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CITY OF FORT WORTH, TEXAS

FY2024

RESERVE REQUIREMENT SUPPLEMENT

For the Fiscal Year Ended
September 30, 2024



City of Fort Worth, Texas
Reserve Requirement Supplement
For the Fiscal Year Ended September 30, 2024

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April 14, 2025

Department Heads,
Fiscal Coordinators and City Staff
City of Fort Worth, Texas

Ladies and Gentlemen,

We are pleased to submit the Reserve Requirement Supplement for the fiscal year (FY) ended September 30, 2024. This report contains information pertaining to the City's Operating Funds and their compliance with the City's Financial Management Policy Statements (FMPS) under Section III: Fund Reserve Policies. The FMPS Fund Reserve Policies can be found on the City's Intranet Website under Financial Management Services here: <https://cofwemployees.fortworthtexas.gov/departments/finance/policy-statement>.

The Government Finance Officers Association's (GFOA) best practice for reserves recommends, at a minimum, that general purpose governments, regardless of size, maintain an unassigned fund balance of no less than two months of regular operating revenues or operating expenses. GFOA best practice for Working Capital Targets for Enterprise Funds recommends that local governments adopt a target amount of working capital to maintain in each enterprise fund. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

City management may utilize the contents of this report to assess their fund compliance with the applicable reserve requirement and to aid financial analysis and important decisions related to budget forecasting and planning.

The City Manager's Office or responsible department of any non-compliant fund must consult with The Fort Worth Lab (FWLab) during the upcoming fiscal planning process to allocate a Contribution to Net Position/Fund Balance over the next one to three fiscal year(s) to regain compliance with the applicable fund reserve policy.

For Governmental Funds, calculations only include the Operating Fund and only the Actuals ledger (budgetary basis) from the General Ledger. For Proprietary Funds, the full accrual accounting basis is used to calculate the reserve level. Working Capital is calculated using the current ratio, which is current assets net of current liabilities, and is performed against the operating funds only.

The Financial Management Services Department (FMS) reviews and updates the FMPS annually and submits revisions to the Mayor and City Council for approval. Any discrepancies noted above between the policies as currently written and the intent will be addressed during this process to clarify the calculation.

Details of any Operating Fund's Reserve Requirement Supplement can be provided upon request by emailing FMS at FIN_FINANCIAL_REPORTING@fortworthtexas.gov or by calling 817-392-2455.

This PDF comes fully bookmarked for your convenience. If you have any questions regarding this information, please feel free to contact me at 817-392-8500.

Respectfully Submitted,

**Reginald
Zeno**

Reginald Zeno
Chief Financial Officer

Digitally signed by
Reginald Zeno
Date: 2025.04.14
18:08:00 -05'00'

DEPARTMENT OF FINANCIAL MANAGEMENT SERVICES

THE CITY OF FORT WORTH * 100 FORT WORTH TRAIL * FORT WORTH, TEXAS 76102
(817) 392-8500 * FAX (817) 392-8502

Governmental Funds

Governmental Funds

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of financial resources, while modified accrual is used for the basis of accounting. The City reports the following governmental funds:

General Fund

General Fund is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The proceeds of specific revenue sources that have been committed or restricted to expenditures for specified purposes other than debt service or capital projects are accounted for as special revenue funds.

Crime Control and Prevention District Fund is used to finance the cost in providing the necessary resources to effectively implement crime reduction strategies pertaining to enhanced enforcement, neighborhood crime prevention, partner programs, recruitment and training, and department equipment, technology, and infrastructure within the City of Fort Worth, as approved by citizens.

Environmental Protection Fund is used to accumulate revenue to pay for any environmental program or service as such services are required by state or federal mandates.

Community Tree Planting Program Fund provides a variety of trees on public property that are of exceptional quality, drought-resistant, well adapted to the urban environment, and of superior health and form.

Economic Incentives Fund is used for managing revenues generated from various projects that meet eligibility under Section 9, Technology Company Projects, and Section 14, Employment Designated Project Fund, in the Economic Development Program Policy for grants authorized by Chapter 380 of the Texas Local Government Code.

Culture and Tourism Funds are used to account for taxes received from hotel and motel occupancy to promote tourism.

Golf Fund is used to account for the operation of three City golf courses. The Fund's operations are financed by course fees, golf equipment rentals and merchandise and concession sales to the public and an annual subsidy from the General Fund.

Alliance Maintenance Facility Fund is a special revenue fund for managing revenues generated from a City-owned facility that AllianceTexas, a Hillwood entity, manages and leases on the City's behalf and used to pay management and facility expenses to fund capital projects.

Debt Service Funds

Debt Service Funds account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term obligations paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures. It comprises three funds: General Debt Service Fund, Culture and Tourism Debt Service Fund, and Venue Debt Service Fund. In addition, long-term obligations that are paid with special assessments or fund revenues are included in this fund.

General Fund

CITY OF FORT WORTH, TEXAS
RESERVE REQUIREMENT SUPPLEMENT
GENERAL FUND
SEPTEMBER 30, 2024
(UNAUDITED **)**

GENERAL FUND	
Next Year's Budgeted Expenditures	\$ 1,057,175,646
Fund Balances:	
Nonspendable (Postage, Light & Signal, Fire, and Commissary Inventories)	\$ 5,344,732
Committed (State Sales Tax Agreement & Rollover Expenditures)	30,084,601
Assigned (Appropriated by Council)	64,446,937
Unassigned	232,578,642
Ending Fund Balance	\$ 332,454,912
Reserve Requirement:	
Unassigned Fund Balance	\$ 232,578,642
Next Year's Budgeted Expenditures (FY25 Adopted Budget)	1,057,175,646
Minimum Reserve Requirement @16.67% of next year's budgeted expenditures	176,231,180
Actual	22.00%
Governmental Funds Reserve Policy Excerpts:	
<i>(https://cofwemployees.fortworthtexas.gov/departments/finance/policy-statement)</i>	
<u>General Fund:</u>	
The City will maintain an Unassigned Fund Balance in the General Fund equivalent to a minimum of two months (16.67%); with a goal of three months (25%), of the next fiscal year budgeted operating expenditures.	
Basis: <u>Budgetary basis</u> is used for calculating the reserve level for Governmental Funds Reserve.	

Other Governmental Funds

CITY OF FORT WORTH, TEXAS
RESERVE REQUIREMENT SUPPLEMENT
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024
(UNAUDITED **)**

	A	B	C	D	E
Fund No./Fund Name	Next Year's Budgeted Expenditures	Fund Balances	Reserve Goal	Projected Excess (Deficit) of Reserve	Compliant with Policy
Special Revenue Funds:					
26001 - Crime Control & Prevention District	\$ 135,086,723	\$ 40,976,000	\$ 22,518,957	\$ 18,457,043	Yes
25005 - Environmental Protection	15,614,969	3,464,000	2,603,015	860,985	Yes
25006 - Community Tree Planting Program	531,164	134,000	88,545	45,455	Yes
25012 - Economic Incentives	5,000,000	6,402,000	833,500	5,568,500	Yes
Culture and Tourism Funds					
20101 - Culture and Tourism	52,437,469	38,807,000	8,741,326	30,065,674	Yes
20103 - 2% Hotel Occupancy Tax	7,736,075	13,932,000	1,289,604	12,642,396	Yes
20104 - Project Financing Zone	6,073,306	25,219,000	1,012,420	24,206,580	Yes
20105 - DFW Revenue Sharing	6,247,864	14,024,000	1,041,519	12,982,481	Yes
20106 - Venue	10,156,367	12,161,000	1,693,066	10,467,934	Yes
20107 - Hotel Occupancy 2% Venue	-	1,626,000	-	1,626,000	Yes
20102 - Golf	7,902,693	1,897,000	1,317,379	579,621	Yes
28009 - Alliance Maintenance Facility	8,149,735	3,246,000	1,358,561	1,887,439	Yes
Debt Service Funds: ^{(1) (2)}					
40100 - General Debt Service	177,603,652	60,482,000	44,400,913	16,081,087	Yes
40101 - Culture & Tourism Debt Service	6,947,543	11,362,000	1,736,886	9,625,114	Yes
40103 - Venue Debt Service	19,860,700	10,312,000	4,965,175	5,346,825	Yes

Governmental Funds Reserve Policy Excerpts:

<https://cofwemployees.fortworthtexas.gov/departments/finance/policy-statement>

Special Revenue Funds:

The City will maintain combined Restricted and Assigned Fund Balances in Special Revenue Funds equivalent to two months (16.67%) of the next fiscal year's budgeted operating expenditures.

Debt Service Funds:

The City will maintain a level of Restricted, Committed, and Assigned Fund Balances in each governmental Debt Service Fund equivalent to three months (25%) of the highest projected debt service (principal and interest) over the succeeding debt service schedule. Amounts used in this calculation shall not include any amounts allocated for other purposes by the City Council.

Basis: **Budgetary basis** is used for calculating the reserve level for the Governmental Funds Reserve.

References:

A - Next year's budgeted expenditures per City's Adopted Budget.

⁽¹⁾ For Debt Service Fund, projected debt service over the succeeding debt service schedule is used.

B - Restricted and Assigned Fund Balances for Special Revenue Funds
Restricted, Committed and Assigned Fund Balances for Debt Service Funds

C - See the Governmental Funds Reserve Policy excerpts above for respective fund type percentage reserve goal multiplied by the next year's budgeted expenditures (special revenue funds) or projected debt service (debt service fund).

D - The project excess reserve amount is calculated by subtracting reserve goal amount from fund balances (B minus C).

E - If column D (projected excess reserve) amount is positive, the fund is compliant; and if negative, the fund is not compliant.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominantly self-supported by user charges. The operations of Enterprise Funds are accounted for in such manner as to show a profit or loss similar to comparable private enterprises.

Major Enterprise Funds

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of regional water, wastewater and reclaimed water services to residential, commercial, industrial, irrigation, and wholesale customers. Activities of the fund include administration, engineering, water and wastewater treatment, billing and collection services, operations and maintenance of the system, and funding for capital improvements to ensure system reliability, comply with regulatory requirements, meet corporate priorities, and serve anticipated growth. Debt is issued for large capital projects. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

Stormwater Utility Fund

The Stormwater Utility Fund is used to account for the operation of the stormwater utility and provides funding for storm drainage capital improvements and enhanced maintenance of the storm drainage system to protect people and property from harmful stormwater runoffs. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for the stormwater debt.

Nonmajor Enterprise Funds

Municipal Parking Fund

The Municipal Parking Fund is used to account for the operation of the Will Rogers Memorial Center parking system, Taylor Street garage, Convention Center garage, Houston Street garage, Western Heritage garage, 15th Street garage, and several surface lots located in the downtown area, as well as parking meters and parking compliance personnel. The Fund's operations are financed by parking activities and office space rentals.

Municipal Airports Fund

The Municipal Airports Fund is used to account for the Meacham, Spinks (South Fort Worth) and Alliance (North Fort Worth) Airport operations. Revenues are derived principally from the hangar and terminal building rental, landing fees, and fuel surcharges.

Solid Waste Fund

The Solid Waste Fund is used to account for solid waste services provided to the residents of the City. The Fund's operations are financed by trash collection utility fees and cart rentals.

CITY OF FORT WORTH, TEXAS
RESERVE REQUIREMENT SUPPLEMENT
PROPRIETARY OPERATING FUNDS - ENTERPRISE FUNDS
SEPTEMBER 30, 2024
(UNAUDITED **)**

	Major Funds		Nonmajor Funds		
	Water and Sewer	Stormwater Utility	Municipal Parking	Municipal Airport	Solid Waste
Next Year's Budgeted Expenses	\$ 395,902,544	\$ 28,845,979	\$ 5,555,738	\$ 14,008,077	\$ 88,153,307
1) Working Capital (WC)					
Reserve Goal	\$ 98,975,636	\$ 7,211,495	\$ 1,388,935	\$ 3,502,019	\$ 22,038,327
Working Capital (Operating Fund Only)					
Current Assets	\$ 341,022,000	\$ 30,577,000	\$ 9,316,000	\$ 18,244,000	\$ 40,857,000
Less: Current Liabilities	112,460,000	7,735,000	2,278,000	1,471,000	7,040,000
WC	228,562,000	22,842,000	7,038,000	16,773,000	33,817,000
Excess WC	\$ 129,586,364	\$ 15,630,505	\$ 5,649,066	\$ 13,270,981	\$ 11,778,673
Compliant with Policy	Yes	Yes	Yes	Yes	Yes
Net Position appropriated in next year's budget	-	-	-	-	-
Projected Excess WC	\$ 129,586,364	\$ 15,630,505	\$ 5,649,066	\$ 13,270,981	\$ 11,778,673
2) Cash On Hand					
Operating expenses, net of depreciation	\$ 360,990,000	\$ 24,450,000	\$ 6,217,000	\$ 23,706,000	\$ 73,871,000
Cash per day	989,014	66,986	17,033	64,948	202,386
Cash on Hand	206,721,000	7,389,000	5,960,000	11,097,000	29,328,000
Days Cash on Hand	209	110	350	171	145
Minimum (100 days cash on hand)	98,901,370	6,698,630	1,703,288	6,494,795	20,238,630
Excess cash on hand over the minimum	107,819,630	690,370	4,256,712	4,602,205	9,089,370
Compliant with Policy	Yes	Yes	Yes	Yes	Yes
Goal (150 days cash on hand)	148,352,055	10,047,945	2,554,932	9,742,192	30,357,945
Excess cash on hand over the goal	58,368,945	(2,658,945)	3,405,068	1,354,808	(1,029,945)
3) No negative unrestricted net position	Yes	Yes	Yes	Yes	Yes
Unrestricted Net Position	\$ 403,530,000	\$ 54,492,000	\$ 3,331,000	\$ 100,333,000	\$ 17,200,000
Proprietary Funds Reserve Policy Excerpts: https://cofwemployees.fortworthtexas.gov/departments/finance/policy-statement					
Enterprise Funds: The City will maintain the following goal reserve levels in each Enterprise Fund, consistent with State law and the terms of ordinances pursuant to which obligations have been issued or incurred that are secured in whole or in part by revenues held in or credited to an Enterprise Fund: <ol style="list-style-type: none"> 1) A goal of Working Capital in Enterprise Funds equivalent to three months (25%) of the next fiscal year budgeted operating expenses, excluding intrafund transfers out to funds within the same reporting group (e.g., transfer out from Water and Sewer Operating Fund to its Capital Projects Fund or Debt Service Fund). This calculation shall be performed against the operating fund only. 2) A Reserve of 100 days cash on hand with a goal of 150 Days Cash on Hand. This calculation shall be performed against the operating fund only. 3) The City's goal is that no Enterprise Fund shall have a negative Unrestricted Net Position. This calculation shall be performed by using all of the funds for the respective reporting group. Basis: <u>Full accrual accounting</u> basis is used to calculate the reserve level for Proprietary Funds Reserve.					

Internal Service Funds

Internal Service Funds have been established to account for the financing of goods and services provided by one department to other City departments.

Group Health and Life Insurance

The *Group Health and Life Insurance Fund* accounts for medical benefits for City employees, and their eligible spouses and/or dependents.

Risk Financing

The *Risk Financing Fund*, which manages Risk Management and Workers' Comp Divisions, is responsible for property and liability insurance and claims management, coordinating loss identification, reduction, and prevention programs, and providing workers' compensation benefits.

Equipment Services Fund

The *Equipment Services Fund* is used to account for the maintenance, repair and rental operations of most City vehicles.

Capital Project Services Fund

The *Capital Project Services Fund* is used to account for general engineering services provided to various City departments.

Information Technology Solutions Fund

The *Information Technology Solutions Fund* (IT Solutions or ITS) Department provides for the management of the City's information technology infrastructure, systems and services.

CITY OF FORT WORTH, TEXAS
RESERVE REQUIREMENT SUPPLEMENT
PROPRIETARY OPERATING FUNDS - INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2024
(UNAUDITED **)**

	Insurance Funds		Noninsurance Funds		
	Group Health & Life Insurance	Risk Financing ⁽¹⁾	Equipment Service	Capital Project Service	Information Technology Solutions ⁽²⁾
Next Year's Budgeted Expenses	\$ 91,409,175	\$ 33,319,270	\$ 43,726,070	\$ 18,566,073	\$ 57,117,626
1) Working Capital (WC)					
Reserve Goal	<u>\$ 22,852,294</u>	<u>\$ 8,329,818</u>	<u>\$ 4,372,607</u>	<u>\$ 1,856,607</u>	<u>\$ 5,711,763</u>
Working Capital (Operating Fund Only)					
Current Assets	\$ 36,892,000	\$ 31,334,000	\$ 8,811,000	\$ 4,373,000	\$ 3,050,000
Less: Current Liabilities	<u>9,550,000</u>	<u>17,213,000</u>	<u>2,771,000</u>	<u>870,000</u>	<u>5,673,000</u>
WC	<u>27,342,000</u>	<u>14,121,000</u>	<u>6,040,000</u>	<u>3,503,000</u>	<u>(2,623,000)</u>
Excess WC (Deficit)	<u>\$ 4,489,706</u>	<u>\$ 5,791,183</u>	<u>\$ 1,667,393</u>	<u>\$ 1,646,393</u>	<u>\$ (8,334,763)</u>
Compliant with Policy	Yes	Yes	Yes	Yes	No
Net Position appropriated in next year's budget	-	-	-	-	-
Projected Excess WC (Deficit)	<u>\$ 4,489,706</u>	<u>\$ 5,791,183</u>	<u>\$ 1,667,393</u>	<u>\$ 1,646,393</u>	<u>\$ (8,334,763)</u>
2) No negative net position (before NICA investment)	Yes	No	Yes	Yes	Yes
Net Position	27,289,000	(10,338,000)	7,496,000	2,440,000	30,789,000
Net Investment in Capital Asset	-	29,000	1,881,000	4,000	32,730,000
Unrestricted Net Position	\$ 27,289,000	\$ (10,367,000)	\$ 5,615,000	\$ 2,436,000	\$ (1,941,000)

Proprietary Funds Reserve Policy Excerpts: <https://cofwemployees.forthworthtexas.gov/departments/finance/policy-statement>

⁽¹⁾ Risk Financing has developed a plan to restore working capital and fund balance over time. M&C 25-0003 adopted appropriation for a one-time transfer of \$5,000,000 to the Risk Fund from the General Fund in FY25 to reduce the unrestricted net position deficit to (\$5,339,000).

⁽²⁾ In FY23, IT Systems was moved to an Internal Service Fund and has developed a plan to restore working capital over a maximum of five-years.

Internal Service Funds:

The City will maintain the following minimum reserve levels in all Internal Service Insurance Funds:

1) A goal of Working Capital in **Insurance Funds** equivalent to **three months (25%)** and **Noninsurance Funds** equivalent to **ten percent (10%)** of the next fiscal year budgeted operating expenses, excluding intrafund transfers out to funds within the same reporting group (e.g., transfer out from Water and Sewer Operating Fund to its Capital Projects Fund or Debt Service Fund). This calculation shall be performed using the operating fund only.

2) **No Internal Service Fund shall have a negative Net Position before NICA investment.** This calculation shall be performed by using all of the funds for the respective reporting group of the specific internal service fund.

Basis: **Full accrual accounting** basis is used to calculate the reserve level for Proprietary Funds Reserve.