# **BUDGET RESPONSE TO CITY COUNCIL MEMBERS**

To the Mayor and Members of the City Council

September 7, 2023

Page 1 of 1

No. 24-013



SUBJECT: Establishment of the Economic Development Initiatives Fund

The establishment of a fund to support economic development activities was a policy recommendation that came from the updated Economic Development Strategic Plan which was accepted by the Council on February 22, 2022. As a result of this recommendation, the city established a Special Revenue Fund for the purpose of supporting economic development incentives and has deposited \$2.0 million dollars on an annual basis to support business recruitment activities. On March 21, 2023, the City Council adopted Resolution No. 5721-03-2023 establishing the creation of an Economic Development Initiatives Fund (EDIF) to further support our economic development efforts.

The purpose of the EDIF is to create a strong, resilient, and growing local economy and promote the development of the City's commercial base through the sustained support of targeted programs and strategic investment. The policy recommends that the EDIF is expressly designed to provide long-term annual funding for economic development projects, programs, and initiatives and their administration. Per the policy, funding for the EDIF would be derived from new revenue derived from Tax Increment Financing zones that are expiring or that have reduced contributions from the city

The FY24 budget recommendation would consolidate the \$2.0 million Special Revenue Fund with this newly created fund and add an additional \$3.0 million allocation resulting in an FY24 total addition of \$5.0 million in the EDIF.

A separate policy approving the utilization of the funds will be brought forward to City Council for formal approval.

Any incentive agreements or programmatic expenditures (Main St., Innovation Districts, Film Incentives) utilizing EDIF revenue will be brought to City Council for recommendation and final approval. The Economic Development Department will update the allocations and expenditures annually as part of the budget process, and will coordinate efforts with the Fort Worth Economic Development Partnership to ensure there is no inefficient duplication of efforts relating to marketing, conferences and memberships. These operational activities would be undertaken through the recommendation and approval of the City Manager.

If you have questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663.

David Cooke City Manager

# **A Resolution**

## NO. <u>5721-03-2023</u>

## ESTABLISHING A POLICY FOR THE ECONOMIC DEVELOPMENT INITIATIVES FUND

WHEREAS, the City of Fort Worth ("City") has established the Economic Development Department to, among other things, administer programs that further the public purposes of development and diversification of the City's economy, the elimination of unemployment and underemployment in the City, and the development and expansion of commerce in the City;

WHEREAS, in accordance with the most recently adopted Comprehensive Plan, and consistent with previous Comprehensive Plans, the City has committed to use custom-designed incentives and partnership programs with private businesses on a case-by-case analysis of individual projects to help ensure the growth and diversification of the local economy;

WHEREAS, on February 22, 2022, City Council accepted an update to the Fort Worth Economic Development Strategic Plan that, among other things, recommended the establishment of a dedicated cash fund to support economic development within the City to be known as the Economic Development Initiatives Fund ("EDIF");

WHEREAS, the purpose of the EDIF to create a strong, resilient, and growing local economy and promote the development of the City's industrial base through the sustained support of targeted programs and strategic investment; and

**WHEREAS,** City Council desires to establish a policy governing the EDIF ("Policy"), with the intent that the Policy institute the means by which the EDIF will be established, funded, and utilized and create the guidelines and processes for administration thereof.

# NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS:

**1.** The Policy, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, is hereby adopted to be effective on March 21, 2023.

2. This Resolution will take effect on the date of its adoption.

ADOPTED this 21<sup>st</sup> day of March, 2023.

ATTEST:

By: Janoue & Souther

Jannette S. Goodall, City Secretary



# City of Fort Worth Economic Development Initiatives Fund Policy

Effective March 21, 2023

1. <u>Purpose</u>. Recognizing the public interest in supporting a strong, resilient, and growing local economy and in promoting the development of the community's industrial base through sustained support for targeted programs and strategic investments, the City Council wishes to establish and provide for the administration of a fund dedicated to the support and promotion of economic development in the City of Fort Worth ("City"). This Policy is intended to institute the means by which a fund will be established, funded, and utilized and to set forth guidelines and processes for administration of the fund. Guidelines and requirements for fund utilization as established within this Policy may be more specifically guided by other associated policies, such as the City's Economic Development Program Policy, particularly with respect to any process for the application to receive funds by or other guidance relating to the grant of funds to private or other non-City entities.

## 2. <u>Special Revenue Fund</u>.

a. <u>Establishment of Fund</u>. The City established a Special Revenue Fund for the purpose of supporting economic development. This Policy recommends that the City Council establish a dedicated fund, known as the "Economic Development Initiatives Fund" ("EDIF"), with the expressed purpose of providing long-term annual funding for economic development projects, programs, and initiatives and their administration. Establishment of the EDIF does not preclude other City funds from being used, dedicated, or contributed in support of certain other economic development funds, programs, initiatives, or administration.

b. <u>Term</u>. There is no term limitation on the EDIF.

c. <u>Source of Funds</u>. The City will fund the EDIF from a combination of ongoing annual deposits and certain periodic contributions of City funds. Except as otherwise permitted by the City Council, funding for the EDIF will primarily be sourced from the following:

- i. <u>Tax Increment Reinvestment Zones ("TIRZ" or "TIF")</u>.
  - 1. Following expiration or termination of any TIRZ and in accordance with the City's Policy and Guidelines for TIRZ, it is recommended that an amount equal to a portion of the equivalent City ad valorem property tax levy as derived from the City's contribution to the TIF fund in the final year of participation ("Effective TIF Amount") be dedicated to the EDIF during each budget cycle. In the event that the

City's final year contribution to the TIF is reduced as a result of a cap on either lifetime TIF revenues or lifetime City contributions to the TIF (but not annual caps on contributions), the Effective TIRZ Amount will be based on the value that would have been contributed by the City but for the caps.

For example, if the City's contribution in the final year of a TIRZ is equal to \$2 million and the City's total adjusted net taxable value on ad valorem property is equal to \$90 billion while the City's ad valorem tax rate is \$0.732 per \$100 of valuation, then the Effective TIF Amount will be equal to \$0.0022 per \$100 of valuation or (\$2 million / ([\$90 billion / \$100] x 0.7325)) x 0.7325. In this example, one half of the Effective TIF Amount, or \$0.0011 per \$100 of valuation, would be recommended as a dedicated source of funds for the EDIF.

ii. <u>Proceeds from Certain Property Transactions</u>. Funds resulting from the sale or lease of certain City-owned property may, with the consent of the City Council and at the recommendation of City staff, be dedicated for deposit in the EDIF for use in accordance with this Policy.

iii. <u>Other Funds</u>. Other funds may, with the consent of the City Council, be dedicated for deposit in the EDIF for use in accordance with this Policy.

d. <u>Carry Forward Balance</u>. It is recommended that all funds remaining in the EDIF at the end of each fiscal year be preserved in the EDIF for future use in accordance with this Policy along with any interest proceeds that might have accrued.

3. <u>Use of Funds</u>. Funds deposited in the EDIF must be used in the support or administration of economic development programs, activities, or investments that are utilized for the benefit of the City. In general, funds deposited into the EDIF should be budgeted in whole or in part to serve either as Programmatic Funding or Reserved Funding as described below.

a. <u>Programmatic Funding</u>. The EDIF may be used to fund certain ongoing economic development programs, contracts, or other economic development initiatives as approved by the City Council or as incorporated into the City's annual budget ("Programmatic Funding" or "Programmatic Funds"). It is proposed that 40% of the funds in the EDIF to be allocated towards Programmatic Funding, which would include, but not be limited to professional services agreements for economic development marketing, funding set-aside for film production projects or administrative contracts for the promotion or development of certain districts. Programmatic Funding will also include funding for EDIF administration by the Economic Development Department (exclusive of staffing costs) in an amount equal to ten percent of annual deposits into the EDIF.

b. <u>Reserved Funding</u>. Certain funds deposited into the EDIF may be reserved to support future economic development projects in the form of grants or loans associated with the City's economic development program in accordance with the City's Economic Development Program Policy for Grants Authorized by Chapter 380, Texas Local Government Code, or other similar program, and will be authorized by the City Council on a project-by-project basis.

4. <u>General Policies</u>. Notwithstanding anything that may be interpreted to the contrary herein, the following general terms and conditions govern this Policy:

a. The EDIF will be administered by City staff.

b. Any funds contributed to the EDIF are subject to approval of the City Council through adoption of the annual City budget.

c. City Staff will report annually to the City Council, either by way of a briefing or written report, on the status of the EDIF and its financial position.

# City of Fort Worth, Texas Mayor and Council Communication

DATE: 03/21/23

M&C FILE NUMBER: M&C 23-0212

LOG NAME: 17EDIFPOLICY

### SUBJECT

(ALL) Adopt Resolution Establishing a Policy for the Economic Development Initiatives Fund

## **RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolution establishing a policy for the Economic Development Initiatives Fund.

#### **DISCUSSION:**

On February 22, 2022, City Council accepted an update to the Fort Worth Economic Development Strategic Plan (Plan) (M&C G-19192) that, among other updates and revisions, called for establishment within the City budget of a dedicated cash fund for the purposes of supporting economic development in the city. The strategic recommendation was made in response to both the need for more flexible resources for incentivizing certain projects and to the heightened level of competition seen in the market and the emergence of new funds created in other communities within the region for promoting economic development. In response to the recommendation, City staff has worked with City Council to evaluate the proposed establishment of such a fund through a dedicated portion of the City's property tax rate and through the use of City TIF contributions upon their termination. While a special revenue fund was established as part of the fiscal year 2022 and fiscal year 2023 city budgets, no policy exists recommending such a dedicated fund or one that guides the long-term funding and use of such a fund for the purpose of supporting economic development.

Therefore, staff is recommending that the City Council adopt a policy (Policy) for the establishment, long-term funding, and use of an Economic Development Inititiaves Fund (EDIF). The EDIF Policy specifies the intended sources of funding that are to be directed to the EDIF and provides general guidance on the use of EDIF funds. More specifically, the EDIF Policy categorizes allowable use of funds by those that are programmatic in nature (i.e. costs relating to the annual or multi-year support of programs, initiatives, and administration of economic development efforts) and by those that are to be reserved for use in incentivizing future projects. Final and official approval of annual funding and use of the EDIF will be established each year by way of approval of the City budget for the applicable fiscal year.

A copy of the proposed EDIF Policy is attached.

Once adopted, the amended Policy will be effective on March 21, 2023.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

#### FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this Policy will have no material effect on the Fiscal Year 2023 Budget, and any effect on expenditures and revenues will be budgeted in future fiscal years and included in the long term forecast.

Submitted for City Manager's Office by:	William Johnson	5806
Originating Business Unit Head:	Robert Sturns	2663
Additional Information Contact:	Michael Hennig	6024

Expedited