



November 27, 2007

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

The FY2007-08 Adopted Budget approved by the City Council reflects the diligent efforts of staff to compile a budget that responds to the City Council goals and objectives in a fiscally sound and prudent manner. This Adopted Budget includes a tax rate decrease and balances City priorities against available resources, while maintaining core service levels in each department. The budget also includes adjustments that respond to increased demands for public safety and transportation services due to growth, efficiency, and quality customer service.

Staff has worked throughout the year with departments; considered citizen input available through citizen surveys; and sought guidance from the City Council on the specific priorities to address in the FY2007-08 budget. Also, staff participated in the City Council Retreat in June; provided budget updates to the Council in July; and worked one-on-one with Council Members to ensure that Council input was adequately captured in the development and formulation of this budget. As a result, this adopted budget responds to Council direction regarding the following priorities:

- Provide a tax rate decrease
- Maintain effective and responsive public safety services
- Provide additional funds for streets and infrastructure
- Provide step compensation increases to eligible staff
- Provide increased funding for Employee Retirement Fund (ERF)

ECONOMY

Several indicators are used to determine our overall fiscal strength which continues to be strong and stable. Sales tax revenue is the most important indicator for the City. Sales tax collections continue to show steady growth. However, due to the volatility of sales tax revenues, which are heavily influenced by prevailing economic conditions, individual consumer discretion and world events, the FY2007-08 budget projects sales tax collections to increase by 2.48% over the FY2006-07 re-estimate.

According to the Bureau of Labor Statistics (September, 2007 report), the Fort Worth unemployment rate is 4.6% compared to a national rate of 4.5%. Although, the Fort Worth unemployment rate remains higher than the national average, it is paralleling the national trend with ups and downs.

Building permits are another economic indicator for all cities. At the end of the fourth quarter, ending in September 2007, the City of Fort Worth experienced a decrease of 12.77% in single-family building permits over the same quarter last fiscal year. The number of single-family homes built has decreased over the last year, following the unprecedented highs in the last few years. Accordingly, the decrease in the number of permits indicates the slowing of the City's

growth in residential development. The value of all single-family permits issued in the fourth quarter of FY2006-07 was 61.57% higher than in the same quarter in FY2005-06. The total single-family permits for the fiscal year, thus far, have a total value of \$1.2 billion; which is a decrease of 19.43% than this time last year.

REVENUES

The City receives 57.74% of its revenues from property taxes. The certified property tax roll, released in July 2007 by the Tarrant Appraisal District (TAD), shows growth in the City's tax base and an increase in the tax levy. The July 2007 certified tax roll release allowed the City to budget increases in property tax revenue. The increase totaled \$32.4 million compared to the FY2006-07 Adopted Budget, and \$9.3 million compared to the preliminary release in May 2007. The significant differences from July 2006 certified tax roll to the July 2007 certified tax roll include:

- An increase of 12% in total appraised value
- An increase of 13% in net taxable value
- An increase of 9% in exemption valuations
- A decrease of 11% in new construction valuation
- An increase of 40% in mineral lease valuations
- A decrease in abatement valuation loss of 2%
- An increase of 5% in average single-family home value to \$114,026 from \$108,256

Another important factor impacting revenues are 380 Economic Development Agreements. Chapter 380 of the Texas Local Government Codes allows Texas municipalities to provide assistance in various forms for the promotion and encouragement of economic development. The City has issued several economic development grants for the public purpose of promoting local economic development and stimulating business and commercial activity in the City. In FY2007-08, \$7,072,340 is identified for development incentive agreements with Radio Shack, Pier 1, TLC Greenfield (The Tower), Cabela's, Montgomery Plaza - Target, Montgomery Plaza - Kimco, Trinity Bluff Development, Railhead Industrial Park, Omni Hotel, LaGran Plaza, PNL Fort Worth, Acme Brick, Presidio Hotel Group (Sheraton Grande), and Renaissance Worthington.

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Therefore, based on current and historical economic conditions and using the indicators described earlier, the FY2007-08 Adopted Revenue Budget is as shown in the following table:

	ADOPTED 2006-07	RE- ESTIMATE 2006-07	ADOPTED 2007-08	CHANGE FROM 2006-07 ADOPTED	% CHANGE	CHANGE FROM RE- ESTIMATE	% CHANGE
Property Taxes	\$291,590,333	\$292,429,733	\$324,907,629	\$33,317,296	11.4%	\$32,477,896	11.1%
Sales Tax	\$96,093,842	\$97,177,512	99,583,863	\$3,490,021	3.6%	\$2,406,351	2.48%
Other Local Taxes	\$8,754,327	\$9,301,712	9,297,234	\$542,907	6.2%	(\$4,478)	0.0%
Licenses and Permits	\$51,424,177	\$52,270,985	54,019,857	\$2,595,680	5.0%	\$1,748,872	3.3%
Fines and Forfeitures	\$11,806,227	\$12,877,093	13,727,486	\$1,921,259	16.3%	\$850,393	6.6%
Use of Money and Property	\$11,032,319	\$12,056,268	17,697,559	\$6,665,240	60.4%	\$5,641,291	46.8%
From Other Agencies	\$612,290	\$934,743	948,420	\$336,130	54.9%	\$13,677	1.5%
Service Charges	\$24,536,245	\$23,945,625	25,714,687	\$1,178,442	4.8%	\$1,769,062	7.4%
Other Revenue	\$1,409,190	\$1,942,333	1,338,262	(\$70,928)	-5.0%	(\$604,071)	-31.1%
Transfers	<u>\$16,331,536</u>	<u>\$16,625,260</u>	<u>15,497,208</u>	<u>(\$834,328)</u>	<u>-5.1%</u>	<u>(\$1,128,052)</u>	<u>-6.8%</u>
Total Revenues	\$513,590,486	\$519,561,264	\$562,732,205	\$49,141,719	9.6%	\$43,170,941	8.3%
Total General Fund	\$513,590,486	\$519,561,264	\$562,732,205	\$49,141,719	9.6%	\$43,170,941	8.3%

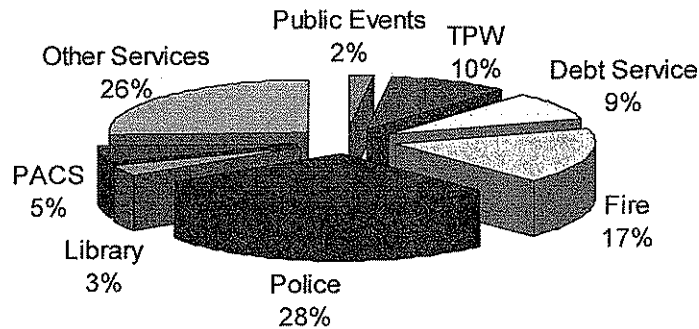
EXPENDITURES

The total Adopted Budget for FY2007-08 is \$1,017,195,529 (minus Internal Service and Insurance Funds), an 9.19% increase over the FY2006-07 Adopted Budget of \$931,558,602. This compares to last year's 11.09% increase between the total Adopted Budget for FY2006-07 (minus Internal Service and Insurance Funds) and the FY2005-06 Adopted Budget of \$838,599,259 (minus Internal Service and Insurance Funds).

The FY2007-08 Adopted General Fund budget is \$562,732,205, an 9.57% increase over the FY2006-07 Adopted Budget of \$513,590,486. This compares to last year's 11.03% increase between the FY2006-07 Adopted Budget and the FY2005-06 Adopted Budget of \$462,560,547.

The following graph represents the Adopted General Fund Budget by category.

**FY2007-08 Adopted
General Fund
\$562,732,205**



The FY2007-08 Adopted Budget addresses the City Council's Strategic Goals as follows:

Become the Nation's Safest Major City

- **Police Staffing – Minimum Staffing Overtime Offset** – The Adopted Police Department budget adds 14 authorized positions (11 Civil Service and 3 Civilian) to offset overtime costs. The Civil Service positions will be added in September of 2008 and will be totally offset by a reduction in the police overtime budget. Therefore, the FY2007-08 net cost will be zero. Once these positions have been added, additional savings in police civil service overtime budget are expected in future years.
- **Police Staffing – Property Room** – The Adopted Police Department budget includes an additional \$233,619 to add 8 civilian positions to adequately staff the property room on a 24-hour basis. The gross cost for these positions is \$302,508 and is offset by a \$68,889 reduction in the scheduled temporary's budget. The FY2007-08 net cost of these positions is \$233,619.
- **Police Staffing – Patrol Officers (PAM 2008)** – The Adopted Police Department budget includes an additional \$103,174 to add 16 civil service positions (14 Patrol Officers and two Sergeants) based on the Police Allocation Model for FY2007-08 to meet goals of response time, police visibility, and calls holding. These positions will be added late in the year in September 2008.
- **Police Staffing – Central Division Full Implementation** – The Adopted Police Department budget includes an additional \$1,374,941 to add staffing, equipment, contractual services, and furniture to fully implement the establishment of a 5th Central Police Division. A total of 18 Communications Dispatch positions will be added to staff a 5th communications channel. Implementation of the planning activities for this new division began in the current year. These funds provide the remaining resources needed to complete the implementation process.

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- **Addition of a Fire Trainee Class** – The Adopted Budget increases by \$953,445 for a fire trainee class of 28 to address attrition in the Fire Department.
- **Addition of 28 Vacation Relief Firefighters** – The Adopted Budget increases by \$1,594,656 to reduce overtime in the Fire Department. During the FY2006-07, City Council approved a new class of Fire Recruits to reduce overtime. These funds in FY2007-08 represent the full year costs for the Recruits becoming Firefighters.
- **Additional Trainees for Fire Stations 11 and 41** – The Adopted Budget increases by \$953,445 for 28 Fire Trainees to staff the new Fire Stations #11 and #41 and by \$490,383 to support 3 months of operational costs for these two stations during FY2007-08.
- **Manual of Uniform Traffic Control Devices Federal Compliance** – The Adopted Budget increases by \$193,150 to implement the third year of federal compliance for the Manual of Uniform Traffic Control Devices. This funding adds two positions, materials, and equipment to meet federal mandates related to roadway traffic control guidelines.
- **Street Light Maintenance** – The Adopted Budget adds \$127,390 for street light maintenance as a result of growth in the street light inventory and to assist in improving the City's service level to reach the 85% industry standard for arterial and residential street lights.
- **Implement the Automated Red Light Enforcement Program** – The Adopted Budget increases by \$420,982 for installation, operation, and maintenance of red light cameras at ten intersections strategically placed throughout the City. This includes salaries and benefits for three administrative positions in the Transportation Public Works Department for program management, research, and analysis, and two positions in Municipal Court to conduct hearings and track data, as well as, meet customer service demands related to the program.

Create a Cleaner and More Attractive City

- **Facility Energy Performance Contracts** – The Adopted Budget increases by \$73,693 to support the City's energy performance contract services. This funding enables the City's commitment to comply with Texas Senate Bill 5 (77th Legislature).
- **Maintain New Parkland** – The Adopted Parks and Community Services budget includes an additional \$214,490 to undertake maintenance at newly acquired neighborhood and community parks. Eight new parks have been added to the City's inventory totaling approximately 103.3 acres.
- **New Conservation Greenhouse** – The Adopted Parks and Community Services Budget includes an additional \$57,319 to provide one full-time position and operating supplies for the new conservation greenhouse in the Botanic Gardens.
- **Enhanced Alleyway Maintenance** – The Adopted Budget adds \$498,606 for second year funding to clear, clean, and maintain 300 additional alleyways in the on-going plan to provide mowing and vegetation management for all of the City's alleys within the next ten years.

- **Homelessness Advisory Commission** – The Adopted Budget increases by \$82,528 for consultant services and the addition of one Planner position to develop and implement a 10-year comprehensive plan for the Mayor's Advisory Commission on Homelessness.

Promote Orderly Growth in Developing Areas

- **Expansion of the City's Siren Warning System** – The Adopted Budget increases by \$125,000 to expand the City's Siren Warning System to areas annexed over the last few years. This will add five new sirens to the current system.
- **Replacement Funds for Street Maintenance** – The Adopted Budget increases by \$1,444,270 for street maintenance to offset a revenue loss from the Fort Worth Transportation Authority.
- **Street Contract Maintenance** – The Adopted Budget increases by \$1,500,000 to offset material inflationary costs related to contract street maintenance

Improve Mobility and Air Quality

- **Traffic Signal Maintenance** – The Adopted Budget increases by \$314,830 for traffic signal materials to maintain traffic signals installed in FY2005-06 and improve the "F" grade of the Traffic Signal Maintenance Program as well as provide traffic signal design. This funding adds three positions, equipment, and vehicles.
- **In-house Concrete Pavement Restoration Program** – The Adopted Budget increases by \$486,180 for materials and equipment for an In-house Concrete Pavement Restoration Program to supplement the existing street maintenance contract. This will provide permanent concrete repairs to street panel failures.
- **Bridge Maintenance Program** – The Adopted Budget increases by \$548,584 to begin the first of a three year supplemental Bridge Maintenance Program. This funding adds a field crew of three to begin routine bridge maintenance such as structural, deck, and railing.

Diversify the Economic Base and Create Job Opportunities

- **Availability and Disparity Study** – The Adopted Budget increases by \$500,000 to enter into an interlocal agreement lead by the North Central Texas Council of Governments to complete a regional Availability and Disparity Study in support of the Minority and Women's Business Enterprise Program as legally required.

Revitalize Central City Neighborhoods and Commercial Districts

- **Cowtown Coliseum Contract Increase** - The Adopted Budget increases by \$50,000 to help defray the recent increases in utility costs being realized by Rodeo Plaza, Inc. in the management of the Cowtown Coliseum.

Enterprise Funds

- **Stormwater Utility Fund** –The Stormwater Utility Fund expenditure budget is \$15,093,483. A total of 42 positions will be added in FY2007-08 which includes a transfer of 31 positions from the General Fund to Stormwater Utility Fund and eleven added as overages during FY2006-07. The transfer of the remaining Streets Division positions ends the General Fund support to the Stormwater Utility Fund and makes the Fund self-sufficient beginning in FY2007-08. Additionally, the budget contains a debt service line of \$1,899,564 to begin funding the Stormwater Capital program through the sale of Revenue Bonds. The adopted revenue for the Fund is \$15,945,030 of which \$15,919,530 is estimated from utility fees and \$25,000 from interest on investments. The Stormwater Utility Fund has the responsibility for providing Stormwater management to approximately 200,000 residential, commercial and industrial customers. Stormwater management is a vital program affecting Fort Worth's future with over \$640 million of projects identified to address life safety issues, mitigate flooding, and replace, repair, and maintain Stormwater infrastructure.
- **Water and Sewer Fund** – The Adopted Water and Sewer Fund expenditure budget is \$311,935,237, which is a \$23,705,956 increase over the FY2006-07 Adopted Budget. A total of 39 positions have been added primarily to convert imperative SO1 positions to regular positions; enhance business services staff; and implement the Water Conservation Program. The budget includes an adopted retail rate increase of 3.87% for Water and an increase of 8.14% for Wastewater. This increase is moderate considering that no retail increase was adopted for FY2006-07. The adopted budget includes a wholesale rate increase of 4.85% for Water and an increase of 17.26% for Wastewater. The adopted budget includes increases of \$913,022 for: scheduled principal and interest payments on outstanding debt and a proposed August 2007 revenue bond issuance; \$2.4 million for raw water purchase from Tarrant Regional Water District; and \$1.5 million for capital project infrastructure rehabilitation and repairs.
- **Solid Waste Fund** – The adopted Solid Waste Fund expenditure budget is \$48,398,906, which is a \$3,575,720 increase over the FY2006-07 Adopted Budget. Residential growth in the City accounts for a portion of the increase which is offset by additional fees paid by the new customers. Funding for the construction of a fourth drop-off station (\$1.6 million) has also been included along with the contractually required cost of living adjustments for residential collection and disposal. The remaining portion of the increase is a result of an increase in staffing in the contract compliance section and also adopted salary, health and retirement adjustments for all employees.
- **Municipal Parking Fund** – The adopted Municipal Parking Fund expenditure budget is \$3,213,350, which is an increase of \$146,264 from last fiscal year. The Municipal Parking Fund collects revenue from parking meters as well as parking citations in the Municipal Courts Department and from the use of parking facilities in the Public Events Department. This revenue is then transferred to the General Fund. The adopted budget increases the amount transferred to the General Fund by \$214,963 as a result of a better revenue projection and the installation of additional 150 double headed parking meters (300 meters) in FY2007-08.

- **Ella Mae Shamblee Branch Library** - The Adopted Budget increases by \$102,267 for operational funding and the addition of one Library Page. The Library is scheduled to open in early 2008.

Ensure Quality Customer Service

- **Conversion of Temporary S01 Positions to Regular** – The Adopted Budget increases by \$788,001 to add salaries and benefits for 79.35 positions to several General Fund operating departments. Recent City directives concerning IRS and Social Security regulation compliance and retirement fund contributions required revisions to S01 employment practices. Therefore, with this adopted budget these S01s will become regular authorized employees.
- **Fire Safety Education and Commercial Inspections Lease Space** -The Adopted Budget increases by \$94,320 to fund lease space due to the required relocation of the Fire Department Commercial Inspections Division.
- **Meet and Confer** – The Adopted Budget increases by \$173,329 for the addition of one Senior Human Resources Analyst to provide needed analysis, coordination, documentation, and support for labor relations and negotiations. Also included is an Assistant City Attorney to represent the City in preparations for negotiations leading to a collective bargaining agreement.
- **Accounting Reorganization (Phase II)** – The Adopted Budget increases by \$367,080 to implement phase II of the reorganization of the Accounting Division in the Finance Department. This includes the conversion of six overage positions to full-time regular. The six positions - one Accounting Services Supervisor, three Senior Accountants, and two Senior Account Clerks - will strengthen the City's accounting resources.
- **Subsidize the Operation of the City's Cable Communications Office** – The Adopted Budget increases by \$588,914 to sustain operations of the City's community cable operations. Due to legislative changes, program revenue has been diverted from operations to capital expenditures. This subsidy maintains 13 positions, 31 scheduled temporaries, supplies, and contractual services to maintain programming and broadcasts of municipal meetings and community events on the Municipal, Community, and Open channels.
- **Spay and Neuter Clinic Addition** – The Adopted Budget increases by \$258,822 for the spay/neuter clinic addition at the Animal Care and Control Center, which is being added as a result of an approved 2004 bond program. The package includes four positions, supplies, and the cost of services required to set up and operate the clinic. The clinic is expected to be operational by January 2008.
- **Library Network Bandwidth** – The Adopted Budget increases by \$126,000 to facilitate the children's internet filters throughout the library branches. Filters were approved by Council in spring 2007. Increased bandwidth is needed to improve internet response time which is slowed by the filters.

- **Municipal Golf Fund** – The Adopted Municipal Golf Fund expenditure budget is \$5,120,800, which is a \$197,903 increase over the FY2006-07 Adopted Budget. The budget adds funds for increases to compensation and benefits. It also, converts temporary employees to 9.25 regular full-time and part-time positions needed to maintain existing services levels and comply with Human Resources Department regulations on the use of temporary employees.

Special Funds

- **Culture and Tourism Fund** - The Adopted Culture and Tourism Fund expenditure budget is \$12,107,612, which is a \$1,652,366 increase over the FY2006-07 Adopted Budget. The budget adds funds for increases to compensation and benefits for The Herd. Additionally, it adds \$2 million to the Convention and Visitor's Bureau (CVB) and provides small increases to Outside Agencies. This increase in funding for the CVB was done primarily as a result of shifting operating costs for Public Events facilities back to the General Fund.

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

- **Compensation** – The Adopted Budget includes \$4.5 million for a compensation plan. Compensation adjustments are adopted as follows: All general non-exempt employees will receive a step increase, if eligible (based on performance rating); civil service staff will also receive a step adjustment for those eligible on their anniversary date.
- **Health Insurance** – The total budget for employee health care and basic life coverage is \$68.3 million. The General Fund Adopted Budget for FY2007-08 is \$29.9 million which reflects a \$1.94 million or 7% increase over the FY2006-07 Adopted Budget. Employee and Retiree premiums did not increase.

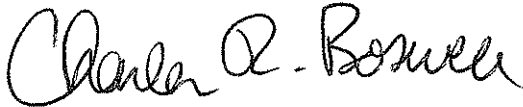
Because contributions plus other income will not be sufficient to cover the plan costs, approximately \$9.0 million in plan reserves are expected to be used in FY2007-08. This use of reserves is expected to result in plan reserves being equal to 26.82% of plan expenses at the end of FY2007-08.

- **Employee Retirement Fund** - The Adopted Budget includes approximately \$13 million for a 5% increase in the City's contribution to the Employee Retirement Fund to address a potential unfunded liability within the retirement system. This will bring the City's contribution to a more comparable level to other benchmark cities in response to the Total Compensation Study.
- **Technology Projects** – The Adopted Budget for the IT Solutions Department is \$23,279,909, which is a \$680,408 increase over the FY2006-07 Adopted Budget. The Adopted Budget includes \$515,703 for compensation, employee retirement contribution and related benefits. It also includes \$185,686 to continue the acquisition of the Enterprise Resource Planning (ERP) initiative which should replace the City's existing finance, budgeting, and human resource software. The budget also includes \$662,945 to continue work on implementing the City's E-Government (eGov) initiative.

- **Equipment Services** – The adopted Equipment Services Fund expenditure budget is \$23,336,476, which is an \$826,418 increase over the FY2006-07 Adopted Budget. The budget includes \$479,589 for the compensation, employee retirement contribution and related benefits.
- **Vehicle Replacement** – The Adopted Budget includes \$2,207,400 for vehicle replacement. These funds will allow for the replacement of 45 General Fund vehicles in the following departments:
 - Code Compliance
 - Fire
 - Municipal Court
 - Parks and Community Services
 - Planning and Development
 - Public Events
 - Public Health
 - Transportation Public Works

In any budget process, it is always a challenge to balance competing needs against limited resources. The FY2007-08 budget process was no exception. However, with the policy guidance provided by Council, staff has done an admirable job of creatively balancing increasing service demands and available funding and other resources for optimal return on tax dollars expended.

Respectfully submitted,



Charles R. Boswell
City Manager