Bargaining. The adopted budget includes two additional staff positions that will provide administrative

B-15

assistance/coordination to senior management, as well as research, contract costing, monitoring, and administration of all final agreements. This budget also includes the eliminations of seven authorized positions from this department in order to save costs and gain efficiencies.

- **Implementation of the Enterprise Resource Planning (ERP) Project- Phase I** – The City will continue the effort of improving all human resources and financial systems. The implementation of ERP Phase I began in mid September 2008. This budget includes \$521,499 for contractual funding to backfill city staff positions who will be moved to the Project during implementation. This funding will be provided for Human Resources and Financial Management Services Departments.
- **Financial Management Services** – The main focus of the Financial Management Services Department is to become current on all Comprehensive Annual Financial Reports (CAFR). In an effort to provide adequate resources to this endeavor, the adopted budget includes \$1,720,424 for additional accounting staff, as well as contractual staff augmentation. The staff augmentation will expedite the completion of the FY2006-07 and FY2007-08 CAFRs. In accordance with the latest audit of the City's financial procedures, a Contract Compliance Section has been added to this Department. These positions will be responsible for the formation, execution, administration, and closeout of contracts for the City departments that do not already have staff in place for these functions. This year's budget review included critical evaluation of operational and funding procedures. As a result of this review, the General Fund will realize a decrease of \$416,708 due to the transfer the Risk Management Division to the Risk Management Fund. This transfer will consolidate all risk management functions within a centralized fund.

Other Funds Included in the Adopted Budget:

- **Stormwater Utility Fund** – The adopted expenditure budget is \$19,327,564, which includes the addition of 38.75 positions. The increase is based on the 5 year plan to improve service levels for channel reconstruction, maintenance, repair and minor construction of storm water infrastructure, emergency response, GIS mapping and assessment and customer service. This budget includes expenditures of \$1.678M to pay annual debt service on revenue bonds used to fund the 2008 and 2009 Stormwater Capital Project program totaling \$25M. The adopted revenue budget of \$20,247,922 comes primarily from the utility fee charged to residential and commercial customers based on the quantity of their property's impervious surface. The Stormwater Utility Fund serves approximately 700,000 residents in Fort Worth and is responsible for providing storm water management services to approximately 200,000 residential, commercial and industrial customers. Storm water management remains a vital public safety program with over \$1.0B of projects identified to address life safety issues, mitigate flooding, erosion and replace, repair, and maintain Storm water infrastructure.
- **Water and Sewer Fund** – The adopted expenditure budget is \$334,577,926, which is a \$22,642,689 increase over the FY2007-08 Adopted Budget. A total of 22 positions have been added primarily to increase plant security, customer service, and right size other critical staff. The budget includes an adopted retail rate increase of 5.96% for Water and no change in rates for Wastewater. The adopted budget includes a wholesale rate increase of 11.9% for Water and a decrease of 12.3% for Wastewater. Management is mindful of the current economic conditions, hence the \$891,528 use of fund balance to offset expenditures. This allows a lesser rate increase on residents and customers. The adopted budget includes increases of \$6,607,311 for scheduled principal and interest payments on outstanding debt, \$1,457,420 for water treatment chemicals and \$1,011,315 for electricity costs.

B-16

- **Municipal Parking Fund** – The adopted expenditure budget is \$4,291,778, which is an increase of \$1,078,428 from last fiscal year. The Municipal Parking Fund collects revenue from parking meters, parking citations, and the use of parking facilities. This revenue is then transferred to the General Fund. Municipal Parking Fund adopted a rate increase for the 10-hour meter parking hourly fee from \$.20 to \$.30, therefore, generating \$82,500 in additional revenue for the fund. The average cost for daily parking in the Central Business District surface lots is \$5.12 per day while parking on a 10-hour lot all day costs \$2.00. An increase of .10 would mean the new cost would be \$3.00. In an effort to achieve efficiency and consolidate parking operations, all parking functions in the General Fund transferred to the Municipal Parking Fund in FY2007-08. This transfer included nine authorized positions and associated costs. In addition, the new Convention Center Houston Street Parking Garage will be operational in January 2009 with parking for the Fort Worth Convention Center, Omni Hotel, and the City Hall complex.
- **Municipal Airports Fund** – The adopted expenditure budget is \$3,162,904 which is a decrease of \$129,002 from FY2007-08. For the upcoming year, Aviation added a Skilled Trades Technician I and converted an overage custodial position, as well as reduced one Security Supervisor position. The adopted revenue for the fund is \$3,162,904, though this may increase if the City Council approves an amended schedule of rates and charges adopted by the Department in August, 2008. The adopted budget also includes a decrease of \$129,338 for scheduled temporaries due to the purchase of new tractor equipment during FY2007-08.
- **Equipment Services Fund** – ESD's expenditure budget is \$27,189,589, which is an increase of \$3,853,113 from FY2007-08. Significant increases include additional funding for fuel costs, \$2,256,143; motor vehicle repair, \$1,447,862; and an additional \$46,236 to add one Auto Body Repairer position. By adding this position the need for outside repair, which is more costly, will decrease. The Equipment Services Department is responsible for the management of the City's fleet. Accordingly, ESD coordinates all vehicle replacements. The General Fund budget includes \$1,981,000 for vehicle replacements. These funds allow the replacement of 53 priority vehicles and/or equipment. This is a decrease of \$226,400 from the FY2007-08 vehicle replacement funding. Other funds determine the level of vehicle/equipment replacement based on individual needs.
- **Engineering Services Fund** –The adopted Engineering Services Fund expenditures budget is \$11,824,766, which is a \$4,765,521 decrease from the FY2007-08 Adopted Budget. A total of 22 authorized positions have been reduced in order to downsize and create efficiencies throughout the department. The gas well and CFA area was transferred to the Planning and Development Department.
- **Information Systems Fund** – The adopted expenditure budget is \$22,912,526. A thorough review of the programs and functions within the Information Technology (ITS) department was conducted. As a result, and in effort to reduce cost and gain efficiencies, the authorized position strength was reduced by 16. This change includes a right-sizing of the ITS finance staff and the Strategic Business Planning division. The Department will continue to research outsourcing opportunities during the upcoming fiscal year.
- **Culture and Tourism Fund** – The adopted expenditure budget is \$19,931,675 and has an increase of 37 authorized positions. The increase in positions is associated with the transfer of the Log Cabin Village and Public Events staff. The Log Cabin Village expenditures transferred from the General Fund totals \$433,277. Public Events operations and management staff expenditures transferred from the General Fund as well. This transfer reduces General Fund expenditures by \$2,218,236. The adopted transfer of positions fits within the state's guidelines of promoting tourism within Fort Worth and is therefore an appropriate use of Culture and Tourism revenue, which are primarily derived from Hotel

Occupancy Taxes. Additionally, this transfer allows the City to begin a one-year pilot program to evaluate the feasibility of Public Events Department becoming an enterprise fund.

Other Items with Citywide Impact that Have Been Funded in the Adopted Budget

- **General Fund Compensation** – The Adopted Budget includes \$16.0M for a compensation plan which includes funds for salary increases as well as the vacation sell-back program. The City has not funded the vacation sell-back program since 2002. Compensation adjustments were made as follows: All general (non-sworn) and civil service (sworn) employees received a 3% salary adjustment (with the exception of employees in disciplinary situations as deemed by respective departments); and all eligible non-exempt employees received either a 2.5% or 5% annual step increase on their anniversary date. Funds were also be provided for vacation sell-back for sworn fire employees and all general employees.
- **Health Insurance** – The adopted budget reflects the City’s contribution for Group Health Insurance at \$34.7 million for the General Fund and \$48.2 million for all funds. In the general Fund, this represents a 15%, or \$4,633,534, increase over the FY2007-08 City contribution revenue. The increased funding is due to inflationary healthcare cost and the increase in the number of City employees during previous fiscal years during which there was no corresponding increase in premium contributions. There have been no plan design changes nor employee rate increases since 2005. Due to the shortfall in fund balance and increasing cost, employees and retirees will also receive a 15% rate increase along with plan design changes such as increased out-of-pocket expenses and co-pays in order to control costs. Some examples of plan modifications on the Basic Plan include: increasing the office visit co-pay by \$5, increasing the emergency room co-pay by \$25 and increasing the annual deductible by \$250.

With the implementation of a new accounting rule, Government Accounting Standards Board (GASB) Statement # 45, the City must begin accounting for its Other Post Employment Benefits (OPEB) for the fiscal year beginning October 1, 2007. As of October 1, 2006, the Unfunded Actuarial Accrued Liability (UAAL) as determined by AON Consulting is \$858M, and the associated Annual Required Contribution (ARC) is \$89.1M. The adopted budget reflects funding for a one-time contribution of \$5 million to an account to begin funding the healthcare liability. Moreover, employees and their dependents hired on or after January 1, 2009, upon retirement, will be responsible for paying the full cost of premium coverage without any City subsidization (access only). This retiree benefit change does not affect the retiree health benefits of any current retiree or any current employee upon their retirement. However, the City reserves the right to make changes in these benefits in the future if needed.

- **Workers' Compensation** – The Adopted Budget for FY2008-09 reflects the City’s contribution for Workers’ Compensation at \$10.98M, of which \$7.5M is from the General Fund. This is a 15% decrease from the FY2007-08 adopted budget. The decreased funding is due to better than expected claims experience that has resulted from improved claims adjusting and administration, program oversight, and increased accident prevention education efforts. Moreover, due to the adequate funding of the Worker’s Compensation fund reserves, \$5.0 million will be transferred to the General Fund. This use of reserves will not adversely impact the fund reserves at the end of FY2008-09.

Balancing competing needs against limited resources is always a challenge in any budget process and the FY2008-09 budget was no exception. Add to that the burden of considering the impact on future years to sustain the City’s reserve requirements, and that challenge becomes even greater. We have endeavored to creatively balance increasing service demands with available funding and other resources for optimal return on tax dollars expended. And while this budget is certainly not without some painful consequences, we believe that every effort has been made to minimize those consequences for citizens and employees alike. However, with the expert policy guidance provided by City Council, the efforts

B-18

undertaken mid-year to curtail spending, the tremendous staff cooperation and willingness to explore efficiencies and find savings, all with a focus on providing quality programs and services to our citizens, I believe we have indeed found that balance with the 2008-09 Adopted Budget.

Respectfully,

Dale A. Fisseler P.E.
City Manager