

To the Mayor and Members of the City Council

August 19, 2021

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SUBJECT: FUND RESERVE REQUIREMENTS

The budget response is intended to provide information about the City's fund reserve requirements. Attached to the response are the City's Fund Reserve policies, as well as the Reserve Requirement Supplement for the fiscal year ended September 30, 2020, which details policy compliance.

For questions regarding this information, please contact Reginald Zeno, Director of Financial Management Services/Chief Financial Officer, at 817-392-8500.

Attachment 1: Governmental Fund Reserve Policy

Attachment 2: Proprietary Fund Reserve Policy

Attachment 3: Reserve Requirement Supplement for the fiscal year ended September 30, 2020

David Cooke
City Manager

Governmental Funds Reserve Policy



I. **Authority:**

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies that establish and direct the operations of the City of Fort Worth. The City Manager and Assistant City Managers are responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer/Director of Finance.

II. **Purpose:**

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the City's creditworthiness and provide adequate cash flow based upon the traditional operating cycle. The Government Finance Officers Association's (GFOA) best practice for reserves recommend, at a minimum, regardless of size, maintain an unassigned fund balance of no less than two months of regular operating revenues or operating expenses. 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.

This policy establishes the amounts the City will strive to maintain in its General Fund, Special Revenue Funds, and General Debt Service Funds Reserves, how the Reserves will be funded, and the conditions under which the Reserves may be used.

III. **Applicability and Scope:**

This policy shall apply to the General Fund, all Special Revenue Funds, and the General Debt Service Fund under the budgetary and fiscal control of the City Manager and the City Council.

IV. **Related Documents and References:**

- A. Operating and Capital Budget Policy
- B. Long-Term Financial Planning Policy
- C. Capital Asset Investment and Management Policy
- D. Debt Management Policy



Governmental Funds Reserve Policy

V. Policy:

General Fund

- A. Reserve Levels - The City will maintain an Unassigned Fund Balance in the General Fund equivalent to two months (16.67 %) of the next fiscal year budgeted operating expenditures.
- B. Committed Fund Balance - The City Council maintains the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an item placed on the City Council's agenda and approved at a City Council meeting. The action must either approve or rescind, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- C. Assigned Fund Balance - The City Council, through adoption of this policy, has authorized the City Manager or his/her designee and the Chief Financial Officer/Director of Finance to jointly designate or commit assigned fund balances without further City Council approval. It should be noted that this authority only gives the ability to designate future "intended" uses of fund balance that are in excess of nonspendable, restricted, and committed amounts, and the minimum required reserve. It does not vest additional spending authority in the City Manager or his/her designee or Chief Financial Officer/Director of Finance. Subsequent appropriations of fund balance would continue to require City Council approval.

Spending Priorities - When expenditures are incurred for the purposes for which both restricted and unrestricted fund balance are available, the City will consider restricted funds to be spent before unrestricted funds. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, and the City will consider committed funds to be spent before assigned funds, and will consider assigned funds to be spent before unassigned funds.



Governmental Funds Reserve Policy

Special Revenue Funds

- D. Reserve Levels – The City will maintain a combined Restricted and Assigned Fund Balances in Special Revenue Funds equivalent to two months (16.67%) of the next fiscal year budgeted operating expenditures.

General Debt Service Fund

- E. Reserve Levels – 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.

VI. Monitoring Performance:

- A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the fiscal year, the Financial Management Services and Planning & Data Analytics departments shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and Financial Management Services and Planning & Data Analytics departments based on the requirements outlined in this policy.
- C. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues, non-recurring revenues, and budget surplus. Year-end surpluses are an appropriate source for replenishing fund balance.
- D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

Governmental Funds Reserve Policy



VII. Conditions for Use of Reserves:

General Fund and Special Revenue Funds

It is the intent of the City to limit the use of General Fund and Special Revenue Fund Reserves to address unanticipated, non-recurring needs. Reserves shall not be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the City to restructure its operations deliberately manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

Debt Service Funds

The City intends to limit the use of Debt Service Reserves to address the repayment of any outstanding debt.

VIII. Excess of Reserves:

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

General Fund and Special Revenue Funds

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;
3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenditures for new programs provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Financial Management Services department.



Governmental Funds Reserve Policy

5. The reserve requirement does not apply to special revenue funds that were created under Federal and State Law and/or Texas Local Government Code for managing the revenue used to pay for costs associated with construction and debt-financing activities.

General Debt Service Funds

1. Use to repay any outstanding debt or obligations.

IX. Authority over Reserves:

The City Council may authorize the use of Reserves. The Financial Management Services and Planning & Data Analytics departments will regularly report both current and projected Reserve levels to the City Manager and City Council.

X. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XI. Basis:

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

Proprietary Fund Reserve Policy

I. Authority:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies that establish and direct the operations of the City of Fort Worth. The City Manager and Assistant City Managers are responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers by the Chief Financial Officer/Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's creditworthiness and provide adequate cash flow based upon the traditional operating cycle. The Government Finance Officers Association's (GFOA) best practice for reserves recommend, at a minimum, regardless of size, maintain an unrestricted net position of no less than two months of regular operating revenues or operating expenses. 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.

This policy establishes the amounts the City will strive to maintain in its Proprietary Fund Reserves, how the Reserve will be funded, and the conditions under which the Reserves may be used. This policy is intended to supplement, but not supersede, provisions of ordinances of the City governing the issuance or incurrence of bonds or other obligations secured in whole or in part by revenues or credited to a Proprietary Fund.

III. Applicability and Scope:

This policy shall apply to all Proprietary Funds under the budgetary and fiscal control of the City Manager and the City Council.

IV. Related Documents and References:

- A. Operating and Capital Budget Policy
- B. Long-Term Financial Planning Policy
- C. Capital Asset Investment and Management Policy

Proprietary Fund Reserve Policy

V. Policy:

Enterprise Funds

Reserve Levels - 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:

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 on Generally Accepted Accounting Principles (GAAP - Full Accrual) basis.
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.
4. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital and/or Days Cash on Hand outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

Proprietary Fund Reserve Policy

Internal Service Funds

Reserve Levels for Internal Service Insurance 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 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 using the operating fund only.
2. No Insurance Fund shall have a negative Unrestricted Net Position. This calculation shall be performed by using all of the funds of the respective reporting group of the specific insurance related internal service fund.
3. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

Reserve Levels for Non-Insurance 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 Non-Insurance Internal Service 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 Unrestricted Net Position. This calculation shall be performed by using all of the funds for the respective reporting group funds of the specific non-insurance related internal service fund.
3. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

Proprietary Fund Reserve Policy

VI. Monitoring Performance:

- A. For purposes of this calculation, Working Capital will include long-term investments that can be liquidated within five business days. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the fiscal year, the Financial Management Services and Planning & Data Analytics departments shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Financial Management Services and Planning & Data Analytics departments based on the requirements outlined in this policy.
- C. Funding the Reserve - Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues, non-recurring revenues, and budget surplus. Year-end surpluses are an appropriate source for replenishing fund balance.
- D. Periodic Review of the Targets - At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VII. Conditions for Use of Reserves:

The City intends to limit use of Proprietary Reserves to address unanticipated, non-recurring needs. Reserves shall not be applied to recurring annual operating expenses. Reserves may, however, be used to allow time for the City to restructure its operations deliberately (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

Proprietary Fund Reserve Policy

VIII. Excess of Reserves:

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;
3. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

IX. Authority over Reserves:

The City Council may authorize the use of Reserves. The Financial Management Services and Planning & Data Analytics departments will regularly report both current and projected Reserve levels to the City Manager and City Council.

X. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy. This policy will be reviewed at least annually and updated on an as-needed basis.

XI. Basis:

Generally Accepted Accounting Principles (GAAP - Full Accrual) basis is use for calculating the reserve level for Proprietary Funds Reserve.



City of Fort Worth, Texas

RESERVE REQUIREMENT SUPPLEMENT

For the Fiscal Year Ended September 30, 2020



**City of Fort Worth, Texas
Reserve Requirement Supplement
For the Fiscal Year Ended September 30, 2020**

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March 2, 2021

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 ended September 30, 2020. The City's Financial Management Policy Statements (FMPS) establish and document the City's policies concerning maintaining the Fund Balance and Net Position of the various Operating Funds at levels sufficient to protect the City's creditworthiness as well as its financial position. This report contains information pertaining to the City's Operating Funds and their compliance with the City's Financial Management Policy Statements under Section III: Fund Reserve Policies.

FMPS Fund Reserve Policies can be found on the City's Intranet Website under Financial Management Services found here: <http://www.cfwnet.org/finance/policy-statements/>

Any non-compliant Fund should consult with the Planning and Data Analytics Department during the upcoming fiscal planning process to allocate a Contribution to Net Position/Fund Balance over the next fiscal year(s) to regain compliance with their Fund Reserve Policy.

For Governmental Funds, calculations only include the Operating Fund and only include 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 divided by current liabilities and performed using the operating fund only. Days of cash on hand is calculated by dividing cash on hand [current cash, cash equivalents & investments] by the cash per day [operating expenses, excluding depreciation, divided by 365] as reported on the fund level financial statements in the City's Comprehensive Annual Financial Report.

The Financial Management Services Department (FMS) reviews and updates the FMPS on an annual basis 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 updated during this process to add clarification to the calculation.

Details of any Operating Fund's Reserve Requirement Supplement can be provided upon request by emailing the FMS Financial Reporting Division at FIN_FINANCIAL_REPORTING or by calling 817-392-2455.

The PDF comes fully bookmarked for your convenience.

If you have any questions about this information, please feel free to contact me at 817-392-8500.

Respectfully Submitted,


Reginald Zeno
Chief Financial Officer

DEPARTMENT OF FINANCIAL MANAGEMENT SERVICES

THE CITY OF FORT WORTH * 200 TEXAS STREET * 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 Management Fund is used to accumulate revenue to pay for any environmental program or service as such services are required by state or federal mandates.

Culture and Tourism Fund is 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.

Other Special Revenue Fund is used to report the financial activity of minor funds whose proceeds of specific revenue sources require separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

Debt Service Fund accounts 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 four funds: General Debt Service Fund, Culture and Tourism Debt Service Fund, Venue Debt Service Fund, and Rock Creek PID 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, 2020
(**UNAUDITED **)**

Next Year's Budgeted Expenditures		\$ 782,064,035
Fund Balances:		
Nonspendable (Postage, Light & Signal, Fire, and Commissary Inventories)	\$	2,707,228
Committed (State Sales Tax Agreement)		5,078,918
Assigned (FEMA-PA and New City Hall Facility Acquisition)		4,500,000
Unassigned		144,460,216
Ending Fund Balance	\$	156,746,362
Reserve Requirement:		
Unassigned Fund Balance	\$	144,460,216
Next Year's Budgeted Expenditures (FY21 Proposed Budget)		782,064,035
Minimum Reserve Requirement @16.67% of next year's budgeted expenditures		130,370,075
Actual		18.47%
Goal Reserve @25% of next year's budgeted expenditures		195,516,009
Amount Needed to Achieve Goal	\$	51,055,793
Governmental Funds Reserve Policy Excerpts: (http://www.cfwnet.org/finance/policy-statements/)		
General Fund:		
The City will maintain an Unassigned Fund Balance in the General Fund equivalent to two months (16.67 %) of the next fiscal year budgeted operating expenditures.		
Basis: Budgetary basis 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, 2020
(**UNAUDITED **)**

Fund No./Fund Name	A	B	C	D	E
	Next Year's Budgeted Expenditures	Fund Balances	Reserve Minimum	Projected Excess of Reserve	Compliant with Policy
Special Revenue Funds:					
26001 - Crime Control & Prevention District	\$ 84,416,769	\$ 25,932,000	\$ 14,072,275	\$ 11,859,725	Yes
25005 - Environmental Management Culture and Tourism Funds	4,167,674	2,492,000	694,751	1,797,249	Yes
20101 - Culture and Tourism	36,426,837	14,702,000	6,072,354	8,629,646	Yes
20103 - 2% Hotel Occupancy Tax	5,870,007	1,301,000	978,530	322,470	Yes
20104 - Project Financing Zone	5,689,334	1,997,000	948,412	1,048,588	Yes
20105 - DFW Revenue Sharing	3,660,000	2,579,000	610,122	1,968,878	Yes
20106 - Venue	8,859,285	3,316,000	1,476,843	1,839,157	Yes
20102 - Golf	5,032,048	829,000	838,842	(9,842)	No
28009 - Alliance Maintenance Facility	5,452,022	3,777,000	908,852	2,868,148	Yes
Debt Service Funds: ⁽¹⁾					
40100 - General Debt Service	122,414,685	35,637,000	30,603,671	5,033,329	Yes
40101 - Culture & Tourism Debt Service	5,993,205	5,117,000	1,498,301	3,618,699	Yes
40103 - Venue Debt Service	14,924,498	6,196,000	3,731,125	2,464,876	Yes
40104 - Rock Creek PID Debt Service	1,573,175	1,889,000	393,294	1,495,706	Yes

Governmental Funds Reserve Policy Excerpts:

[\(http://www.cfwnet.org/finance/policy-statements/\)](http://www.cfwnet.org/finance/policy-statements/)

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

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, 2020
(UNAUDITED **)**

	Major Funds		Nonmajor Funds		
	Water and Sewer	Stormwater Utility	Municipal Parking	Municipal Airport	Solid Waste
Next Year's Budgeted Expenses	\$ 310,270,675	\$ 22,429,401	\$ 4,560,045	\$ 7,748,816	\$ 68,448,243
1) Working Capital (WC)					
Reserve Goal @25%	\$ 77,567,669	\$ 5,607,350	\$ 1,140,011	\$ 1,937,204	\$ 17,112,061
Working Capital (Operating Fund Only)					
Current Assets	\$ 243,600,000	\$ 15,981,000	\$ 1,805,000	\$ 5,232,000	\$ 22,697,000
Less: Current Liabilities	103,673,000	6,035,000	2,655,000	849,000	7,933,000
WC (Spendable)	139,927,000	9,946,000	(850,000)	4,383,000	14,764,000
Excess WC (Spendable)	\$ 62,359,331	\$ 4,338,650	\$ (1,990,011)	\$ 2,445,796	\$ (2,348,061)
Compliant with Policy	Yes	Yes	No	Yes	No
Net Position appropriated in next year's budget	-	-	-	-	-
Projected Excess WC (Spendable)	\$ 62,359,331	\$ 4,338,650	\$ (1,990,011)	\$ 2,445,796	\$ (2,348,061)
2) Cash On Hand					
Operating expenses, net of depreciation*	\$ 138,927,000	\$ 5,569,000	\$ 1,446,000	\$ 3,877,000	\$ 50,326,000
Cash per day	380,622	15,258	3,962	10,622	137,879
Cash on Hand	152,355,000	11,583,000	958,000	4,447,000	11,935,000
Days Cash on Hand	400	759	242	419	87
Minimum (100 days cash on hand)	38,062,192	1,525,753	396,164	1,062,192	13,787,945
Excess cash on hand over the minimum	114,292,808	10,057,247	561,836	3,384,808	(1,852,945)
Compliant with Policy	Yes	Yes	Yes	Yes	No
Goal (150 days cash on hand)	57,093,288	2,288,630	594,247	1,593,288	20,681,918
Excess cash on hand over the goal	95,261,712	9,294,370	363,753	2,853,712	(8,746,918)
3) No negative unrestricted net position	Yes	Yes	Yes	Yes	No
Unrestricted Net Position	\$ 208,584,000	\$ 34,979,000	\$ 519,000	\$ 67,379,000	\$ (1,478,000)

Proprietary Funds Reserve Policy Excerpts:

[\(http://www.cfwnet.org/finance/policy-statements/\)](http://www.cfwnet.org/finance/policy-statements/)

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:

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

Footnote: * **Operating expenses** included a decrease of \$839.220 million in the City's Net Pension Liability allocated proportionately to Governmental Funds (\$726.265 million), Water and Sewer (\$88.794 million), Stormwater Utility (\$10.541 million), Municipal Airport (\$2.499 million), Municipal Parking, (\$1.330 million) and Solid Waste (\$9.791 million).

INTERNAL SERVICE

FUNDS

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 fund administration of the City's commercial insurance program, self-insured programs, claims litigation management, and subrogation. This is to protect City resources and to minimize the financial impact when losses do occur. Workers' Compensation is self-funded by the City. Claims are handled by a third-party administrator or contractor. The City is a reimbursing agency for unemployment compensation. The Texas Workforce Commission (TWC) sends quarterly reports to the City concerning claims paid on behalf of the City to eligible former employees.

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.

CITY OF FORT WORTH, TEXAS
RESERVE REQUIREMENT SUPPLEMENT
PROPRIETARY OPERATING FUNDS - INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2020
(UNAUDITED **)**

	Insurance Funds		Noninsurance Funds	
	Group Health & Life Insurance	Risk Financing	Equipment Service	Capital Project Service
Next Year's Budgeted Expenses	\$ 70,981,594	\$ 20,518,076	\$ 28,234,069	\$ 14,901,340
1) Working Capital (WC)				
Reserve Goal	\$ 17,745,399	\$ 5,129,519	\$ 4,706,619	\$ 2,484,053
Working Capital (Operating Fund Only)				
Current Assets	39,450,000	35,920,000	6,269,000	9,712,000
Less: Current Liabilities	6,679,000	11,200,000	3,758,000	1,018,000
WC (Spendable)	32,771,000	24,720,000	2,511,000	8,694,000
Excess WC (Spendable)	\$ 15,025,602	\$19,590,481	\$ (2,195,619)	\$ 6,209,947
Compliant with Policy	Yes	Yes	No	Yes
Net Position appropriated in next year's budget	-	-	-	-
Projected Excess WC (Spendable)	\$ 15,025,602	\$19,590,481	\$ (2,195,619)	\$ 6,209,947
2) No negative unrestricted net position	Yes	Yes	Yes	Yes
Unrestricted Net Position	\$ 35,229,000	\$ 11,882,000	\$ 2,461,000	\$ 7,765,000

Proprietary Funds Reserve Policy Excerpts: [\(http://www.cfwnet.org/finance/policy-statements/\)](http://www.cfwnet.org/finance/policy-statements/)

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 **two months (16.67%)** 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 Unrestricted Net Position. 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.