

Memorandum



CITY OF DALLAS

DATE May 17, 2013
TO The Honorable Mayor and Members of the City Council
SUBJECT FY 2011-12 Year End Report

Attached for your review is the FY 2011-12 Year End Report. The purpose of the Year End Report is to communicate the final status of year-end total expenditures compared to appropriations, total revenues compared to budget, and significant expenditure and revenue variances (compared to budget) for all operating funds. This report is the conclusion of Financial Forecast Reports that were provided through FY 2011-12. In addition, the report provides a status of compliance with the Financial Management Performance Criteria (FMPC).

Please let me know if additional information is needed.

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

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa Rios, City Secretary
Craig Kinton, City Auditor
Daniel Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Stephanie Pegues-Cooper, Assistant to the City Manager
Jack Ireland, Director, Office of Financial Services

**General Fund
Year End 2011-12
Comparison of Revenues and Expenditures
(000s)**

<u>ITEM</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
Revenues	\$1,012,786	\$1,013,770	\$984
Expenditures	1,012,786	1,001,271	(11,515)
Sub Total	0	12,499	12,499
Net Excess/(Deficiency) of Revenues Over Expenditures and Transfers to Reserves	<u>\$0</u>	<u>\$12,499</u>	

FY 2011-12 End of Year Report Variance Explanations

General Fund

REVENUES:

- Total General Fund revenues are \$984,000 above budget.
 - Sales Tax is \$14,069,000 above budget due to improvements in the local economy.
 - Atmos Energy revenues are \$1,030,000 below budget due to the winter months being warmer than normal resulting in reduced gas consumption.
 - Other franchise revenues are \$1,133,000 above budget due to growth in fiber optic and AT&T U-verse franchise fees.
 - Interest revenues are \$213,000 above budget due to higher than budgeted interest rates.
 - Intergovernmental revenues are \$997,000 above budget primarily due to higher than expected payments from Euless and Irving as part of the DFW revenue sharing agreement.
 - Municipal Court revenues are \$2,581,000 below budget due to a decrease in the number of citations written, high dismissal rates, and defendants choosing not to resolve their citations.
 - Vehicle Towing and Storage revenues are \$936,000 below budget primarily due to a decrease in the number of tows resulting from arrests.
 - Parking Fines are \$746,000 below budget due to lower ticket issuance as a result of fewer cars parking downtown as a result of construction and increased use of public transportation.
 - Public Library revenues are \$70,000 below budget due to an increase in the usage of e-materials. Fines and late fees are not collected on e-materials as they are electronically recalled on the due date.
 - Park revenues are \$1,445,000 above budget primarily due to revenue received from contract fee classes held at various recreation centers as well as building use fees and concessions as a result of more events at Fair Park
 - Private Disposal Fees are \$1,327,000 above budget due in part to the improving economy and also due to more waste being brought to the landfill as a result of hail/wind storms.
 - Emergency Ambulance revenues are \$3,379,000 below budget due to lower than anticipated collections. The new billing and collection contract, awarded in late January 2012, is expected to improve collections in FY 2012-13.
 - Security Alarm revenues are \$437,000 above budget due to an increase in the number of security alarm permits issued.
 - Street Lighting revenues are \$528,000 below budget due to less revenue from TxDOT as a result of the City's lower than anticipated electricity costs and the elimination of internal street light billing to the Park Department.
 - Other Charges for Services are \$1,379,000 below budget primarily due to Multi-Tenant Registration Fees and Non-Owner Occupied Registration Fees being less than anticipated as a result of difficulty in identifying rental properties that have not been voluntarily registered.

- Interfund Revenues are \$15,012,000 below budget due to lower than anticipated indirect cost recovery from grants as well as deferred transfers from other city funds.

EXPENDITURES:

- Total General Fund expenditures are \$11,515,000 below budget.
 - Civil Service is \$85,000 below budget due to delays in hiring two difficult to fill positions.
 - Elections is \$106,000 below budget primarily due to lower than anticipated costs for the November 2012 bond election.
 - Human Resources is \$340,000 below budget primarily due to delays in hiring and higher than anticipated reimbursements.
 - Non-Departmental is \$2,516,000 below budget due to lower than budgeted unemployment and contract wrecker expenses as well as savings in the master lease and commercial paper programs.
 - Office of Cultural Affairs is \$812,000 below budget due to delays in hiring and lower than anticipated costs for stagehands needed at events.
 - Office of Financial Services is \$255,000 below budget primarily due to delays in hiring and lower than anticipated costs for consultants to review franchise rate case.
 - Street Lighting is \$1,105,000 below budget due to a lower than anticipated Transmission and Distribution Service Provider (TDSP) Meter Surcharge from Oncor.
 - Sustainable Development and Construction is \$199,000 below budget primarily due to delays in hiring.
 - Salary and Benefit Reserve expenses are \$2,295,000 below budget as a result of fewer termination and retirement payouts than expected.

Other Funds

- Sustainable Development/Construction revenues are \$4,564,000 above budget due to increases in new and remodel single-family construction, multi-family construction, and continued expansion of healthcare facilities. Expenses are \$1,777,000 below budget due to a delay in purchasing computer software licenses.
- Municipal Radio expenses are \$451,000 below budget due to vacancies and lower than budgeted costs for advertising. Revenues are \$510,000 below budget due to fewer local advertisement sales due to sales staff vacancies.
- Express Business Center expenses are \$240,000 below budget due to decreased postage and mailing by departments.
- Employee Benefits expenses are \$50,000 below budget due to salary savings and savings in the Well Aware Program.
- 9-1-1 System Operations expenses are \$3,701,000 below budget primarily due to lower than budgeted reimbursements to Police and Fire for 911 call center operations. Revenues are \$929,000 above budget due to higher than budgeted wireline revenue.

**General Fund
Year End 2012-12 Revenues
(000s)**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
TAXES			
Ad Valorem Tax	\$434,638	\$439,212	\$4,574
Sales Tax	215,508	229,577	14,069
FRANCHISE REVENUES			
Oncor Electric	51,097	52,466	1,369
AT&T	16,515	16,392	(123)
Atmos Energy	11,474	10,444	(1,030)
Time Warner Cable	6,170	6,440	269
Other	17,212	18,345	1,133
TOTAL TAXES & FRANCHISE REVENUES	752,615	772,876	20,261
LICENSES AND PERMITS	9,747	9,771	24
INTEREST EARNED	914	1,127	213
INTERGOVERNMENTAL	5,430	6,427	997
FINES AND FORFEITURES			
Municipal Court	17,822	15,241	(2,581)
Vehicle Towing and Storage	7,874	6,938	(936)
Parking Fines	5,793	5,047	(746)
Red Light Camera Fines	7,276	7,322	46
Public Library	603	533	(70)
TOTAL FINES	39,368	35,081	(4,288)
CHARGES FOR SERVICE			
Sanitation Service	59,922	60,538	616
Parks	7,321	8,766	1,445
Private Disposal Fees	18,336	19,663	1,327
Emergency Ambulance	20,063	16,684	(3,379)
Security Alarm	4,155	4,593	437
Street Lighting	1,493	965	(528)
Vital Statistics	1,563	1,563	0
Other	18,756	17,376	(1,379)
TOTAL CHARGES FOR SERVICE	131,610	130,148	(1,462)
INTERFUND REVENUE	60,584	45,572	(15,012)
MISCELLANEOUS	12,516	12,769	252
TOTAL REVENUE	\$1,012,786	\$1,013,770	\$984

**General Fund
Year End 2011-12 Expenditures
(000s)**

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Building Services	\$18,180	\$18,083	(\$96)
Business Development and Procurement Services	2,116	2,086	(30)
City Attorney's Office	10,754	10,741	(13)
City Auditor's Office	2,067	2,030	(37)
City Controller's Office	3,613	3,485	(127)
City Manager's Office	1,635	1,628	(7)
City Secretary's Office	1,514	1,500	(14)
Civil Service	1,459	1,374	(85)
Code Compliance	28,045	27,795	(250)
Court Services	10,693	10,666	(27)
Elections	1,239	1,133	(106)
Fire	206,958	206,691	(268)
Housing / Community Services	8,097	8,076	(22)
Human Resources	3,491	3,151	(340)
Independent Audit	937	937	0
Judiciary	3,077	3,006	(70)
Library	18,462	18,111	(351)
Management Services	3,455	3,339	(116)
Mayor and Council	3,624	3,527	(97)
Non-Departmental	27,270	24,754	(2,516)
Office of Cultural Affairs	13,895	13,083	(812)
Office of Economic Development	657	647	(10)
Office of Financial Services	1,776	1,521	(255)
Park and Recreation	66,636	66,281	(355)
Police	399,406	398,795	(611)
Public Works and Transportation	5,015	4,775	(240)
Sanitation Services	74,535	73,537	(998)
Street Lighting	18,084	16,979	(1,105)
Street Services	53,645	53,629	(16)
Sustainable Dev/Construction	1,204	1,004	(199)
Trinity Watershed Management	272	265	(7)
OTHER			
Appraisal Districts	3,321	3,305	(16)
Jail Contract - Lew Sterrett	7,852	7,852	0
Dallas County Tax Collection	556	533	(23)
RESERVES AND TRANSFERS			
Contingency Reserve	1,663	1,663	0
Liability/Claims Fund	5,288	5,288	0
Salary and Benefit Reserve	2,295	0	(2,295)
TOTAL EXPENDITURES	\$1,012,786	\$1,001,271	(\$11,515)

**Proprietary Funds
Year End 2011-12 Revenues and Expenditures
(000s)**

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
AVIATION			
Revenues	\$47,682	\$48,829	\$1,147
Expenditures	47,682	45,954	(1,728)
Net Excess of Revenues Over Expenditures	<u>\$0</u>	<u>\$2,875</u>	<u>\$2,875</u>
CONVENTION CENTER			
Revenues	\$62,642	\$65,744	\$3,102
Expenditures	62,642	62,636	(6)
Net Excess of Revenues Over Expenditures	<u>\$0</u>	<u>\$3,108</u>	<u>\$3,108</u>
DEVELOPMENT SERVICES			
Revenues	\$19,075	\$23,638	\$4,564
Expenditures	19,043	17,266	(1,777)
Net Excess of Revenues Over Expenditures	<u>\$32</u>	<u>\$6,372</u>	<u>\$6,340</u>
MUNICIPAL RADIO			
Revenues	\$2,842	\$2,390	(\$451)
Expenditures	2,798	2,289	(510)
Net Excess of Revenues Over Expenditures	<u>\$43</u>	<u>\$102</u>	<u>\$58</u>
WATER UTILITIES			
Revenues	\$551,600	\$528,902	(\$22,698)
Expenditures	551,826	526,756	(25,070)
Net Excess of Revenues Over Expenditures	<u>(\$225)</u>	<u>\$2,146</u>	<u>\$2,371</u>
COMMUNICATION & INFORMATION SVCS			
Revenues	\$46,142	\$46,601	\$459
Expenditures	48,345	46,574	(1,771)
Net Excess of Revenues Over Expenditures	<u>(\$2,202)</u>	<u>\$27</u>	<u>\$2,229</u>
EQUIPMENT SERVICES			
Revenues	\$49,261	\$48,656	(\$605)
Expenditures	49,261	49,110	(151)
Net Excess of Revenues Over Expenditures	<u>\$0</u>	<u>(\$455)</u>	<u>(\$455)</u>
EXPRESS BUSINESS CENTER			
Revenues	\$3,924	\$3,963	\$38
Expenditures	3,871	3,632	(240)
Net Excess of Revenues Over Expenditures	<u>\$53</u>	<u>\$331</u>	<u>\$278</u>

Other Funds
Year End 2011-12 Revenues and Expenditures
(000s)

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
EMPLOYEE BENEFITS	\$621	\$570	(\$50)
RISK MANAGEMENT	\$1,621	\$1,557	(\$63)
9-1-1 SYSTEM OPERATIONS			
Revenues	\$13,075	\$14,004	\$929
Expenditures	14,131	10,430	(3,701)
Net Excess of Revenues Over Expenditures	<u>(\$1,056)</u>	<u>\$3,574</u>	<u>\$4,631</u>
STORM WATER DRAINAGE MANAGEMENT			
Revenues	\$49,199	\$50,173	\$975
Expenditures	54,563	54,522	(42)
Net Excess of Revenues Over Expenditures	<u>(\$5,365)</u>	<u>(\$4,349)</u>	<u>\$1,016</u>

Debt Service Fund
Year End 2011-12 Revenues and Expenditures
(000s)

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Beginning Balance	\$2,918	\$5,510	\$2,592
Revenues	248,494	249,077	583
Expenditures	248,845	248,823	(22)
Ending Balance	\$2,567	\$5,764	\$3,198

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2012

Operating Program Status

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of undesignated fund balance accumulated through prior year surplus. Nonrecurring or one-time revenues should, to the extent possible, only be used for one-time expenditures (expenditures not expected to reoccur and requiring future appropriations) to avoid future shortfalls.

2. The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not exceed 8%:
 - Excluding taxable value gained through annexation or consolidation;
 - Excluding the value gained through new construction;
 - Excluding expenditure increases mandated by the voters or another governmental entity; and
 - Not excluding the valuation gained through revaluation or equalization programs.

3. Debt will not be used to fund current operating expenditures.

4. All retirement systems will be financed in a manner to systematically fund liabilities. The City will assure sufficient funds are provided to pay current service plus interest on unfunded liabilities plus amortization of the unfunded liabilities over a programmed period. No less than annual reviews will be provided to Council by the pension funds.

Status

In Compliance

In Compliance

The % change in base revenue (from FY 2010-11 to FY 2011-12) was -1.27%

Adjusted revenues cannot exceed "base" revenues more than 8%.

Base revenues = FY 2010-11 actual revenues from current tax roll (in 000's)	\$ 659,794
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FY 2011-12 Actual Ad-Valorem Tax Revenue	\$ 650,446
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Less: Voter Mandated-Debt Service	(\$6,342)
Growth from Annexation	\$ 0
Growth from New Construction	<u>\$ 5,380</u>

Adjusted revenue recommendation:	\$ 651,408
% Change from base revenues:	-1.27%

In Compliance

No debt was programmed in the Operating Budget to fund current expenses.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Operating Program Status (Continued)

Status

5. Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits and contributions will be authorized only after meeting the test of actuarial soundness. All health plans should have actuarial reviews performed bi-annually to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims.

In Compliance

6. Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the utility. In addition, each Enterprise Fund and Internal Service Fund should maintain at least 30 days of budgeted operations and maintenance expense in net working capital, and avoid cash deficits.

Not In Compliance

Some funds do not have sufficient fund balance to meet the 30 day guideline.

7. The Emergency Reserve shall be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, a 5% decline in property values, or an unexpected liability created by Federal or State legislative action. Funds shall be allocated from the Emergency Reserve only after an analysis has been prepared by the City Manager and presented to City Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years. Prior to allocating funds from the Emergency Reserve, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds. Funds shall be allocated each year in the budget process to replace any use of the Emergency Reserve funds during the preceding fiscal year to maintain the balance of the Emergency Reserve levels.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Operating Program Status (Continued)

8. The Contingency Reserve, a component of unassigned fund balance, shall be used to provide for unanticipated needs that arise during the year: for example, expenses associated with new service needs that have been identified after the budget process, new public safety or health needs, revenue shortfalls, service enhancements, or opportunities to achieve cost savings. Funds shall be allocated from the Contingency Reserve only after an analysis has been prepared by the City Manager and presented to the City Council outlining the initial and recurring costs associated with the proposed expenditure. Additionally, these funds would be used prior to use of the Emergency Reserve funds. Funds shall be allocated each year in the budget process to replace any use of the Contingency Reserve funds during the preceding fiscal year and to maintain the balance of the Contingency Reserve at a level ranging from ½% to 1% of budgeted departmental expenditures.

9. The unassigned fund balance of the General Fund, which includes the Emergency Reserve and the Contingency Reserves, shall be maintained at a level not less than 5% of the General Fund operating expenditures less debt service. (The Risk Reserve is not included in this calculation.)

Status

In Compliance

The Contingency Reserve was funded at \$5,100,000, 0.50% of the General Fund budget. The Contingency Reserve ending balance was \$5,100,000 on 9/30/12.

In Compliance

Emergency Reserve 9/30/12 (actual)	\$ 17.6M
Contingency Reserve 9/30/12 (actual)	\$ 5.1M
Fund Balance 9/30/12 (actual)	<u>\$ 72.3M</u>
Combined	\$ 95.0M
 \$95.0M is 9.5% of \$1,001.1M	

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Operating Program Status (Continued)

10. A Risk Reserve shall be maintained at a level, which, together with purchased insurance policies, adequately protects the City's assets against loss. An analysis shall be conducted every three years or when the deductible level of the City's property insurance is modified (whichever is earlier), to determine the appropriate level of this reserve.

11. A General Fund liability fund shall be budgeted annually to provide for outstanding and anticipated claims expense and resulting liabilities during the budget year. An individual judgment settlement cap is set at \$5,000,000. The Emergency Reserve will be accessed should the cap be exceeded. An independent actuarial analysis shall be conducted every two years to determine the appropriate level of this fund.

12. Consider the establishment of a Landfill Closure / Post-Closure Reserve to provide for any future potential liabilities. Analysis will be performed periodically to determine appropriate timing and amount of funding needs. Funds could be allocated from an increase in user fees.

13. Operating expenditures will be programmed to include current costs of fully maintaining City facilities, including parks, streets, levees, vehicles, buildings, and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term cost of any potential deferred maintenance cost. Normal maintenance will be funded through the operating budget.

Status

In Compliance

The Risk Reserve was funded at \$1,250,000. The ending balance was \$1,250,000 on 9/30/12.

In Compliance

Establishment of reserve not recommended at this time.

Not In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Operating Program Status (Continued)

14. An annual assessment and five year projection for all equipment and maintenance needs should be performed, and a maintenance and replacement schedule developed based on the projection.

Status

In Compliance

15. An annual review of selected fees and charges will be conducted to determine the extent to which the full cost of associated services is being recovered by revenues. All fees and charges will be reviewed at least once every four years.

In Compliance

A fees and charges study was completed for approximately 25% of all fees in FY 2011-12.

Capital and Debt Management

16. Any capital projects financed through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project. (Bonds issued for street resurfacing shall be financed for a period not to exceed 10 years.)

In Compliance

17. The net (non self-supporting) General Obligation (G.O.) Debt of Dallas will not exceed 4% of the true market valuation of the taxable property of Dallas.

In Compliance

1.8%

18. Total direct plus overlapping debt shall be managed so as to not exceed 8% of market valuation of taxable property of Dallas. All debt, which causes total direct plus overlapping debt to exceed 6% of market valuation, shall be carefully planned and coordinated with all overlapping jurisdictions.

In Compliance

5.5%

19. Interest expenses and other capital related expenses incurred prior to actual operation will be capitalized only for facilities of enterprise activities.

In Compliance

20. Average (weighted) General Obligation bond maturities (exclusive of Pension Obligation Bonds) shall be kept at or below 10 years.

In Compliance

6.9 Years

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

<p>21. Annual General Obligation debt service (contribution) including certificates of obligation debt for risk management funding shall not exceed 20% of the total governmental fund expenditures (comprised of general fund, special funds, debt service funds and capital project funds).</p>	<p>In Compliance 14.3%</p>
<p>22. Per Capita General Obligation Debt including Certificates of Obligation, Equipment Acquisition Notes and General Obligation Bonds will be managed to not exceed 10% of the latest authoritative computation of Dallas' per capita annual personal income.</p>	<p>In Compliance 3.2% - Total Debt 2.5% - GO Bond Debt</p>
<p>23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions:</p> <ul style="list-style-type: none"> • the original improvement is at or near the end of its expected service life; • the betterment extends the life of the original improvement by at least one third of the original service life; • the life of the financing is less than the life of the betterment; • the betterment is financed through either C.O.'s or G.O.'s. 	<p>In Compliance</p>
<p>24. Interest earnings from G.O. Bonds shall be used solely to fund capital expenditures, debt service, or used to fund a reserve for capital contingencies.</p>	<p>In Compliance</p>
<p>25. Certificates of Obligation should be used only to fund tax-supported projects previously approved by the voters; or for risk management funding as authorized by the City Council; or non-tax revenue-supported projects approved by City Council.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

<p>26. Certificates of Obligation (C.O.) Debt including that for risk management funding supported by an ad valorem tax pledge should not exceed 15% of total authorized and issued General Obligation (G.O.) Debt.</p> <ul style="list-style-type: none"> • All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt. 	<p>In Compliance 2.3%</p>
<p>27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.</p>	<p>In Compliance</p>
<p>28. Certificates of Obligation for an enterprise system will be limited to only those projects, which can demonstrate the capability to support the certificate debt either through its own revenues, or another pledged source other than ad valorem taxes.</p>	<p>In Compliance</p>
<p>29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.</p>	<p>In Compliance</p>
<p>30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.</p>	<p>In Compliance</p>
<p>31. Tax Increment Financing zones should be established where revenues will recover 1.25 times the public cost of debt in order to provide an adequate safety margin.</p>	<p>In Compliance</p>
<p>32. No more than 10% of the property (i.e. parcels) in a Tax Increment Financing zone, excluding property dedicated for public use, may be used for residential purposes. "Residential purposes" includes property occupied by a house, which has less than five living units.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

33. Pursuant to the provisions of the Texas Tax Code, the City creates reinvestment zones both for tax increment financing ("TIF RZ") and for the tax abatement ("TA RZ"). TA RZs are created for the purpose of granting tax abatement on real or business personal property or both located in the TA RZ. For the FMPC, TIF RZs and TA RZs shall be referred to as Reinvestment Zones ("RZ").

In Compliance

No RZ can be created if the total property tax base of certain TIF RZs plus the total real property and business personal property tax base (if there is business personal property tax being abated) of TA RZs exceeds 10% of the total tax base (all real and business personal property) of the City. Reinvestment zones that are no longer collecting tax increment or abating taxes (i.e. now contributing 100% to the City of Dallas property tax revenues) will be excluded from the calculation.

34. All PID and TIF proposals, even "pay-as-you-go" projects, will be evaluated for service impact. A five-year fiscal note must accompany any request to establish a PID or TIF including repayment terms of any inter-fund borrowing.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

35. All adopted PID or TIF debt issuances supported by a district's revenues, are subject to the following criteria:

In Compliance

- Coverage Tests - The project should provide for revenues, net of overlapping taxes, of 1.25 times maximum annual debt service requirement. The issuance of TIF bonds may be considered prior to achieving coverage ratio of 1.25 if:

< a developer or property owner provides a credit enhancement such as a letter of credit or bond insurance from an AAA-rated financial institution for the entire amount of the debt issue; and

< in the event that there is insufficient TIF increment revenues to retire TIF bonds, which event consequently requires that the credit enhancement mechanism be called upon to service the TIF bonded indebtedness, contingent liability to reimburse a credit-enhancer would be the sole liability of the developer or its affiliates; and

< in the event that there are changes in the rating of the financial institution providing credit enhancement, then that institution shall be replaced with an AAA-rated financial institution within 90 days; and

< in the event that no replacement of an AAA-rated institution is provided, no further TIF bonds in advance of the 1.25 coverage ratio will be provided for any additional TIF projects undertaken by the developer or its affiliates.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

In Compliance

- Additional Bonds Test - the project should include an additional bonds test parallel to the coverage test.
- Reserve Fund - the project should include a debt service reserve fund equal to the maximum annual debt service requirements.
- Limitations on Amount of PID/TIF Bonds- The total amount of PID/TIF indebtedness will be included and managed as part of the City's overlapping debt, and
- The total amount of PID/TIF debt outstanding should generally not exceed 20% of the City's outstanding general obligation indebtedness.
- PID/TIF bonds should be limited to projects consistent with the City's previously adopted Financial Management Performance Criteria for debt issuance.
- PID bonds should be limited to those projects, which can demonstrate the ability to support the debt either through its own revenues or another pledge source other than ad valorem taxes.
- PID/TIF bond authorizations should remain in effect for no more than five years from the date of City Council approval.

36. All adopted PID or TIF debt issuances must mature on or before the termination date of the respective PID or TIF district and, further, all bonds must also conform to the district's Financial Plan by maturing on or before the plan's projected date by which all district expenses would be paid, including repayment of bonds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Capital and Debt Management (Continued)

Status

- | | |
|---|---------------|
| 37. The City will not propose the issuance of any unrated, high yield PID/TIF bond which could be labeled a "high risk bond" except for small (less than \$5 million) private placements coordinated with the City's Financial Advisor.

<ul style="list-style-type: none">• All projects must be carefully evaluated for credit-worthiness and meet the criteria above whether or not a credit rating is obtained. | In Compliance |
| 38. The City should use PID/TIF bonds only when other options have been considered. | In Compliance |
| 39. Advance refunding and forward delivery refunding transactions should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 4%.

Current refunding transactions should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 3%. | In Compliance |
| 40. Each Enterprise Fund (where applicable) will maintain fully funded debt service reserves. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Accounting, Auditing, and Financial Planning

Status

41. The City will establish and maintain a high degree of accounting practices; accounting practices will conform to generally accepted accounting principles as set forth by the authoritative standard setting body for units of local government.

In Compliance

42. An annual audit will be performed by an independent public accounting firm, with the subsequent issue of an official Comprehensive Annual Financial Report (CAFR) within 120 days of the City's fiscal year end.

Not in Compliance
FY 2011-12 CAFR was issued in March 2013.

43. Full disclosure will be provided in the annual financial statements and bond representations.

In Compliance

Budget

44. Revenues and expenditures will be projected annually for at least three years beyond the current budget projections.

In Compliance

45. Financial systems will be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.

In Compliance

46. Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Budget (Continued)

47. A report reflecting end of fiscal year status of performance against these criteria will be prepared within 60 days after official presentation of the Comprehensive Annual Financial Report to the City Council. A pro forma report reflecting Proposed budget status will be submitted with the City Manager's Proposed Budget each year.

Status

In Compliance

Cash Management

48. Investments will be made in conformance with the City's investment policy, with the primary objectives of preservation of capital, maintenance of sufficient liquidity and maximization of return on the portfolio.

In Compliance

49. The accounting system and cash forecasting system will provide regular information concerning cash position and investment.

In Compliance

50. Internal Service Funds and Enterprise Funds will maintain positive cash balances.

In Compliance

Grants and Trusts

51. All grants will be managed to comply with the laws, regulations and guidance of the grantor; and all gifts and donations will be managed and expended according to the wishes and instructions of the donor.

In Compliance

52. Prior to acceptance of proposed gifts and donations and governmental grants a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donation or grants meet the strategic goals of the City, and any potential impact of loss of funds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Dallas Water Utilities

Status

- | | |
|---|---------------|
| 1. Current revenues will be sufficient to support current expenses including debt service and other obligations of the system. | In Compliance |
| 2. Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses. | In Compliance |
| 3. Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects which result in capital improvements. The authorization of tax-exempt commercial paper will be limited to 20% of the 10-year capital improvement program in effect at the time of the commercial paper authorization. No commercial paper program will be authorized for more than ten years. Outstanding tax-exempt commercial paper will never exceed the amount authorized by Council. | In Compliance |
| 4. Contingency reserves will be appropriated at a level sufficient to provide for unanticipated, nonrecurring expenditures. | In Compliance |
| 5. Debt financing for capital projects will not exceed the useful life of the asset, and in no case shall the term exceed 30 years. | In Compliance |
| 6. An unreserved cash balance will be maintained such that it provides a minimum quick ratio of 1.50 and at least 30 days of budgeted expenditures for operations and maintenance in net working capital. | In Compliance |
| 7. Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2012

Dallas Water Utilities (Continued)

Status

- | | |
|---|---------------|
| 8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes. | In Compliance |
| 9. Funds available from current rates in each fiscal year for system rehabilitation, replacement, and expansion will be appropriated equal to or more than financial statement depreciation expense reasonably estimated in the same year. | In Compliance |
| 10. Capital financing will be provided through a combination of revenue bonds, current revenues, contributed capital, and short-term debt. An equity to debt ratio of at least 20% should be maintained on all capital projects. | In Compliance |
| 11. Retail cost of service studies will be performed at least every two years and reviewed annually. Rate adjustments will be recommended when required, but, normally, no more frequently than annually. | In Compliance |
| 12. Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement of 1979. Wholesale wastewater and untreated water rates will be determined on the basis of contractual agreements with wholesale customers. Rates shall be adjusted annually if cost of service studies indicates a need therefore. | In Compliance |
| 13. Funds generated by Dallas Water Utilities will be used solely for the development, operation, and maintenance of the water and wastewater utility system. | In Compliance |