

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



CITY OF DALLAS

DATE: April 21, 2011

TO: Honorable Members of the Budget, Finance & Audit Committee: Ann Margolin (Vice Chair),
Vonciel Jones Hill, Angela Hunt, Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT: Budget, Finance & Audit Committee Meeting

Monday, April 25, 2011, 9:30 a.m.

Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Approval of February 28, 2011 minutes
2. Accounts Receivable and Collection Efforts Status
Jeanne Chipperfield
Chief Financial Officer
3. Office of the City Auditor Fiscal Year 2011-
Third Quarter Update
Craig D. Kinton, City Auditor
4. Alternative Financial Establishment Development
Code Amendment Status
David Cossum, Assistant
Director, Sustainable
Development & Construction

FYI:

5. February Financial Forecast Report

Please let me know if you have any questions.



Jerry R. Allen, Chair
Budget, Finance & Audit Committee

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney

Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.

Budget, Finance & Audit Committee

Meeting Record

(DRAFT)

Meeting Date: 2-28-2011

Convened: 9:36 a.m.

Adjourned: 10:36 a.m.

Committee Members Present:

Jerry R. Allen, Chair

Ann Margolin, Vice-Chair

David A. Neumann

Angela Hunt

Delia D. Jasso

Ron Natinsky

Committee Members Absent:

Vonciel Jones Hill- out on official City business

Staff Present:

Jeanne Chipperfield, Jack Ireland, Shelia Robinson, Theresa O'Donnell, Lance Sehorn, Zarin Gracey, Jeannie Eneh, Craig Kinton

AGENDA:

1. Approval of the January 24, 2011 minutes

Presenter(s):

Information Only: _____

Action Taken/Committee Recommendation(s):

Motion to approve the January 24, 2011 minutes.

Motion made by: David A. Neumann

Motion seconded by: Ron Natinsky

2. FY 2011-12 Dallas Central Appraisal District Proposed Budget

Presenter(s): Ken Nolan

Information Only: __X__

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

3. Alternative Financial Establishment Development Code Amendment Status

Presenter(s): David Cossum

Information Only: __X__

Action Taken/Committee Recommendation(s):

The Budget, Finance & and Audit Committee made a motion to postpone the Alternative Financial Establishment Development Code Amendment until The State Legislature takes action.

Motion made by: Ann Margolin

Motion seconded by: Delia D. Jasso

Budget, Finance & Audit Committee

Meeting Record

(DRAFT)

4. **Quarterly Investment Reporting Format Updates and Report**

Presenter(s): Corrine Steeger

Information Only: __X__

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

5. **December 2010 Financial Forecast Report**

Presenter(s): Jeanne Chipperfield

Information Only: __X__

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

Jerry R. Allen, Chair
Budget, Finance & Audit Committee

Memorandum



CITY OF DALLAS

DATE April 21, 2011

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Ann Margolin (Vice Chair), Vonciel Jones Hill, Angela Hunt, Delia D. Jasso, David A. Neumann, Ron Natinsky

SUBJECT Accounts Receivable Status and Collection Efforts

On Monday April 25, 2011 you will be briefed on Dallas' Accounts Receivable Status and Collection Efforts. The materials are attached for your review.

Please contact me if you need additional information.

A handwritten signature in black ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Accounts Receivable Status And Collection Efforts

Budget, Finance, and Audit Committee Briefing
April 25th, 2011

Briefing Purpose

- Overview of Accounts Receivables
- Current/Delinquent Collection Processes
- Detailed Review of Individual Receivables

Overview of Accounts Receivables

What is an Account Receivable?



Accounts Receivable:

Any amount owed to a business by a customer as a result of a purchase of goods or services from it on a credit basis

Accounts Receivable Systems

- 1.) The receivable balance in the financial system

All cities are required to follow Generally Accepted Accounting Principles (GAAP)

- GAAP requires cities to report only those amounts with a high probability of collection
- The City of Dallas does not record most receivables greater than 2 years past due

- 2.) The receivable balance in the billing systems

The City maintains a detailed list of accounts receivable by customer in various billing systems

- Billing system amount is considerably more than what is reported in the financial statements
- Includes accounts considered uncollectible

Accounts Receivable Overview



- The City of Dallas annually **bills approx. \$1.33 billion** in charges for services, fines, fees and taxes
- The City **collects approx. \$1.28 billion** annually
- Collection rates vary significantly by receivable type
- Unlike businesses, municipalities are restricted by certain State and Federal laws which limit the ability to collect
- Although the ultimate goal for the City is to maximize revenues, there are other policy goals regarding collection, for example:
 - Improving quality of life by demolishing substandard houses and apartments
 - Providing ambulance service to those that cannot pay for the service
 - Maintain water/waste water services as life necessity

Total City Revenues

*Preliminary FY'10 numbers are unaudited

	<u>Revenue</u>	<u>Preliminary FY'10* (000's)</u>	<u>Collection Rate</u>
Accounts Receivables Covered in Today's Presentation	- Property Taxes	625,923	98.1%
	- Water & Waste water (utilities)	460,536	97.9%
	- Sanitation (utilities)	59,812	97.3%
	- Storm water (utilities)	48,928	96.5%
	- Aviation fees	12,073	99.8%
	- Landfill	19,097	98.3%
	- Court fines & fees	17,359	62.7%
	- Ambulance	17,299	55.8%
	- Parking	6,718	54.4%
	- Safelight	6,546	64.3%
	- Code (land based)	3,752	27.0%
		<u>\$ 1,278,043</u>	
Other Non- Billed/Self Reported Revenues	- Sales Tax	205,933	
	- Intergovernmental	125,611	
	- Franchise fees	122,392	
	- Aviation	46,222	
	- Hotel occupancy tax	41,570	
	- Alcohol beverage tax	7,398	
	- Tax increment financing	6,739	
	- Motor vehicle tax	4,374	
	- Security alarm	4,208	
	- Sanitation franchise fee	2,991	
	- Recycling	2,147	
	- All other revenue	194,688	
		<u>\$ 764,273</u>	
	Total FY'10 Revenues*:	<u><u>\$ 2,042,316</u></u>	

Current and Delinquent Collection Processes

Citywide Collection Efforts

- The majority of the City's billed receivables are managed in the following two ways:
 - 1.) Current receivables collected in-house or outsourced to third party
 - 2.) Delinquent receivables sent to City Attorney or outsourced to third party

Receivables Management

- Examples of receivables which are either outsourced or collected in-house:

	Property Tax	Utilities	Landfill	Safelight	EMS
Current	Outsourced to County	In-House	In-House	Outsourced to ACS	Outsourced to ADPI Intermedix
Delinquent	Outsourced to Linebarger by Dallas County	City Attorney or Progressive	City Attorney or Progressive	ACS	ADPI Intermedix

Detailed Review of Individual Receivables

Property Taxes

- City/County consolidated property tax collections in FY 01
- Dallas County mails tax statements Oct. 1st and collects all non-delinquent collections through Jan. 31st
- Taxes are delinquent Feb. 1st and assessed 7% in penalties and interest, percentage rises each month delinquent
- Dallas County contracts with Linebarger Goggan Blair & Sampson, LLP to collect past due taxes
 - Business Personal Property over 60 days past due (April 1st)
 - Real Property & Improvements sent 5 months past due (July 1st)
 - 20% additional collection penalty added to receivable, making collection cost-free to the City
- FY10 unaudited collection rate of 98.1%

Property Taxes

- **Collection Efforts:**
- Linebarger Goggan Blair & Sampson, LLP
 - In Dec. 2005, upon Linebarger’s recommendation, City Council adopted a resolution allowing personal property to be referred 3 months earlier to expedite collections (after 60 days delinquency)
 - Last year (July 2009-June 2010) Linebarger collected over \$25.3 million for the City (best ever performance) through the following efforts:
 - Sent 9 demand mailings, including 85,574 letters
 - Filed 1,362 lawsuits for the City, & resolved 1,756 lawsuits
 - Conducted 2,383 site visits/seizures/warrants related to Business Personal Property
 - Set 468 properties for Sheriff’s Sale

Utility Billing

- Utility billing includes Water, Waste Water, Sanitation, and Storm Water services rendered for over 300,000 accounts a month
- An outstanding balance is considered delinquent after 15 days from the date of the bill
 - Late fees assessed after day 15:
 - Day 21 automated telephone reminders begin
 - Payment plans are offered during this time
 - Service disconnection notices begin day 32
 - After 40 days, account is eligible for disconnection
 - Internal collection efforts continue even after service is disconnected
 - After 130 days account is referred to the City Attorney's Office or third party vendor to pursue further collection effort (depending on amount)
- FY10 unaudited collection rates:
 - 97.9% Water / Waste Water
 - 97.3% Sanitation
 - 96.5% Storm Water

Utility Billing

- **Collection Efforts:**
- Progressive Financial Services – 3rd Party Collections Contract
 - Five year performance based contract
 - Electronic submission of account files and payments
 - 24/7 viewing capabilities of bank account dedicated to City (For benefit Of-FBO)
 - Weekly deposit of good funds into City’s depository bank account
 - City not responsible for Non-Sufficient Fund (NSF) items and/or payment returns
 - City receives and applies 100% of collected funds to customer accounts
- Established policy for lien placement on multi-tenant properties with delinquent water/wastewater accounts
- Payment Options:
 - Telephone, mail, on-line (epay.dallascityhall.com), City Hall lobby, Fidelity Pay Stations

Utility Billing

- **Collection Efforts (continued):**
- SAP Billing System (“Pay1”):
 - 1st Phase implementation – Feb 2008: Utility bills only
 - Adds and maintains more complete customer information
 - Processes automated electronic files to/from collection agency
 - Produces electronic bill notification to customers
 - Allows on-line recurring or one-time customer payments
 - Processes automated calculations of payment plans
 - 2nd Phase implementation – Nov 2008: Aviation, Code Compliance, Police, Fire, Economic Development, Housing/Health, Public Works, Convention Center (Hotel Occupancy and Motor Vehicle Rental taxes)
 - Approximately \$660 million in utility and non-utility bills are processed annually through the SAP system

Aviation Fees

- Aviation uses the City's SAP billing system to bill for rent, concessions, fuel flow fees, landing fees, security badges and miscellaneous service charges
- SAP generates past due letters:
 - 1st sent day after due date - Staff verifies charges before mailing
 - 2nd sent 30 days after due date - Staff follow up with phone calls and e-mails
 - 3rd sent 60 days after due date - Tenant site visit conducted
 - 4th sent 90 days after due date - May include default or termination notice
- Balances remaining unpaid after 120 days are referred to the City Attorney's Office
- FY10 unaudited collection rate of 99.8%

Landfill Fees

- Landfill Fees are charged to commercial and other business haulers to dispose waste at McCommas Bluff Landfill and Bachman Transfer Station
- Over \$18.6 million was billed by Sanitation department for disposal fees in FY10
 - If a customer invoice is not paid by the invoiced due date a collection letter is sent requesting payment in full within 10 business days
 - If payment is not received within the 10 business days the customer is denied access to the landfill until the account is brought current.
 - A 0.83% delinquency fee is charged per month (equals 10% annually)
 - Delinquent accounts are sent to either the Attorney's Office or Progressive Financial depending on size of delinquency
- Sanitation researching on-line bill pay for credit customers
- FY10 unaudited collection rate of 98.3%

Court Fines and Fees

- Defendants are given 21 days from the issuance date of a citation to respond to their citation by paying in full, requesting a part pay agreement, or requesting a court program option

- Defendant defaults if:

A: Fails to respond to Citation or Court Program

- Case is placed in warrant status
- A warrant notice is mailed to defendant by CTS
- Defendant may request deferred by mail, up to day 60 from date of issuance
- Defendant may post a Bond
- Defendant is subject to arrest by Law Enforcement
- Case is transferred to collection agency 62 days from default

Or B: Does not comply with Part Pay Agreement

- Case is managed by CTS Part Pay Office for collection attempts
- Telephone contact is made, and delinquent collection letters are mailed
- Case is forwarded to the Marshal's Office
- Marshals make contact for arrest or defendant pays the remaining balance
- Marshal's initiative continues until case is transferred to collection agency 62 days from default

Court Fines and Fees

- If case is not resolved by day 83, case is sent to the collection firm Linebarger Goggan Blair & Sampson, LLP
 - Collection activities include series of demand letters, personal & automated telephone contact, and skip-tracing/research to locate debtors
 - A 30% statutory collection agency fee is added to each case, making collection program for citations after 06-17-2003 cost free to the City
 - Linebarger collected \$6,670,698 for the City this past contract year
 - Publicize warrant round-ups, utilizing both English & Spanish media
- Failure to Appear & Quality of Life cases (prostitution, drug, theft, assault) significantly affect collections
- Approximately 27% of delinquent citations are Quality of Life cases which typically do not pay, but are disposed of through non-cash means (jail time served, community service, etc) (prostitution, drug, theft, assault)
- FY10 unaudited collection rate of approximately 62.7%

Court Fines and Fees

- **Collection Efforts:**
- Implemented a Proof or Plea Court full-time – Nov. 2009
- Implemented Saturday Court – Feb. 2010
- Implemented the Scofflaw Program – Mar. 2010
- Enhanced in-house delinquent collection efforts – Oct. 2010
- Implemented and added Express Payment Line – Oct. 2010
- Expanded options for on-line citation payments – Nov. 2010
- Implemented Deferred by Mail – Jan. 2011

These efforts have resulted in a reduction of the average court setting from 9 months to 2 months

Court Fines and Fees

- **Collection Efforts (continued):**
- Utilizing “eCitation”
 - City Council approved agenda item on December 8, 2010 to proceed with vendor selection. Implementation of the system is scheduled for October 2011
 - eCitation increases accuracy and readability of tickets, this in turn increases probability of conviction and collection
 - Projected total benefit value to the City \$274k (savings from additional revenue and expenditure savings)
 - Court revenue increase of approximately \$36,900
 - Allow DPD officers to patrol approximately 3,500 more hours and enforce traffic law
 - DPD cost reduction of processing paper citations

EMS Fees

- EMS fees are billed when ambulance services are rendered
- City does not deny EMS service to individuals who owe the City or are unable to pay for this service
- Collections are impacted by Medicare and Medicaid reimbursement rates that are lower than the amount billed
- The complex nature of Medicare, Medicaid and insurance billings requires industry knowledge to coordinate and improve collectability
- City contracts with ADPI “Intermedix” for initial and delinquent collection of fees
- FY10 unaudited collection rate of 55.8% (prior vendor)

EMS Fees

- **Collection Efforts:**
- Council authorized contract with ADPI “Intermedix” 8/25/10
- Contract began in October 1st, 2010
- ADPI “Intermedix” allows multiple payment options and provides payment plans
- New vendor is currently working with the City to optimize results

Parking Fines

- Ticket processing, collections, and meter/lot operations is managed by Affiliated Computer Systems (ACS) since July 2005
 - City employees issue parking tickets and conduct administrative appeals
- Multiple payment options available
 - Can pay by cash, check or credit card; Access by web, in-person, phone, or mail
- A courtesy notice is mailed 7 days after the ticket issuance. Individuals have 15 days from issuance to pay or contest a citation through an administrative appeal process –failure to pay or contest results in the addition of a penalty and mailings in the following sequential order: courtesy, default, final and collections
- Vehicles are eligible for booting and towing with three or more delinquent tickets in a calendar year
- If a vehicle has 3 delinquencies for any combination of years the vehicle can be towed as long as it is in violation at the time of discovery
- FY10 unaudited collection rate of 54.4%

Parking Fines

- **Collection Efforts:**
- Upgraded equipment: electronic ticket writers with camera (1995), AutoVu license plate recognition camera (2005), additional parking boots (2005)
- Multiple payment options: Web, phone, City Hall location
- Education: Notices include Spanish, City of Dallas new employee orientation, water bill inserts, increase in “reminder notices”
- Identifying & targeting top offenders (Top 100 offenders, +\$1,000 offenders) including companies with +35 vehicles
- Payment plans, phone calls, & delinquency mailings are tools used by contractor to collect delinquent accounts

Safelight

- Tickets are issued by the City after review of incident by licensed peace officer
- Affiliated Computer Systems (ACS) manages billing and collections
 - 1st Notice sent within 30 days of violation –\$75 fine, 30 days to pay or request hearing
 - 2nd Notice (Default) sent day 60 – penalty of \$25.00 added, hearing opportunity is lost
 - 3rd Notice is sent Day 90 – Notice includes credit bureau marking threat
 - 4th Notice is sent Day 120 – Notice includes credit bureau marking threat
 - 5th Notice is sent day 150- Notice includes credit bureau marking notification
 - Approximately 5 days later – account is sent to ACS' collection agency
- ACS accepts cash, check, or credit card and provides payment avenues on-line, by phone, or at City Hall
- ACS offers installment pay plans if needed
- FY10 unaudited collection rate of 64.3%

Land Based Fees

- Property owners with code violations on their premises (e.g. high weeds) are given an opportunity to correct violations before work is performed by city crews and contractors
- When a property owner fails to pay for the City's costs for these abatement services (land-based fees), the City places a lien on the property
- The City's third-party collections contract includes land-based receivables for those properties with an associated property tax delinquency
- Although land-based fees typically have low collection rates, codes are enforced to improve community safety and quality of life
- Combined FY10 unaudited land-based fee collection rate of 27%

Land Based Fees

- **Collection Efforts:**
- Created centralized Code Compliance Revenue & Collections Program May 2010
 - Developed written procedures to ensure all land-base receivables are processed promptly and within 30 days of work being completed
 - Implemented additional checkpoints to identify and collect outstanding fees owed prior to approval
 - Example: when applying for a Certificate of Occupancy (CO), staff will verify whether land-based fees are owed and collect payment before issuing the CO
- SAP billing system generates invoices, past due letters and referrals:
 - Invoice is generated to the customer and are due upon receipt
 - 1st notice: sent one day after due date
 - 2nd notice: sent 30 days after due date
 - Account referred to third-party collections vendor after 60 days if there is also an associated property tax delinquency on the address
- Reviewing referral of cases to the City Attorney's Office or third-party vendor to make additional collection efforts

Summary

- The City of Dallas annually **bills approx. \$1.33 billion** in charges for services, fines, fees and taxes
- The City **collects approx. \$1.28 billion** annually
- Roughly a **96%** collection rate for billed receivables
- Collection rates vary significantly by receivable type
- The City continues to seek opportunities to improve its collection rate where applicable

Questions

Memorandum



DATE: April 20, 2011

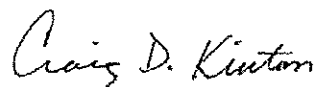
TO: Honorable Members of the Budget, Finance & Audit Committee –
Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Delia Jasso; Vonciel Jones Hill;
Angela Hunt; Ron Natinsky; David A. Neumann

SUBJECT: Presentation to the Budget, Finance & Audit Committee:
Office of the City Auditor Fiscal Year 2011 – Third Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, April 25, 2011 regarding:

- Fiscal Year 2011 Audit Plan Status Update – Third Quarter

Sincerely,



Craig D. Kinton
City Auditor

Budget, Finance and Audit Committee

Office of the City Auditor Fiscal Year 2011 – Third Quarter Update



City of Dallas
Office of the City Auditor
April 25, 2011



Reports Issued

Second Quarter, Fiscal Year 2011

- Sanitation Franchise Fee Audit of a Selected Solid Waste Collection and Hauling Company
- American Recovery and Reinvestment Act (ARRA) – Summary Report for October 1, 2009 to September 30, 2010
- Audit of South Dallas Fair Park Trust Fund
- Independent Auditor's Reports on Applying Agreed-Upon Procedures
- Fiscal Year 2011 # 2 Drug Destruction



Reports Issued

Third Quarter, Fiscal Year 2011

- Audit Follow-Up of Prior Year Audit Recommendations – Fiscal Years 2007 to 2009 – *Released April 8, 2011*
- Independent Auditor’s Reports on Applying Agreed-Upon Procedures
 - Fiscal Year 2011 # 2 Drug Destruction
 - Sole Source Review: Renewal of GangNet Software Maintenance and Support



Anticipated Report Releases

Third Quarter, Fiscal Year 2011

- Uniform Overtime – Dallas Fire-Rescue

Projects In-Progress

Third Quarter, Fiscal Year 2011

- Sales/Use Tax Compliance Review Through MuniServices
- Former Mayor Tom Leppert – Special Audit Upon Resignation
- Sanitation Landfill Collections
- Aviation Regulatory Compliance
- Controls Over Lease Equipment
- Fire Building Inspections
- American Recovery and Reinvestment Act (ARRA) – Fiscal Year 2011
- Fleet Management Fuel Usage
- Capital Programs
- Contract Compliance – Office Depot

Anticipated Project Starts

Third Quarter, Fiscal Year 2011

- Revenue Estimates – Budgeted Revenues for Fiscal Year 2012
- Former City Council Member(s) – Special Audit(s)
- Fines / Fees Processing and Effectiveness – Special Permits and Fees
- Drug Articles and Weapons Destructions (as requested)
- Single Bid and Sole Source Reviews (as requested)

Cancelled Projects

Fiscal Year 2011

The following two projects were cancelled from the Fiscal Year 2011 Audit Plan as a result of discussions with City Manager and the City's anticipated hiring of an external consulting firm to develop a City-wide Business Continuity Plan.

- Emergency Management Operations and Business Continuity Plan
- Information Technology Disaster Recovery

Audit Highlights

Second Quarter, Fiscal Year 2011

■ Sanitation Franchise Fee Audit of Selected Solid Waste Collection and Hauling Company

- Identified \$165,147 in underpaid franchise fees
- As a result, the company remitted \$165,147 to the City of Dallas on December 28, 2010

Audit Highlights

Second Quarter, Fiscal Year 2011

■ American Recovery and Reinvestment Act (ARRA) – Summary Report for October 1, 2009 to September 30, 2010

- The City continued efforts to ensure that funds were awarded and distributed in a prompt, fair, and reasonable manner
- Fund recipients and uses of funds were reported clearly and timely, but reporting requirements caused inaccuracies in reports
- The City established processes to ensure funds were used for authorized purposes and fraud, waste, and abuse were mitigated
- The Weatherization Assistance Program and the Energy Efficiency and Conservation Block Grant Program experienced delays
- Overall ARRA goal achievements and outcomes will not be known until program completion

Audit Highlights

Second Quarter, Fiscal Year 2011

■ **Audit of South Dallas Fair Park Trust Fund**

- Loan guidelines were not followed
- Loan payments were not accurately monitored
- Applications were approved without required documents

■ **Independent Auditor Reports on Applying Agreed-Upon Procedures**

□ **Fiscal Year 2011 # 2 Drug Destruction**

- 3,112 drug invoices and associated 4,565 drug articles totaling 485.0 pounds destroyed

Audit Highlights

Third Quarter, Fiscal Year 2011

■ Audit Follow-Up of Prior Year Audit Recommendations – Fiscal Years 2007 to 2009 – *Released April 8, 2011*

□ City management improved accountability and operations by implementing 34 of 59, or 58 percent, of the prior audit recommendations tested during this follow-up audit; however, financial, operational, and compliance risks continue where recommendations were not adequately addressed

□ Accountability and operational improvements were accomplished through the implementation of recommendations. The extent to which City management agrees to and timely implements audit recommendations improves accountability through stronger control procedures and more efficient and effective service delivery.

□ Accountability and operational improvements were not accomplished and risks were not reduced where recommendations were not adequately implemented

□ The bank reconciliation process improved; however, it is still not a fully effective control for the timely detection and correction of bank and accounting system errors or potential fraudulent activity. Management also did not make sufficient progress formally documenting policies and procedures; a control activity designed to communicate employees' job responsibilities and help ensure operational consistency.

□ Management has communicated that although many recommendations remain outstanding, efforts to implement recommendations are in process

Audit Highlights

Third Quarter, Fiscal Year 2011

■ Independent Auditor Reports on Applying Agreed-Upon Procedures

□ Fiscal Year 2011 # 2 Weapons Destruction – *Released April 4, 2011*

- 198 weapons destroyed

□ Sole Source Review

The following Sole Source Bid Reviews met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022, **General Exemptions** (a) (7) – *a procurement of items that are available from only one source*

- Renewal of GangNet Software Maintenance and Support \$100,000 – Department of Communication and Information Services / Dallas Police Department

MuniServices, LLC

Sales and Use Tax Audit Update

■ Audit Process Overview

- Initial review of City boundaries utilizing multiple sources to include zoning maps, information by provided Comptroller, and reviewing portions of the City outside of Dallas County within Denton, Collin, and Rockwall Counties

- Physical Canvassing –
 - Initial canvassing done for commercial/industrial areas with specific focus on warehousing
 - Over 400 businesses identified with approximately ½ reviewed to date confirming sales tax registration
 - Balance still in review with further canvassing to be done to include City borders, high density retail, airport, and additional industrial areas

- Thorough review of existing business sales tax registrations for possible jurisdictional errors. This is an on-going process with specific emphasis each month on new sales tax permits.

MuniServices, LLC

Sales and Use Tax Audit Update

■ **Audit Process Overview, *continued***

□ **Payment Data Analysis –**

- All payments are analyzed to detect any anomalies to include missing payments, reduced payments, or payments showing significant increases
 - Taxpayers will be contacted as appropriate to investigate and identify any possible misallocations
 - All payment history obtained to include 2008 data has been reviewed up through most current payments for January 2011
 - This review is initiated any time new payment data is received
- #### □ **Additional resources used to identify possible sales tax registration and/or payments errors include multiple newspaper publications, property tax information, telephone directory listings, various websites, and third party business lists**

MuniServices, LLC

Sales and Use Tax Audit Update

■ Audit Reviews in Progress

- List Filers – Thorough analysis of all taxpayers by business category reporting sales and use tax to identify taxpayers who may be misreporting the local tax based on their specific business model. Currently, 100+ businesses under review.
- Use Tax – Utilizing multiple data sources to review possible use tax reporting errors
- Both of these reviews will include additional canvassing with specific focus of warehousing and shipping points

MuniServices, LLC

Sales and Use Tax Audit Update

■ Errors Identified

- Nine errors submitted to Comptroller with correction confirmed
- Five additional errors submitted, still awaiting confirmation of correction from Comptroller
 - These 14 accounts are estimated to be worth approximately \$40,000*/quarter
- Four outstanding payment anomaly issues outstanding, estimated to be worth approximately \$100,000* in local tax to the City, are still under investigation

* Revenue estimates only include those accounts meeting current revenue threshold limit for taxpayers reporting \$25,000 or more in total tax annually. Updated revenue results will be provided if current legislation reducing threshold to \$5,000 is passed.



MuniServices, LLC

Sales and Use Tax Audit Update

■ Key Legislative Issues

- SB 758 – Sales and Use Tax information provided local governmental entities
- SB 1798 – Retailers engaged in business for the purpose of use tax (Amazon issue)

QUESTIONS?



City of Dallas
Office of the City Auditor
April 25, 2011



Memorandum



CITY OF DALLAS

DATE April 22, 2011

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Vonciel Jones Hill; Angela Hunt; Delia D. Jasso; Ron Natinsky

SUBJECT Alternative Financial Establishment Development Code Amendment Status

Please find attached briefing materials on a proposed development code amendment to create an alternative financial establishment use classification and appropriate development standards for the use. This briefing is a follow up to the February 25, 2011 briefing and will be presented to the committee on April 25, 2011.

Please contact me if you need additional information.


A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager

Alternative Financial Establishment Development Code Amendment

**City Council
Budget, Finance and Audit
Committee
April 25, 2011**



Background

- City Council requested that the City Attorney draft an ordinance establishing check cashing facilities and car title and pay day lending businesses a separate main use.
- The Zoning Ordinance Committee considered the issue at 6 meetings beginning in February of 2010.
- Staff and ZOC reviewed several studies and ordinances from other jurisdictions.
- ZOC recommended no change to the current Development Code on October 7, 2010.

Background

- The City Plan Commission was first briefed and conducted a public hearing on the proposal on January 20, 2011.
- The proposal was considered at a second public hearing on February 3, 2011 at which time CPC recommended approval of creating a new use but did not recommend any minimum separation requirements.
- The City Council Budget, Finance and Audit Committee was briefed on this item on February 25, 2011

Issues

- Are the possible negative land use impacts of the use greater than other financial service uses and personal service uses
- What is best regulatory approach to control the fees that can be charged by the industry
- Could separation requirement lessen competition and result in higher fees
- Does a concentration of such businesses in an area discourage other desired businesses from locating in the area

Survey of Other Area Cities

- Farmers Branch
 - Only by SUP
 - 1000 ft from another similar use
 - 500 ft from a highway
- Irving
 - 1000 ft from another similar use
 - 500 ft from a highway
 - 200 ft from a residentially zoned lot
 - Only in a free standing building

Survey of Other Area Cities

- Mesquite
 - Only by SUP
 - 1000 ft from another similar use
 - 500 ft from a highway
 - 200 ft from a residentially zoned lot
 - Only in a free standing building
- Richardson
 - Only by SUP
 - 1000 ft from another similar use
 - 500 ft from a highway

CPC Recommendation

- Create a new use for alternative financial establishment.
 - ALTERNATIVE FINANCIAL ESTABLISHMENT means a car title loan business, check cashing business, or money transfer business. An alternative financial establishment does not include state or federally chartered banks, savings and loans, and credit unions. An alternative financial establishment does not include an establishment that provides financial services that are accessory to another main use .

CPC Recommendation

- Definitions
 - CAR TITLE LOAN BUSINESS means an establishment that makes small, short-term consumer loans secured by a title to a motor vehicle.
 - CHECK CASHING BUSINESS means a business that provides check cashing, payday cash advance, payroll advance, short-term cash loan, short term cash advance, instant payday cash advance, short-term money loan services, or similar services to individuals for a specified fee.
 - MONEY TRANSFER BUSINESS means an establishment that transmits funds for a fee.

CPC Recommendation

- Allow the use in all non-residential districts except NO, NS, MU-1, UC-1, and P(A) districts
- Require the use to be parked at one space per 333 square feet (office use requirement)
- Amended motion to require 500 ft separation from a similar use failed by a vote of 7 to 7

Alternative Definition of AFE

- ALTERNATIVE FINANCIAL ESTABLISHMENT means a car title loan business, check cashing business, or money transfer business. An alternative financial establishment does not include state or federally chartered banks, savings and loans, ~~and credit unions~~ and community development financial institutions. An alternative financial establishment does not include an establishment that provides financial services that are accessory to another main use.

Alternative Districts Permitted

- Except as otherwise provided below, by right in all nonresidential districts except the NO, NS, MU-1, UC-1, and P(A) districts.
- In addition to the above requirements, an SUP is required for this use when within 500 feet of another alternative financial institution use.

- By SUP only in all nonresidential districts except the NO, NS, MU-1, UC-1, and P(A) districts.

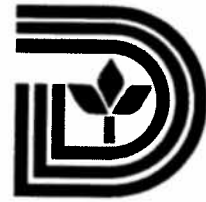
Alternative Requirements

- **Minimum Separation**
 - No alternative financial establishment may be located within 1,500 feet, measured from property line to property line, of any other alternative financial establishment.
- **Minimum Distance From Residential**
 - No alternative financial establishment may be located within 300 feet, measured from property line to property line, from a lot in a residential district.
- **Stand Alone Building**
 - An alternative financial establishment may only operate within a freestanding building and may not operate in the same structure as any other use.

Committee Direction Options

- Hold for State legislative process to be completed to see if additional regulations are warranted
- Recommend forwarding CPC proposed amendment to City Council
- Recommend alternative regulations to City Council for consideration in addition to CPC recommendation

Memorandum



CITY OF DALLAS

DATE April 15, 2011
TO The Honorable Mayor and Members of the City Council
SUBJECT Financial Forecast Report

For your information, attached is the financial forecast for FY 2010-11, based on information through February. General Fund revenues are projected to be \$785,000 below budget and expenditures are projected to be \$850,000 below budget.

The General Fund is below budget as a result of delays in hiring offset by higher than anticipated prices for fuel. The per gallon cost of fuel may continue to rise requiring future adjustments to the fuel forecast. This expense will be monitored closely as we proceed further into the fiscal year.

We will continue to closely monitor revenues and expenditures and keep you informed.

A handwritten signature in black ink, appearing to read 'M. Suhm'.

Mary K. Suhm
City Manager

Attachment

c: Ryan S. Evans, First Assistant City Manager
A.C. Gonzales, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer

**GENERAL FUND
COMPARISON OF 2010-11 REVENUES AND EXPENDITURES
AS OF FEBRUARY 28, 2011
(000s)**

<u>ITEM</u>	<u>BUDGET</u>	<u>YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
Revenues	\$998,492	\$596,278	\$997,707	(\$785)
Expenditures	\$1,006,047	\$410,125	\$1,005,197	(\$850)
Sub Total	(\$7,555)	\$186,153	(\$7,490)	\$65
Use of one time resources	\$7,555		\$7,555	
Net Excess/(Deficiency) of Revenues Over Expenditures and Transfers to Reserves	<u>(\$0)</u>		<u>\$65</u>	

**FINANCIAL FORECAST REPORT
FY 2010-11
AS OF FEBRUARY 28, 2011**

GENERAL FUND

Revenues

- Total General Fund revenues are estimated to be \$785,000 below budget.
 - Interest Earned revenues are projected to be \$920,000 below budget primarily due to lower than budgeted interest rates.
 - Parking Fine revenues are projected to be \$362,000 below budget due to reduced citations.
 - Red Light Camera revenues are projected to be \$930,000 below budget due to decreased citations and delays in adding and relocating cameras.
 - Public Library revenues are projected to be \$67,000 below budget due to lower than budgeted fines.
 - Private Disposal revenues are projected to be \$6,279,000 below budget primarily due to the delayed improvement to the general economy, and to the construction industry in particular, resulting in lower-than-projected landfill revenues.
 - Security Alarm revenues are projected to be \$284,000 below budget primarily due to less than anticipated fees for false calls.
 - Vital Statistics revenues are projected to be \$296,000 below budget primarily due to decrease in the number of requests for birth and death certificates
 - Other Charges for Services are projected to be \$1,120,000 below budget primarily due to decrease in re-inspection fees as a result of improved compliance in multi-family, restaurant, and non-owner occupied properties.
 - Miscellaneous revenues are projected to be \$2,881,000 above budget primarily due to a reimbursement from Atmos Energy for rate case expenses previously incurred by the City and a judgment paid to the City. The revenue from this judgment is offset by a corresponding expense in the projection in Non-Departmental.

Expenditures

- Total General Fund expenditures are estimated to be \$850,000 below budget.
 - Management Services is projected to be \$207,000 below budget primarily due to delays in hiring.
 - Sustainable Development and Construction is projected to be \$80,000 below budget primarily due to delays in hiring.

INTERNAL SERVICES

- Equipment Services revenues are projected to be \$3,076,000 above budget and expenditures are projected to be \$3,168,000 above budget primarily due to higher than budgeted fuel prices and increased body shop costs.

**GENERAL FUND
FORECAST OF FY 2010-11 REVENUES
AS OF FEBRUARY 28, 2011
(000s)**

	<u>BUDGET</u>	<u>REVENUES YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
TAXES				
Ad Valorem Tax	\$435,785	\$419,551	\$435,785	\$0
Sales Tax	204,810	53,782	210,215	5,405
FRANCHISE REVENUES				
Oncor Electric	46,641	26,417	47,805	1,163
AT&T	19,668	4,588	18,060	(1,608)
Atmos Energy	11,355	3,053	11,771	416
Time Warner Cable	6,000	2,518	5,979	(21)
Other	13,486	4,139	14,376	889
TOTAL TAXES & FRANCHISE REVENUES	737,745	514,048	743,990	6,245
LICENSES AND PERMITS	9,893	4,081	10,006	113
INTEREST EARNED	2,413	156	1,493	(920)
INTERGOVERNMENTAL	6,312	262	6,599	287
FINES AND FORFEITURES				
Municipal Court	16,560	5,962	16,725	165
Vehicle Towing & Storage	7,774	3,063	7,806	32
Parking Fines	5,988	1,320	5,627	(362)
Red Light Camera Fines	8,344	0	7,414	(930)
Public Library	670	215	603	(67)
TOTAL FINES	39,337	10,561	38,175	(1,162)
CHARGES FOR SERVICE				
Sanitation Service	59,883	24,843	59,124	(759)
Parks	7,488	2,964	8,263	775
Private Disposal Fees	23,396	6,046	17,117	(6,279)
Emergency Ambulance	19,274	3,656	19,274	0
Security Alarm	4,650	1,546	4,366	(284)
Street Lighting	1,493	253	1,493	0
Vital Statistics	1,853	600	1,557	(296)
Other	19,344	9,303	18,223	(1,120)
TOTAL CHARGES	137,381	49,211	129,418	(7,962)
INTERFUND REVENUE	52,662	12,061	52,394	(268)
MISCELLANEOUS	12,750	5,899	15,631	2,881
TOTAL REVENUE	998,493	596,278	997,707	(785)
USE OF ONE-TIME RESOURCES	7,555	0	7,555	0
TOTAL RESOURCES	\$1,006,047	\$596,278	\$1,005,262	(\$785)

**GENERAL FUND
FORECAST OF FY 2010-11 EXPENDITURES
AS OF FEBRUARY 28, 2011
(000s)**

DEPARTMENT	BUDGET	EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
Building Services	\$20,888	\$9,212	\$20,862	(\$27)
Business Dev/Procurement Svcs	\$2,088	\$1,237	\$2,084	(\$3)
City Attorney's Office	\$9,944	\$3,888	\$9,892	(\$52)
City Auditor's Office	\$2,107	\$771	\$2,105	(\$2)
City Controller's Office	\$3,558	\$1,397	\$3,464	(\$94)
City Manager's Office	\$1,531	\$777	\$1,524	(\$6)
City Secretary's Office	\$1,480	\$606	\$1,479	(\$1)
Civil Service	\$1,022	\$414	\$1,022	\$0
Code Compliance	\$26,846	\$10,213	\$26,747	(\$98)
Court Services	\$10,999	\$3,857	\$10,978	(\$22)
Elections	\$1,092	\$970	\$1,093	\$0
Fire	\$195,822	\$82,810	\$196,410	\$589
Housing / Community Services	\$7,450	\$5,009	\$7,375	(\$75)
Human Resources	\$3,064	\$1,521	\$3,064	\$0
Independent Audit	\$772	\$0	\$772	\$0
Judiciary	\$2,964	\$1,377	\$2,828	(\$136)
Library	\$19,591	\$8,222	\$19,391	(\$200)
Management Services	\$2,524	\$1,572	\$2,318	(\$207)
Mayor and Council	\$3,618	\$1,315	\$3,593	(\$26)
Non-Departmental	\$30,666	\$4,632	\$31,418	\$752
Office of Cultural Affairs	\$12,530	\$5,183	\$12,617	\$87
Office of Economic Development	\$505	\$495	\$468	(\$37)
Office of Financial Services	\$1,539	\$518	\$1,533	(\$6)
Park and Recreation	\$63,700	\$27,378	\$64,422	\$722
Police	\$403,070	\$154,147	\$401,728	(\$1,343)
Public Works and Transportation	\$11,875	\$8,480	\$11,702	(\$172)
Sanitation Services	\$72,773	\$28,782	\$72,686	(\$87)
Street Lighting	\$17,338	\$17,246	\$17,338	\$0
Street Services	\$49,002	\$15,968	\$48,715	(\$286)
Sustainable Dev/Construction	\$915	\$798	\$835	(\$80)
Trinity Watershed Management	\$151	\$0	\$151	\$0
OTHER				
Appraisal Districts	\$3,258	\$3,216	\$3,216	(\$42)
Dallas County Tax Collection	\$576	\$0	\$576	\$0
Jail Contract - Lew Sterrett	\$8,116	\$8,116	\$8,116	\$0
RESERVES AND TRANSFERS				
Salary and Benefit Reserve	\$2,460	\$0	\$2,460	\$0
Contingency Reserve	\$3,646	\$0	\$3,646	\$0
Liability/Claims Fund	\$6,569	\$0	\$6,569	\$0
EXPENDITURES	\$1,006,047	\$410,125	\$1,005,197	(\$850)

**PROPRIETARY FUNDS
FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
AS OF FEBRUARY 28, 2011
(000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Aviation</u>				
Revenues	\$47,007	\$18,757	\$45,559	(\$1,448)
Expenses	\$47,007	\$11,484	\$45,578	(\$1,429)
Net Excess of Revenues Over Expenses/Transfer	\$0	\$7,273	(\$19)	(\$19)
<u>Convention Center</u>				
Revenues	\$58,636	\$18,364	\$59,800	\$1,164
Expenses	\$58,636	\$23,235	\$60,561	\$1,926
Net Excess of Revenues Over Expenses/Transfer	\$0	(\$4,871)	(\$761)	(\$761)
<u>Municipal Radio Fund</u>				
Revenues	\$2,717	\$1,177	\$2,788	\$71
Expenses	\$2,717	\$1,072	\$2,690	(\$27)
Net Excess of Revenues Over Expenses/Transfer	\$0	\$105	\$98	\$98
<u>Sustainable Dev/ Construction</u>				
Revenues	\$17,298	\$7,622	\$18,030	\$733
Expenses	\$16,791	\$5,115	\$16,638	(\$153)
Net Excess of Revenues Over Expenses/Transfer	\$507	\$2,507	\$1,392	\$886
<u>Water Utilities</u>				
Revenues	\$531,240	\$190,039	\$522,423	(\$8,818)
Expenses	\$531,240	\$138,476	\$522,423	(\$8,818)
Net Excess of Revenues Over Expenses/Transfer	\$0	\$51,563	\$0	\$0
<u>Communication & Information Svcs</u>				
Revenues	\$48,019	\$17,354	\$48,011	(\$8)
Expenses	\$48,155	\$16,770	\$48,186	\$32
Net Excess of Revenues Over Expenses/Transfer	(\$136)	\$585	(\$175)	(\$39)

**PROPRIETARY FUNDS
 FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
 AS OF FEBRUARY 28, 2011
 (000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Equipment Services</u>				
Revenues	\$44,933	\$14,020	\$48,009	\$3,076
Expenses	\$44,933	\$19,608	\$48,101	\$3,168
Net Excess of Revenues Over Expenses/Transfer	\$0	(\$5,588)	(\$92)	(\$92)
<u>Express Business Center</u>				
Revenues	\$3,901	\$1,675	\$4,026	\$125
Expenses	\$4,049	\$1,585	\$4,186	\$136
Net Excess of Revenues Over Expenses/Transfer	(\$148)	\$90	(\$159)	(\$11)

**OTHER FUNDS
FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
AS OF FEBRUARY 28, 2011
(000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Employee Benefits</u>	\$513	\$146	\$513	\$0
<u>Risk Management</u>	\$1,268	\$443	\$1,276	\$8
<u>9-1-1 System Operations</u>				
Revenues	\$13,457	\$5,770	\$13,289	(\$168)
Expenses	<u>\$13,912</u>	<u>\$1,320</u>	<u>\$13,907</u>	<u>(\$4)</u>
Net Excess of Revenues Over Expenses/Transfer	<u>(\$454)</u>	<u>\$4,450</u>	<u>(\$618)</u>	<u>(\$164)</u>
<u>Storm Water Drainage</u>				
Revenues	\$48,234	\$20,578	\$48,594	\$360
Expenses	<u>\$50,119</u>	<u>\$15,397</u>	<u>\$48,232</u>	<u>(\$1,887)</u>
Net Excess of Revenues Over Expenses/Transfer	<u>(\$1,885)</u>	<u>\$5,181</u>	<u>\$361</u>	<u>\$2,247</u>

**DEBT SERVICE FUND
FORECAST OF 2010-11 REVENUES AND EXPENDITURES
AS OF FEBRUARY 28, 2011
(000s)**

<u>DEBT SERVICE</u>	<u>BUDGET</u>	<u>EXPENDITURES AND REVENUES YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
Beginning Balance	\$3,632	\$0	\$3,741	\$109
Revenues	\$259,660	\$209,813	\$253,073	(\$6,587)
Expenses	\$260,685	\$182,001	\$253,922	(\$6,763)
Ending Balance	<u>\$2,607</u>	<u>\$27,812</u>	<u>\$2,892</u>	<u>\$285</u>

CONTINGENCY RESERVE STATUS

Beginning Balance October 1, 2010	\$5,013,005
No uses of Contingency Reserve	\$0
Balance as of February 28, 2011	<u><u>\$5,013,005</u></u>

LIABILITY/CLAIMS FUND

Beginning Balance October 1, 2010	\$8,574,065
Paid October 2010	(\$28,115)
Paid November 2010	(\$93,596)
Paid December 2010	(\$1,117,421)
Paid January 2011	(\$60,324)
Paid February 2011	(\$570,568)
Balance as of February 28, 2011	<u>\$6,704,040</u>