

Processes and Policies

Processes and Policies

Readers Guide to the Budget

Purpose

The budget summarizes all public service programs provided by the City of Fort Worth, Texas. The operating budget represents the annual plan for the allocation of resources for the period October 1, 2019 to September 30, 2020 (Fiscal Year 2020). Amounts are shown to the whole dollar, so there may be slight variances.

Introductory Information

This section explains the budget process, the budget calendar, the fund structure, the basis of accounting and budgeting, and other relevant financial policies.

Summary Information

In this section, revenue and expenditure (expense) summaries are provided for the total City of Fort Worth operating budget. In addition, it provides a summary of the ad valorem taxes and overall revenue highlights for the FY2020 Operating Budget.

Department and Fund Pages

Operating Department and Fund Summaries

Each department and fund displays summary information for the related revenues, expenditures (expenses), and staffing. The summary compares FY2018 actual results; the FY2019 adopted budget and adjusted budget; and the FY2020 Adopted budget.

Full-time Equivalent Positions

Each department summary includes the number of full-time equivalent positions (FTE) that are budgeted to the department and fund. One FTE represents 2,080 hours of work on an annual basis. A reduced amount of FTE in a department and fund can represent a part-time employee or indicates a portion of the work is budgeted in another fund.

Authorized Positions

A position formally approved by the City Council. Authorized positions (AP) can range from a fraction of an FTE to one FTE. If a position is funded between different funds, it is counted as an AP in the General Fund regardless of the portion of funding. For other funds, it is counted as an AP in the fund with the higher level of funding.

Department/Fund Purpose and Goals

This section provides an overview of the fund and/or department by identifying the purpose and goals. This section may also explain how the fund and/or department is structured to provide their services.

Processes and Policies

Major Accomplishments

This section identifies some accomplishments achieved by the department in FY2019. The accomplishments can vary from departmental initiatives to the receiving of nationally recognized awards to performing above current service levels.

FY2020 Discussion

This section highlights the major changes from the prior year budget to the FY2020 Budget. This ranges from organizational changes, to service enhancements, to drivers of major changes from the prior year. This section is intended to let the reader know what has significantly changed from the prior year.

Horizon Issues

This section identifies opportunities or challenges the department may be facing in the future as well as key issues or policy changes that may have noticeable budget or operational impacts. The opportunities and challenges presented are intended to give the reader an understanding of what the department and city will be facing in the upcoming years.

Summary of Services and Performance Measures

This section contains key performance indicators and service levels. Comparison is made between FY2018 actuals, FY2019 estimates and FY2020 target and desired target.

Processes and Policies

Budget Process

Creation of the Budget

The annual budget process commences in the winter of the preceding year, with the City Council retreat. The City Council establishes city goals and provides the information to executive staff. Executive staff then creates the city budget calendar. The calendar establishes the timelines for the process, including the date of submission of departmental requests, budget work sessions and public hearings that lead to the final adoption of the budget.

Department requests are based on the organizations budget assumptions. Before considering budget increases or savings, the “base budget” is developed. The base budget is generally defined as the cost of providing the same service, at the same service level, in the next fiscal year. The Performance and Budget Department creates a target base budget for each department. The target is based on numerous factors, including salary projections, annualizing prior year commitments, removal of one-time costs from the prior fiscal year and other factors. After the target is established, department staff may modify the amounts within the target total, but are to submit an operating budget delivering the same service level or greater at or below the budget target.

Departments may submit proposed increases or decreases to service levels and budget requests along with supporting documentation. The requests are reviewed and subsequently approved, denied, or modified for inclusion in the adopted budget.

City Council Authorization / Appropriation

In compliance with the Fort Worth City Charter, the city manager must submit to the City Council a recommended balanced budget that provides a complete financial plan for all city funds and activities for the ensuing fiscal year, on or before August 15th of each year. The budget is required to be adopted by the City Council prior to September 30, before the start of the next fiscal year. The City of Fort Worth traditionally adopts the budget in the middle of September.

City Manager’s Authorization

For those funds for which annual budgets are adopted, appropriations are budgeted and controlled on a functional basis and are amended as necessary during the fiscal year. The city manager is authorized to transfer budgeted amounts within designated funds through delegated authority. Revisions that alter the total appropriations of any fund and department that is not covered through delegated authority must be approved by the City Council.

Budget Implementation & Monitoring

Once the budget is adopted in September, it becomes the legal basis for the programs of each department of the City during the upcoming fiscal year. No department or other agency of the city may spend more than the appropriated amounts. Financial and programmatic monitoring of departmental activities throughout the year ensure conformity to the adopted budget. Unencumbered appropriations lapse at the end of the fiscal year and are returned to fund balance, in rare circumstances these funds may be re-appropriated in the subsequent fiscal year for the same purpose by City Council. The city manager is responsible for maintaining a balanced budget at all times. If there is an excess of expenditures over revenues or appropriations, the city manager will take necessary actions to rebalance the budget.

Processes and Policies

The city conducts comprehensive forecasts of revenues and expenditures for the fifth and eighth month of the fiscal year. This forecast is used to assist in budget development, budget monitoring, and performance management. Based on the results of the forecast, the city manager may direct the necessary actions to maintain a balanced budget in the current fiscal year or adjust recommendations in the subsequent budget.

The Budget is published online at the city's website www.fortworthtexas.gov.

Processes and Policies

Budget Calendar

March 28: FY2020 Budget Kickoff

- Update of budget outlook, constraints and overall process
- Instruct departments on budget process

April: Budget Development & Month 5 Forecast Finalized

- Departments develop their FY2020 operating budget
- Departments forecast revenue and expenses for the end of FY2019
- Executive level review and use for 2020 Budget development

May 1 – 19: 5-Year CIP Feedback

- Departments provide feedback on consolidated 5-Year CIP

June 3 – July 30: CMO Review of Proposed Budget & Month 8 Forecast Finalized:

- Review of department operating budgets
- Review of proposed fee changes and additions
- Review of the consolidated Capital Improvement Plan (FY2020-2024)
- Decision package review
- Tax rate discussion
- Review of FY2019 forecast – FY2019 budget impacts

July 25-27: Certified Tax Roll Received

- Receive certified appraisal values

August 6: City Manager Delivers Recommended 5-Year Capital Improvement Plan

- Presentation of the City Manager's Recommended FY2020-2024 Capital Improvement Plan to the City Council

August 13: City Manager Delivers Recommended Annual Budget

- Presentation of the City Manager's Recommended FY2020 Annual Budget to the City Council (includes presentation of CCPD funding application)

August 22 & 23 – September 5& 6: City Council Budget Work Sessions

- City Council reviews key elements of the FY2020 Budget with city staff

August 27: CCPD Budget Presentation, Public Hearing & Possible Adoption

- Presentation of the CCPD Budget to the CCPD Board & Public Hearing
- CCPD Board considers CCPD Budget for adoption (Consider on 9/6 if not adopted)

September 17: FY2020 Budget and Tax Rate Adoption

- Council considers CCPD Budget for adoption (if delayed)
- Council considers FY2020 Budget & 5-Year CIP for adoption
- City Council adopts tax rate for FY2020 (action establishes split between operating/debt service tax rates)

September – October: Adopted FY2020 Operating Changes Implemented

October 31: Adopted Operating Budget & Published 5-Year Capital Improvement Plan

October – November: Year-end Finalization of FY2019

Processes and Policies

Fund Structure

Purpose

The city's accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate.

Governmental Fund Types

Governmental funds are used to account for the majority of the city's activities and is comprised of the general, general debt and special revenue funds.

General Fund:

The general fund is the primary operating fund of the city. It is used to account for all financial resources except for those required to be accounted for in another fund. The primary revenue sources are non-exchange revenues such as taxes and accounted for on a modified accrual basis.

The general fund is first subdivided into individual departments to account for functional and program activities. The departments may be further divided into divisions to account for greater detail. For example Police Department and then Police Traffic Division.

General Debt Service Fund:

The debt service fund is used to account for principal and interest payments for the city's long-term, tax-supported debt.

Special Revenue Funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Proprietary funds are used when the city charges customers for services it provides to recover the costs of providing the services. This group includes both enterprise and internal service funds.

Enterprise Funds:

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business. The goal of the city is that the costs (expenses, including depreciation) of providing the service are recovered through user charges. The primary customers are outside entities, for example a homeowner who receives water service. The City of Fort Worth has five enterprise funds.

Internal Service Funds:

Internal service funds are used to account for operations that are operated in a manner similar to a private business but the primary customers are internal departments. The City of Fort Worth has four internal service funds.

Processes and Policies

Fiduciary Fund Types

Fiduciary funds are used to account for resources held by the City as a trustee or agent. Fiduciary funds account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The city currently only budgets for the Retiree Healthcare Trust.

Capital Project Funds

Capital project funds are used to account for financial resources dedicated for the acquisition of major capital facilities and implementation of capital oriented city initiatives.

Processes and Policies

Budgeting Philosophy and Basis of Budgeting

Budgeting Philosophy

The City Council is responsible for legislation, policy formulation and overall direction of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The city manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments.

The city's framework for fiscal decision-making is a comprehensive set of Financial Management Policy Statements. As required by charter, the city adopts an annual balanced budget for which the level of expenditures for each department or fund may not legally exceed the appropriations for that department or fund. The budget is prepared in a manner that reflects the full cost of providing services and displays estimated beginning fund balance/net position, estimated revenue and receipts, appropriations and the estimated year-end fund balance/net position.

The city shall take an objective and analytical approach to forecasting revenues, expenditures and expenses as accurately as possible. While absolute certainty is impossible, should revenues or expenditures be inaccurate, necessary corrections will be completed to bring the budget into balance.

The overall budget appropriation may be increased via a supplemental appropriation ordinance that allocates funds that are certified as being in excess of those included in the budget but unencumbered. Amendments shall be considered and adopted by the City Council except for specific adjustments when limited authority is delegated to the city manager.

The city manager, as empowered by the charter, may transfer part or all of any unencumbered appropriation balance among programs within a department upon compliance with any conditions established by the City Council. Upon request by the city manager, the City Council may transfer part or all of any unencumbered appropriation balance from one department to another through appropriation ordinance.

Basis of Budgeting

The city budgets for governmental funds, which include the general fund, capital project funds, special revenue funds and debt service fund, using the modified accrual basis of accounting with the exception that changes in the fair value of investments are not treated as adjustments to revenue in the annual operating budget.

The budgets for all proprietary funds, which include enterprise funds and internal service funds, are prepared using the full accrual basis of accounting. Internal service funds are maintained to account for services provided primarily to departments within the city. Under this method, with limited exceptions, revenues are recorded when they become measurable and available to pay expenses, and expenses are recorded at the time liabilities are incurred. Exceptions to the foregoing general principles for the operating budget are:

- Changes in the fair value of investments are not treated as adjustments to revenue.
- Debt service and capital lease principle payments are treated as expenses.
- Depreciation expense is not recognized.
- Capital purchases are recognized as expenses.

Processes and Policies

Financial Policies

Note: This section addresses the City of Fort Worth's major financial policies governing the budget process and budget implementation. For more detailed information on city financial policies, please contact the city Finance Department or see the Financial Management Policy Statements in the Supplemental Information section.

The City of Fort Worth's financial policies establish a foundation for the fiscal strength of city government. These policies guide the City Council and the city manager as they make decisions regarding resource allocations.

The financial condition of the city must be maintained at the highest level to ensure that resources are available to meet the city's ever-changing priorities. The following policies are related to the adoption and implementation of the annual budget. They are designed to assure that the city maintains the highest credit rating possible from all three rating agencies.

Operating Budget

Per city charter, the city shall operate under an annual balanced budget whereby the sum of net revenues and appropriated fund balance equals the expenditure appropriations. Revenue projections shall be set at realistic and attainable levels, sufficiently conservative to avoid shortfalls, yet accurate enough to avoid a regular pattern of setting tax rates that produce more revenue than is necessary. The city shall not develop budgets that include operating deficits that require the use of one-time resources to cover recurring expenses. The city's annual budget shall be adopted by September 17th and shall be effective for a fiscal period beginning October 1 and ending September 30th.

Fund Balances

The city shall maintain a fund balance position that rating agencies deem adequate to meet the city's needs and challenges. Therefore, the city has adopted a policy that requires management to maintain fund balances/working capital at the following levels:

General Fund: (Fund Balance)

General Fund	10.00%
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Special Revenue Funds: (Fund Balance)

Crime District	16.67%
Culture/Tourism	16.67%
Environmental	16.67%
Municipal Golf	16.67%
Red Light Enforcement	16.67%
Botanic Garden	16.67%

Enterprise Funds: (Working Capital)

Municipal Airport	25.00%
Municipal Parking	25.00%
Solid Waste	25.00%
Stormwater	25.00%
Water and Sewer	25.00%

Processes and Policies

Enterprise Funds: (Days Cash on Hand)

Municipal Airport	100 Days
Municipal Parking	100 Days
Solid Waste	100 Days
Stormwater	100 Days
Water and Sewer	100 Days

Internal Service Funds: (Working Capital)

Capital Projects Service	3.00%
Fleet and Equipment Service	3.00%
Group Health Insurance	16.67%
Risk Financing	16.67%

When it is appropriate for fund balance to be assigned, the City Council delegates authority to the city manager.

Revenue

The city shall diversify its revenue sources to the extent possible to reduce reliance on property tax. Periodically, the city will review specific programs and services that are identified to be potential areas for funding through user fees. The City Council will determine the level of cost recovery for the program or service. For example, fire inspection fees will be set at a level sufficient to recover the full cost of services and solid waste fees shall be set at a level sufficient to recover the full cost of solid waste enterprise operations. Sound cash management practices shall augment revenues available to the city.

Capital Improvements

The city adopts a five-year Capital Improvement Plan (CIP) to be revised and approved annually. Currently, the city appropriates all funds for capital projects with a capital budget ordinance in accordance with the City charter.

Debt Policies

The city debt policy establishes guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

As a municipal government, the city issues both tax-exempt and taxable securities in the form of general obligation and revenue bonds as part of our ongoing goal to create the most livable and best managed city in the country. The proceeds from these debt transactions are utilized to fund the city's comprehensive Capital Improvement Plan for multiple sectors of our operation. It is considered best practice for the city, as part of the issuance of tax-exempt obligations, to adopt written procedures outlining how the city will maintain compliance with federal guidelines.

Debt Planning Guidelines

Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, commercial paper, tax notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law, shall only be used to purchase capital assets and equipment that cannot be prudently acquired from either current revenues, assigned fund balance, or net position, and to fund

Processes and Policies

infrastructure improvements and additions. The useful life of the asset or project shall exceed the payout schedule of any debt the city assumes.

The city shall not assume more tax-supported general purpose debt than it retires each year without conducting an objective analysis as to the city's ability to assume and support additional debt service payments. When appropriate, self-supporting revenue bonds shall be considered before general obligation bonds.

Debt Service Guidelines

Generally, the city shall issue bonds with an average life of approximately 10.5 years for general obligation bonds and approximately 17-18 years for revenue bonds. The structure should approximate level principal on general obligation bonds and level debt service for revenue bonds. With respect to the issuance of revenue bonds for a stand-alone or self-supporting project, the term of the debt and debt service structure shall be consistent with the useful life of the project and the revenue-generating capability of the project.

There shall be no debt structures, which include increasing debt service levels in subsequent years, with the exception of the first and second year of a payment schedule. There shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal starting generally no later than the second fiscal year after the bond issue. In the case of a revenue generating project, principal repayment should begin no later than the first full year after the project has been placed in service. Normally, there shall be no capitalized interest included in the debt structure unless there are no historical reserves upon which to draw.

User Fee Policy

For services that benefit specific users, the city shall establish and collect fees to recover the costs of those services. The City Council shall determine the appropriate cost recovery level and establish the fees. Where feasible and desirable, the city shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery levels, to compare them to the current fee structure and to recommend adjustments where necessary.

It is the intention of the city that all utilities and enterprise funds be self-supporting. As a result, utility rates and enterprise user fees shall be set at levels sufficient to cover operating expenditures, meet debt obligations, provide additional funding for capital improvements and provide adequate levels of working capital. The city shall seek to eliminate all forms of subsidization to utility/enterprise funds from the General Fund.