



September 15, 2009

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

The Fiscal Year 2010 (FY2010) Budget 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 of Fort Worth's Adopted Budget balances city priorities against available resources, while seeking to maintain essential public programs and levels of service. It is important to note that the Budget includes no tax rate increase or decrease.

It is also important to note that the Government Finance Officers Association (GFOA) of the United States and Canada has presented the Distinguished Budget Award to the City of Fort Worth each year since 1983. This distinction is based on program criteria and to meet this goal governmental entities are required to submit detailed information addressing every aspect of budget development. In addition, the number of books published this year will be limited. Instead, the document will be largely distributed on compact disks (CD). Staff will continue to provide hard copy budget books for citizen reference in each of the public libraries. The information will also be available on the City's website.

The FY2010 budget totals \$1,282,451,647 and consists of 22 different operating departments, including the General Fund, Enterprise Funds, Internal Service Funds, Special Funds, and insurance funds. Of that amount, almost half or \$528,401,543 reflects the cost of General Fund activities such as public safety, parks and community services, transportation and public works, planning and development, public libraries and general management of the City. The city wide budget includes 6,425.50 authorized positions. This is a deletion of 147 positions from the FY2009 budget. Of that amount, 93 are in the General Fund and 54 are in Other Funds. Of the 147 positions, 69 are filled and 78 are vacant. The final count of employees electing a separation pay option was 40 for General Fund employees and 31 for Non-General Fund employees. However, a total of 6 general fund employees and 2 non-general fund employees who were also on the reduction-in-force list were also retirement-eligible and accepted the separation pay benefit offer.

In March of this year, staff presented City Council with the annual Economic Forum and a Five Year Financial Forecast of the General Fund. The forecast illustrated the growing difference between revenues and expenditures as well as how the economic downturn was anticipated to severely impact Fort Worth. In addition to the growing expenses and decreasing revenue, the increase in funding requirements for retiree health care, employee retirement contributions and to maintain the 10% reserve fund balance, initially yielded a General Fund budget gap of approximately \$58 million.

In order to manage the then updated budget gap of approximately \$59 million identified for FY2010, staff held numerous meetings and solicited ideas from citizens and employees alike. The budget necessitated curtailing spending through departmental and citywide reductions and vacancy management. Certain critical service enhancements were also considered in this budget.

For this budget, staff utilized a comprehensive and inclusive budget process. Citywide expenditures and revenue opportunities were thoroughly evaluated. Additionally, departments

critically reviewed their organization and services and submitted 10% reductions based on the prioritization of their programs. Staff explored options for consolidating, privatizing, outsourcing or reducing these functions with the goal of shoring up the anticipated budget shortfall. The various options were analyzed and separated for further review. As the department reviews began, there were several meetings and/or presentations that occurred and provided guidance on budgetary issues. The budget process also included input received from the city's annual Citizen Survey, as well as the results of the Sunset Review Process.

As a result of the departmental and citywide efforts and reductions, the above mentioned budget gap was closed and a balanced budget was adopted on September 15th for FY2010. Again, there is no change in the adopted tax rate of \$.8550/\$100 of valuation, nor is there any change to the allocation of the tax levy between operating and debt service funds.

In order to close the overall General Fund budget gap, numerous policies were reviewed. Below are a few significant policies that were evaluated and modified for Council consideration:

Fund Balance Reserve Requirement - As approved and stated in the Financial Management Policy Statement, the city shall maintain the General Fund unreserved fund balance at 10 percent of the current year's budget appropriation for operations and maintenance. Staff considered modifying the fund balance requirement to a consistent \$50 million. This recommendation would have generated a one time savings of approximately \$8 million. After careful consideration and discussions with the City's Chief Financial Officer, the decision is to continue the 10% fund balance reserve requirement.

Mineral Property Values / Gas Revenue Policy - According to the City of Fort Worth Financial Management Policy adopted October 7, 2008, the ad valorem receipts on mineral valuations allocated to the General Fund were capped at \$3.27 million. For the amount equal to 50% of the maintenance and operations levy receipts in excess of \$3.27 million, they were to be invested in a Trust, and the remaining 50% was to be expended on one-time program initiatives and capital improvement projects. Due to the current economic conditions, effective FY2010 the City Council will rescind the policy for FY2009 and FY2010. By doing so, it will provide an additional \$1.5 million and \$5.2 million respectively, in operating revenue for the General Fund to offset the cost of funding the Directions Home program at \$3 million and vacation buyback for eligible general employees. This policy change will not adversely affect the \$15 million commitment for street improvements. Bonus and royalty revenue has been sufficient, and as of this date, is projected to generate the remaining \$2.7 million during FY2010 needed to fulfill the City Council's commitment.

Employee Retirement Benefits – Currently the city provides employees a pension upon retirement, based on certain eligibility requirements. The cost of this benefit is determined by the pension fund's actuary and is stated in terms of the "annual required contribution", or the ARC. The ARC is simply the contribution necessary to pay the normal cost and to amortize the unfunded liability over 30 years. Based on the most recent actuarial valuation, the ARC increased the City's current contribution rate from 15.74% to 19.32%, or an increase of 3.58%. This result in an additional \$12.5 million needed to fully fund the ARC, of which \$8.7 million would need to come from the General Fund.

In the 5 year financial forecast, which occurred prior to the completion of the actuarial valuation, an estimated increase in contributions of 2%, or \$5.4 million was included. The actuarial valuation report states, "*The City is currently scheduled to contribute less than the ARC beginning in Fiscal Year 2010.*" It goes on to say that, "*The City contributed less than the ARC for fiscal years 2005, 2006, 2007, and 2008...*" In order to avoid falling further behind in

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meeting the City's pension obligations, yet recognizing that fully funding the ARC creates significantly more pressure on the City's budget, funding equivalent to an additional 2% in contributions is included in the budget for FY2010.

It has been determined that the additional \$5.4 million not be disbursed until a committee can be convened to study various alternatives, some of which City staff has already begun to review. The committee will be comprised of members of the Employees Retirement Fund (ERF) Board and staff, City staff and business professionals within the community. In preliminary discussions with the ERF, it was suggested that a new experience study be completed (anticipated by spring of 2010) to assist with the committee's work. It is anticipated the committee's recommendation would be received by early summer of 2010, for inclusion in next year's budget.

Retiree Health Care – In FY2009, City Council took two progressive steps toward addressing the growing cost of healthcare for retirees and their dependents. The first action was to budget \$5 million to be placed into a trust fund to address the growing unfunded liability. As with the City's pension obligation, an actuarial valuation was completed on the retiree healthcare benefit. This study revealed an unfunded liability of \$986 million and an annual required contribution (ARC) of \$103 million. Of that amount, the City currently only pays \$18 million, leaving an additional \$85 million.

As with the ARC for the pension benefit, in order to avoid falling further behind in meeting the City's obligation, yet recognizing that fully funding the ARC creates significantly more pressure on the City's budget, the decision is to again put money into the trust fund. The General Fund amount is \$5 million, with an additional amount of \$5.1 million being contributed by the enterprise and internal service funds. Also, like the pension benefit, there will be a committee assembled to study retiree health care. This committee will also bring a recommendation to the Council for next year's budget consideration.

FUNDING AND ORGANIZATIONAL CHANGES:

Funding Updates / Changes:

Homelessness Initiative – As stated earlier under the Mineral Value policy decision, the City would continue its investment to address chronic homelessness by maintaining funding at the \$3.0 million annual level. This represents the 2nd contribution toward implementing the 10 year Directions Home Plan. Funding for this initiative can be found in several City Departments. Housing and Economic Development will have \$2.5 million to fund Housing Vouchers, Mental Health and Substance Abuse support and Case Management. Code Compliance and Municipal Courts will both have Social Service Coordinators at \$68,583 each. Funding also includes \$195,588 for the three narcotics officers that are within the Police Department. Additionally, the Law Department has funding of \$180,599 for two attorneys to work in the Community Prosecutor Program.

Outside Agencies - In previous years, the Culture and Tourism Fund and the General Fund provided funding for several nonprofit agencies. In FY2009, city staff conducted a Sunset Review of these outside agencies to determine whether their goals and missions complemented the city's objectives. As a result of the reviews, and in order to rely on three oversight organizations who are well equipped to determine the funding level, the City is changing how it supports outside agencies.

Starting in FY2010, the City will provide funding to only three agencies: the Arts Council of Fort Worth, the United Way of Tarrant County and the Fort Worth Convention and Visitors Bureau.

The Arts Council and United Way already conduct extensive and recurring reviews of the organizations they fund and they are in a better position to determine the effectiveness of those organizations. Specifically, the Arts Council will receive funding of \$1,360,000 for discretionary program grants, the Van Cliburn Piano Competition, Sister Cities, Artes de la Rosa (Rose Marine Theatre), Imagination Celebration, World Affairs Council, and to operate the Community Arts Center.

The United Way will receive funding of \$345,000 for the social services agencies currently funded by the City and which is an extension of City services. These agencies include Safe Haven, Women's Center, Alliance for Children, Resource Recovery Council, Tarrant County Recovery Campus and Tarrant County Youth Collaboration.

The Convention and Visitor's Bureau is responsible for promoting tourism on behalf of the City. Additionally, they have been asked to provide a proposal for operating the Fort Worth Herd program.

This year the City will also provide funding to support capital improvements at the Museum of Science and History. Funding of \$500,000 will come from revenues generated by gas wells.

Ambulance Subsidy - The Ambulance Subsidy was funded at a per capita rate of \$2.27 based on a population of 718,450 for a total of \$1,630,882 in FY2008. For FY2009, an additional \$2 million was provided which came as a transfer of \$1 million from the Worker's Compensation Fund and \$1 million from the Contract Street Maintenance Fund. For FY2010, the decision is to eliminate the one-time increase and revert back to the original funding level in FY2008 of \$1,630,882.

Implementation of the Enterprise Resource Planning (ERP) Project- Phase I – The city will continue the effort of improving all human resources and payroll systems. The implementation of ERP Phase I began in mid September 2008. For FY2010 this budget includes \$920,394 for contractual funding to backfill core staff positions in Human Resources, Finance and IT that were moved to the project during implementation.

Organizational Changes:

- Cable Communications Office and Office Services (Mailroom, Print Shop and Graphics) will transfer to the Community Relations Department. The consolidation of these programs has no impact on the General Fund but will focus resources on core services and increase efficiency by reducing administrative costs and implementing outsourcing strategies.
- Budget and Research Division will transfer to the City Manager's Office from the Financial Management Services Department. This transfer will have no impact on the General Fund rather provides a more streamlined fiscal organization.
- Capital Projects and Budget Systems Divisions will transfer to the Program Management Office of the Capital Projects Service Fund (formerly Engineering Fund) where it will better guide the delivery of capital projects and programs. This transfer saves the General Fund \$576,456.
- Emergency Management Office will transfer to the Fire Department from the City Manager's Office. This transfer has no impact on the General Fund rather better aligns the program with the mission of the department. Emergency Management Office was previously in Fire Department.

- Public Events Department will transfer to the Culture and Tourism Fund. This will impact the General Fund expenditures by \$9.1 million and revenue by \$6.5 million, for a net savings of \$2.6 million to the General Fund.
- Homelessness Program and related funding will transfer to Housing and Economic Development (includes 2 authorized positions) from Planning and Development. This transfer has no impact on the General Fund and aligns the program with the mission of the department.

GENERAL FUND REVENUES

The recent slow down in the nation’s economy has impacted revenues and the City of Fort Worth is now feeling the effects of the recession. Although the City has not been as negatively impacted as some other cities, it is no longer insulated from the current trends. There have been significant declines in areas such as single family construction, home sales, new commercial construction, economic development and gas well drilling. These are some of the conditions that are all putting downward pressure on revenues.

Additionally, unemployment has steadily increased from May 2008. For the calendar year 2008, Fort Worth was listed at 5.2%. According to the Bureau of Labor Statistics (May 2009 report), the Dallas/Fort Worth unemployment rate is 7.1%. The national and state unemployment rates are 9.4% and 7.5%, respectively.

Job losses have also plagued the housing market. While not at pandemic levels, foreclosures have also increased over the past year, which has an impact on property values and the related property tax revenues.

ADOPTED GENERAL FUND REVENUE BUDGET

FY2009 <u>Adopted</u>	FY2010 <u>Adopted</u>	Percent <u>Decrease</u>	Dollar <u>Decrease</u>
\$ 538,987,152	\$528,401,543	2.0%	\$10,585,609

PROPERTY TAX

The City receives a significant portion of its revenues (over 55%) from taxes assessed on real and personal property. City staff works with appraisal districts from Tarrant, Wise and Denton Counties to prepare property tax revenue projections. By State law, each appraisal district is responsible for the valuation of all property within its jurisdiction.

The certified property tax roll received from all three districts in July 2009, shows growth in the City’s tax base, although at a much slower rate than has been experienced in recent years. The significant differences from the July 2008 certified tax roll to the July 2009 certified tax roll include:

- An increase of 1.4% in total appraised value;
- An increase of 2.4% in adjusted net value (this figure is the net taxable value plus the minimum taxable value of protested and incomplete property accounts, and is the amount on which the budget is based);
- An increase of 77.35% in mineral values (the revenue from which is restricted from general use per the current City’s Financial Management Policy Statements, but is being for rescinded for one year)

In preparation for the five-year financial forecast presentation to the City Council, a rigorous analysis of the many factors that contribute to this revenue source was performed. Some of the factors analyzed for the forecast include anticipated population growth, historical change in values for residential and commercial properties, current and projected permitting data and the unknown impact of foreclosures, exemptions, and protestations. The revenue projections presented to the City Council in March of this year, again proved to be remarkably accurate. The certified appraisal values received in July 2009 came in just four tenths of 1% (0.4%) higher than the March 2009 forecast. A similar result occurred with last year's financial forecast.

The City's property tax revenue is currently split into three components: General Fund, Debt Service and Restricted Mineral Values. Again, the adopted budget includes the rescinding of the restriction on mineral values so they can be combined with the general fund revenues. The debt service fund has no such restriction in place.

The General Fund portion is available for general use related to the operations and maintenance (O&M) of tax-supported city departments and is expected to yield \$284.5 million in FY2010, including the previously restricted amount of revenue related to mineral values, and based on a levy amount of \$.7109 /\$100 of assessed valuation. The Debt Service amount is expected to yield \$57.4 million which will allow the repayment of all current and adopted debt obligations, based on a levy amount of \$.1441/\$100 of assessed valuation. The combined tax rate is \$.8550/\$100 of assessed valuation. The combined tax rate has not changed compared to FY2009, however due to slowing tax payments the collection rate assumption has declined from 99% to 98%.

SALES TAX

At 19% of the General Fund revenue budget, sales tax revenue is a major revenue component. Despite a good start for the City in FY2009, annual sales tax collections started to drop in December and have continued to decline steadily. Due to the continued uncertainty in the economy, and the volatility of sales tax revenues, the FY2010 budget assumes collections will decrease by 1.0% compared to the FY2009 projected collections.

EXPENDITURES

ADOPTED GENERAL FUND EXPENDITURE BUDGET

FY2009	FY2010	Percent	Dollar
<u>Adopted</u>	<u>Adopted</u>	<u>Decrease</u>	<u>Decrease</u>
\$ 538,987,152	\$528,401,543	2.0%	\$10,585,609

Salary / Benefit Changes:

- No pay increases for employees other than those agreed to by contract for police
- Eight (8) mandatory furlough days – equivalent to a 3% salary reduction for general employees – furlough days are spread throughout the year and coincide with holiday closings. Departments may vary furlough schedules if service impacts necessitate
- Health insurance premiums increase by 12% for City and employees, resulting in an average increase of only 1% of pay

Reduction in Work Force:

- A Citywide reduction-in-force was necessary to reduce current and long term labor costs. Labor costs represent 43% of the citywide budget and 71% of the total General Fund budget. There are a total of 6,425.50 authorized positions budgeted Citywide, which includes a reduction of 147 positions of which 69 are filled and 78 are vacant. No Police or Fire Civil Service positions were eliminated.

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- General Fund:
 - The total number of authorized positions deleted from the General Fund is 107.30 A.P. (40 filled; 53 vacant and 14.40 transferred to other funds in the City).
- Other Funds:
 - The total number of authorized positions deleted from Other Funds, which include Enterprise, Internal and Special funds, is 54.00 A.P. (29.00- filled; 25.00 vacant).

The FY2010 Budget includes significant changes and reductions. These changes are highlighted below by Service Group:

PUBLIC SAFETY AND HOUSING & ECONOMIC DEVELOPMENT SERVICE GROUP

Fire Department – The Fire Department currently has 42 stations in 6 Battalions. The department has a budget of slightly over \$103 million with 904 Civil Service employees and 46 Civilian employees. The budget increases by \$751,508 and two authorized positions for the transfer of the Office of Emergency Management from the City Manager’s Office.

Police Department – The Fort Worth Police Department has 1548 sworn personnel and approximately 432 non-sworn personnel. The budget includes a full year of funding to cover the cost of 3 sworn positions that were partially funded in FY2009. The actual positions are historically not authorized by ordinance until the actual number is known, based on the number of graduates from the police academy. The department has not been able to fill all of its authorized positions in recent years, and therefore has continued to have several vacancies. The vacancies result in salary savings, which is anticipated to increase by an additional \$1.7 million in FY2010 for 25 positions, 20 of which are police officers and 5 are sergeants.

Housing & Economic Development Department – The Housing and Economic Development Department seeks to assist residential and commercial development through loan programs, tax incentives and other homebuyer and business assistance programs. Additionally, the Directions Home Program (Homelessness Program) is being transferred to this department from the Planning and Development Department. This transfer includes two authorized positions and increases the budget by \$2,556,042. The budget also decreases by \$201,050 as a result of the elimination of a Deputy Director position. Another significant change is the elimination of the Housing Trust Fund, decreasing the department’s budget by \$2,000,000.

INFRASTRUCTURE SERVICES SERVICE GROUP

Transportation and Public Works Department – The Transportation and Public Works Department manages the city’s traffic and pedestrian orientated mobility. The proposed budget decreases significantly in various areas. It reduces by \$679,576 for the reduction of an Engineering Technician II and a Senior Engineering Technician and other contractual for the Alley Maintenance Program. The proposed budget also decreases by \$478,235 for the reduction of a Customer Service Representative, Professional Engineer, Senior Administrative Assistant, Parts Expediter, five Traffic Service Workers, and two Traffic Systems Technician II positions. Additionally, the proposed budget decreases by \$404,532 for the reduction of two Skilled Trades Technicians, Custodial Services Supervisor, Carpenter, Painter, Roofer and HVAC Technician. TPW transferred six (6) positions (\$332,427) for development review and project management from the General Fund to the Capital Projects Service Fund. Also, the proposed budget decreases by \$317,554 for the reduction of an Engineering Technician II, Construction Inspector II, and a Senior Professional Engineer position and associated costs. Due to the reduction of four Equipment Operator and a Field Operations Crew leader position

and associated costs the proposed budget decreases by \$249,492. Additionally, the proposed budget decreases by \$237,608 for the reduction of a Planner, Senior Planner, and a Transportation Manager position and associated costs. Two authorized positions for the Transportation Impact Fee Program were transferred to the Planning and Development Department, decreasing the proposed budget by \$197,600. The proposed budget also decreases by \$159,220 for the reduction of an Equipment Coordinator and a Senior Management Analyst.

Planning and Development Department – The Planning and Development Department seeks to make Fort Worth the most livable city in Texas by promoting orderly growth and development, safe construction and neighborhood vitality. Significant changes to the budget include various reductions. The budget decreases by \$2,556,042 for the transfer of two authorized positions, consultant services and other contractual funding for the Directions Home Program from the Planning and Development Department to Housing and Economic Development Department. The budget also decreases by \$198,804 for the reduction of three authorized planning positions including an IT Planner, Planning Assistant, and a Senior Planner. Other reductions include three authorized customer service positions totaling \$152,820. Additionally, the budget decreases by \$105,492 for the reduction of two authorized inspector positions, a Gas Well Inspector and a Sign Inspector position. The budget decreases by \$101,280 for the reduction of two authorized positions from Urban Forestry including an Administrative Technician and a Landscape Architect.

NEIGHBORHOOD SERVICES SERVICE GROUP

Library Services – The Fort Worth Library system has 16 facilities including current branches, the Central Library located in downtown Fort Worth and the newest branch library opening in FY2011. The budget increases by \$626,081 to fund operating costs to open the new Northwest Branch Library.

Parks and Community Services Department – The Parks and Community Services Department (PACS) maintains more than 200 parks and public spaces citywide as well as provides aid and educational programming that makes Fort Worth a great place to live, work and play. Several significant budgetary changes were made in this department. As a result of the closure of all city pools except for Forest Park in the summer of 2010, the budget decreases by \$444,961. Additionally, the budget decreases by \$283,000 for reductions to the Right-of-Way Maintenance program. Other significant reductions include suspending funding and evaluating operations of the Day Labor Center which reduces the budget by \$262,148 including two and a half authorized positions. The budget decreases by \$625,893 and seven authorized positions for the transfer of management of the Water Gardens to the Culture and Tourism Fund and reduces by \$176,232 for the reduction of education programs and three authorized positions at the Botanic Garden. Additionally, the Log Cabin Village is being transferred from the Culture and Tourism Fund to this department. This transfer includes six authorized positions and increases the budget by \$435,463.

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. Effective FY2009, Animal Care and Control and Consumer Health divisions are part of the Code Compliance Department to help the city better serve residents. This budget decreases by \$997,158 including the reduction of 14 authorized positions. This includes the reduction of one Veterinarian, one Special Services Superintendent, one Special Services Supervisor, three animal shelter attendants as a result of

closing the shelter two days a week, one Code Officer in the training role and six Code Officers and transfer of one Assistant Director Position to Community Relations.

MANAGEMENT SERVICES SERVICE GROUP

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. Due to the elimination of one Senior Human Resources Analyst position the budget decreases by \$91,920. The budget increases by \$355,394 in other contractual services for backfilling resources for the Enterprise Resource Planning (ERP) project. For the past two years, Human Resources staff has looked for ways to reduce health care costs, improve employee health and wellness, and provide a cost effective alternative to the current health care delivery model. Council has approved that an Employee Health Clinic and Fitness Facility be established on a pilot basis in a location convenient to employees of City Hall and downtown City facilities. The cost of this program is in the Worker’s Compensation Fund.

Financial Management Services – The City of Fort Worth’s Finance Management Services Department is responsible for providing timely and accurate financial, operational and management information through a variety of functions. This year’s budget includes significant changes for this department. The budget decreases by \$1,959,781 due to the transfer of the Budget and Research Division, Capital Projects Team, and Budget Systems per the City Manager’s direction, to the City Manager’s Office and the Capital Projects Service Fund. This transfer includes 16 authorized positions. One authorized position in Utility Management will be transferred to the Law Department. Additional reductions include a decreased budget by \$368,857 for the reduction of four authorized positions including a Financial Services Manager, Administrative Secretary, Buyer, and Senior Accountant.

The City Manager’s Office is also a part of the Management Services Service Group. Within the City Manager’s Office, the Budget and Research Division is responsible for forecasting City revenues, coordinating the development of the annual budget, and monitoring departmental compliance with the Adopted Budget. The Governmental Relations division serves as the staff liaison between the City of Fort Worth and other cities, Tarrant County, the State of Texas and the United States Government. In that capacity, Governmental Relations staff members work to ensure that the Mayor, City Council and City Manager’s Office are aware of the various issues that may impact the City of Fort Worth and to develop the City’s official position regarding those issues. Additional information regarding the FY2010 budget impact on the City Manager’s Office can be found below under the “Appointed Officials” section.

APPOINTED OFFICIALS

City Manager’s Office – The City Manager’s Office is composed of four divisions: Administration, Mayor and Council, Budget and Research and Governmental Relations. Significant changes included in this year’s budget include decreases of \$780,639 for transfers out for the reduction of the Cable Fund subsidy which was transferred to the Community Relations Department. Additionally, the budget decreases by \$452,152 due to the transfer of the Emergency Management Office (including the Executive Assistant to the City Manager position) to the Fire Department. Public information costs decrease in the amount of \$295,704 as they were transferred to the Community Relations Department. With the transfer of the Program Management Office to the Capital Projects Service Fund, the department’s budget declines by eight authorized positions and \$252,844. The budget also decreases by \$105,298 in

travel expenses in Governmental Relations. This reduction is due primarily to FY2010 being a non-legislative session. The budget decreases by ten authorized positions and \$923,571. This includes four non-essential administrative positions, one Transportation Coordinator position and five authorized positions for the reduction of the Organizational Analysis Unit and Sunset Review. The budget increases by \$973,023 and eleven authorized positions for the transfer of the Budget Office from the Financial Management Services Department.

City Secretary – The City Secretary's Office serves as a coordinator for the City Council meetings, records and maintains all of the 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 City Secretary's Office also coordinates the Public Official Ethics Ordinance and serves as the official repository for associated document filings and campaign filings. The budget increases by \$27,500 for the purchase of public information software and training based on the growing number of requests by citizens, businesses and media organizations for public information, more stringent regulations required by state and federal laws in providing open records in a timely manner, and the movement to be more open with the public.

Law – The Department of Law, under the direction of the City Attorney, is responsible for the administration of all legal affairs of the City; 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 budget increases by \$250,000 for the addition of three Public Information staff – two attorneys and one support staff. Additionally, the budget increases by \$318,983 for the transfer of the utility management program from the Financial Management Services Department to the Law Department along with associated costs, dues and memberships. In addition, an overage position was converted to a permanent position for a cost of \$47,012.

Internal Audit - The Internal Audit Department is responsible for to keep Fort Worth government effective, efficient and accountable through independent assessment of operations and business practices. Several audits are conducted by the department, including financial audits that focus on verification of financial transactions and balances, operational audits to review the performance of a program or service then make suggestions for improvement, grant audits to focus is on compliance with the financial terms of grant agreements, construction project audits which include review of construction project cost and performance terms, and information system audits which involve verifying that computer systems are effective and efficient. The Internal Audit budget increases by \$1,200,000 for the transfer from Non-Departmental for external audit fees.

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. Non Departmental has reductions of \$40,000 for the cafeteria subsidy, \$216,000 for outside sunset reviews, \$570,000 for the annual audit, \$48,000 for the Citizen's Survey and \$604,000 for elections. The Non Departmental budget decreased by \$2 million for the elimination of the one-time additional funding for the Ambulance Authority subsidy from the Worker's Compensation Fund and the Contract Street Maintenance Program. Additionally, the budget decreases by \$2,335,108 for electricity costs based on the decline in prices and the negotiation of a new contract that was effective in June 2009.

OTHER FUNDS

Culture and Tourism Fund – The expenditure budget is \$29,010,535 and has a net increase of 82 authorized positions. The net increase in positions is associated with the transfer of the Public Events Department and the transfer of the Log Cabin Village from the General Fund. The Public Events transfer reduces General Fund expenditures by \$9,230,244 and revenue by \$6,530,971, for a net savings of \$2,628,323 to the General Fund. In addition to the transfer, the proposed budget for Public Events includes reductions of 20 authorized positions for a savings of \$936,120. These reductions include field operations crew leaders, administrative assistants, skilled and senior skilled trades technicians, and public events attendants and constitute approximately a 8.5% reduction. The transfer of positions fits within the state's guidelines of promoting tourism within Fort Worth and is therefore an appropriate use of the fund's reserve, which is primarily derived from Hotel Occupancy Taxes.

The Log Cabin Village expenditures transferred to the Parks and Community Services Department of the General Fund totals \$435,463. This program was moved into the Culture and Tourism Fund in FY2009, but it has been determined is a better fit in the Department's General Fund budget. The Water Gardens is being transferred to the Culture and Tourism Fund. This includes seven authorized positions and \$625,893.

Finally, a change in policy is being made regarding the DFW Airport Car Rental Tax. A revision to the Financial Management Policy Statement will be adopted in November 2009. The Car Rental Tax will be used to toward facility improvements at the Fort Worth Convention Center and the Will Rogers Memorial Center. Hotel Occupancy Taxes will be dedicated to debt service payments on the Fort Worth Convention Center, the Fort Worth Convention and Visitor's Bureau, and Public Events operations.

Group Health – The health insurance premiums for plan year 2010 increase by 12%. This increase will apply across the board for the City's contribution, active employees and retirees. The dollar impact of a 12% premium increase on an employee's paycheck for the Basic Plan will be \$61.89 annually for employee only coverage, and \$523.38 annually for employee and family. And, the Select Plan will be eliminated from the City's Health Benefits Plan for plan year 2010.

Information Systems Fund – The adopted expenditure budget is \$23,179,951, which is an increase of \$267,425. Significant increases include increased software and maintenance contractual costs, \$862,365; additional funds ERP backfill costs for Phase I and Phase II, \$628,000; additional contribution to the retiree healthcare trust, \$323,045; an information security audit, \$247,500; claims and lawsuit allocations from Risk Management, \$164,960; and a 2% increase in the City's contribution to the employee retirement fund. There will not be a change in the number of authorized positions for FY2010. The IT Sourcing Project has been initiated. It includes reviewing and selecting the IT services from all the departments for potential outsourcing and to complete that outsourcing in FY2011. The primary goal is to help alleviate the City's long term costs associated with approved positions in addition to reducing the overall cost of providing technology services to the City organization. Staff is in the process of requesting Council approval to hire an Advisory Consultant to assist the City through this process.

Equipment Services Fund – A new Take Home Vehicle Policy was implemented on June 1, 2009 for all departments except Police. The Police Department will implement the new policy on January 1, 2010. The new policy reduced 143 Take Home Vehicle privileges for an annual savings in operating and maintenance costs of \$489,013 citywide with \$299,389 in the General Fund alone. Personal Assignment Vehicles are being identified and transitioned to use of

personal vehicles with mileage reimbursement. The projected revenue from the sale of these city vehicles could be up to \$440,982 with up to \$110,950 in the General Fund alone.

Upon approval by City Council in August, the Equipment Services Department will begin a Competitiveness Study to evaluate current operations as they relate to the fleet maintenance market. The Competitiveness Study will last for 60 days following implementation. The Competitiveness Study will determine the need, if any, to proceed with a Request for Proposal (RFP) for fleet maintenance services in November 2009. Through the Managed Competition process, the Equipment Services Department would bid on the RFP. The RFP process would be completed in March 2010 with a recommendation for fleet maintenance services in April 2010. Following contract negotiation and transition planning, a new fleet maintenance service provider could be in place on or before October 1, 2010.

Water and Sewer Fund – The adopted expenditure budget is \$341,494,432, which is a \$6,916,506 increase over the FY2009 Budget. Increases in operational costs are just over \$13.4 million. Some of the largest items in this increase are \$3.5 million, or 7.6% for raw water costs paid to the Tarrant Regional Water District; \$1.3 million, or 20.5% for payments to the Trinity River Authority for wastewater treatment services; \$1.3 million, or 7.8% for Street Rental transfers to the General Fund; \$795,000, or 12.4% for employee retirement contributions increase; \$615,000, or 12.5% for employee health benefits cost, and \$430,000 for increased fees by the Texas Commission on Environmental Quality. New items in the budget include \$2.6 million to fund retiree healthcare requirement and \$4.1 million for a payment in lieu of taxes transfer to the General Fund.

To offset these increases, this budget includes a reductions totaling over \$7 million. Those reductions include the elimination of 5 authorized positions that functioned as a conduit construction crew; a reduction of \$1.8 million in capital equipment, over \$1.7 million in various contracts and supplies as well as other project and personnel related cuts.

This budget implements Late Fees which are anticipated to generate \$1.2 million in additional revenues. Additionally, an increase in the Water Irrigation Rates will produce \$1.0 million in additional revenues, and increases to the Monthly Service Charge will produce revenues to cover the PILOT. The system wide increases for these adopted changes are 1.68% for the Water System and 2.05% for the Sewer System. The budget includes a wholesale rate decrease of 1.24% for Water and an increase of 12.53% for Wastewater. To offset the debt service transfers from the operating budget, \$4.3 million of the Water and Sewer Revenue Debt Service Fund will be utilized.

Storm Water Utility Fund – The Storm Water Utility was authorized by the City Council in FY2006 and the first full year of operation was FY2007. The most recent survey of Fort Worth citizens showed Storm Water Management with the largest increase in customer satisfaction of any program in the city during the preceding year.

Given the serious and widespread flash flooding that Fort Worth had regularly experienced over the past 20 years, the Storm Water Utility was implemented with an “aggressive”, multi-year, phase-in plan, including planned rate increases each year. This plan focuses on assessing the condition of existing infrastructure, conducting drainage studies to diagnose the causes of flooding, and increasing capabilities as indicated from knowledge gained through studies and field experience gained through projects. As of this budget submission, staff has identified over \$1.0 billion in Storm Water projects necessary to address life safety issues, mitigate flooding and erosion, and replace, repair, and maintain Storm Water infrastructure. Over \$330 million of this backlog involves areas of the City where chronic flooding has occurred and presents a

threat to life and property. For FY2010, the budget increases to \$25,693,028, this includes the addition of 2 positions. The revenue budget of \$25,693,028 is generated almost entirely from the Storm Water fee charged to approximately 200,000 residential and commercial customers based on the amount of their property's impervious surface. Impervious surface is quantified into an Equivalent Residential Unit (ERU) and, for FY2010, the City's "per ERU rate" increases by \$1.00/month, from \$3.75 to \$4.75, effective January 1, 2010. This new revenue funds an additional \$4,028,888 necessary to service the debt associated with new Revenue Bonds to be sold in the fall of 2009. This revenue bond sale will fund \$45 million in Storm Water capital projects in FY2010 and FY2011. The revenue also enables some service level increases, such as increasing inlet cleaning capacity to once every other year, and allowing all drainage channels to be mowed at least once per year. Finally, the budget also increases contract utilization for the Storm Water Engineering and Field Operations activities from 51% of the current year budget to 55% in FY2010.

Municipal Airports Fund – The expenditure budget is \$4,619,947 which is an increase of \$1,450,339 from FY2009. For FY2010, Aviation's budget increases by \$1,440,000 for the inclusion of revenue and expenditures related to a lease agreement at Alliance Airport. The budget is reduced by \$103,944 for the deletion of two authorized Airport Coordinator positions at Spinks and Meacham Airports. In addition, the budget decreases by \$66,492 for the reduction of two custodial positions at Meacham Airport. Additionally, the budget increased by \$56,088 for the addition of an Operations Supervisor position at Meacham Airport.

In any budget process, it is always a challenge to balance competing needs against limited resources and this year was no exception. What made this year particularly difficult was the fact that it followed the numerous reductions made last year. Such a process of cost cutting and service reductions will be hard to sustain. Though difficult, FY2010 budget has been successfully balanced. I am confident that with the combination of policy modifications, revenue enhancements and service reductions we have managed to support the City Council's strategic goals while minimizing the impacts to both citizens and employees.

Respectfully submitted,

Dale A. Fisseler P.E.



City Manager

FORT WORTH

