

# Memorandum



**Date** August 8, 2008

**To** Honorable Mayor and Members of the City Council

**Subject** FY 2006-07 Year End Report (Unaudited)

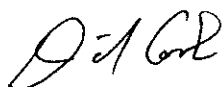
The purpose of the Year End Report is to communicate the final status of year-end total expenditures compared to appropriations, total revenues compared to budget, significant expenditure and revenue variances (compared to budget) for all operating funds, and various appropriation adjustments between departments within the General Fund. This report is the conclusion of Financial Forecast Reports that were provided through FY 2006-07. In addition, the report provides a status of compliance with the Financial Management Performance Criteria (FMPC).

The General Fund ended FY 2006-07 with a surplus (revenues greater than expenditures) of \$8,866,247. This surplus is a result of revenues above budget by \$10,099,374 and expenditures above budget by \$10,248,009, and utilization of FY 2005-06 actual net excess of \$26,514,882. The \$8,866,247 becomes part of the General Fund balance.

This report includes appropriation adjustments as follows:

- Fifteen (15) General Fund department appropriation increases totaling \$16,200,974 offset by decreases in General Fund departments that were under budget.
- Five (5) Non-General Fund department appropriation increases. Sufficient revenues or fund balance have been generated by the respective department to offset these expenditures.

An action item is scheduled for the City Council's August 13, 2008 Agenda Addendum that would authorize year-end adjustments to FY 2006-07 appropriations for the funds mentioned above. The FY 2006-07 Year End Report is attached for your review.



David Cook  
Chief Financial Officer

#### Attachment

c: Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
David Brown, Interim Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Ramón F. Miguez, P.E., Assistant City Manager  
Deborah Watkins, City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Jeanne Chipperfield, Director – Budget and Management Services

**GENERAL FUND  
COMPARISON OF YEAR END 2006-07  
REVENUES AND EXPENDITURES  
(000s)**

<b>ITEM</b>	<b>Budget Prior to Final Council Adjustments</b>	<b>ACTUAL</b>	<b>OVER/ UNDER BUDGET</b>	<b>COUNCIL ADJUSTED BUDGET</b>	<b>OVER/ UNDER BUDGET</b>
REVENUES	979,245	989,344	10,099	979,245	10,099
EXPENDITURES	996,745	1,006,993	10,248	1,006,993	0
SUB TOTAL	(17,500)	(17,649)	(149)	(27,748)	10,099
USE OF ONE TIME RESOURCES	17,500	26,515			
<b>NET EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS TO RESERVES</b>	<b>0</b>	<b>8,866</b>			

# End of Year Report FY 2006-07

## General Fund

### REVENUES:

- Total General Fund revenues were \$10,099,374 below budget.

### Significant Revenues Above Budget:

- Atmos Energy revenues were \$1,455,997 above budget primarily due to higher than expected prices for natural gas.
- Interest Earned revenues were \$3,072,907 above budget due to higher than projected interest rates.
- Intergovernmental revenues were \$12,200,467 above budget primarily due to the final repayment of the City's investment in DFW Airport land.
- Sanitation Service revenues were \$5,886,473 above budget primarily due to one-time accrual of prior year sanitation collection fees.
- Private Disposal Fees were \$5,501,656 above budget as a result of the Linfield Landfill Project. This allows for an unbudgeted capital construction transfer of \$2.3M that will help fund the construction of the next landfill cell.

### Significant Revenues Below Budget:

- Sales Tax revenues were \$2,814,487 below budget.
- Other franchise revenues were \$3,664,261 below budget primarily due to primarily due to lower than budgeted revenues from Kiosks and advertising and sponsorships.
- Municipal Court revenues were \$2,571,452 below budget primarily due to increased defendant requests for court programs, Municipal Court's inability to participate fully in the State wide warrant round-up in March 2007 and delayed implementation (to February 2008) of on-line payment processing capabilities.
- Red Light Camera Fines were \$7,261,736 below budget due to fewer citations per camera than anticipated.

## **EXPENDITURES:**

- Total General Fund expenditures were \$10,248,009 above budget.

### **Departments Above Budget:**

- Mayor and Council expenditures were \$3,867 above budget primarily due to temporary help expenses.
- Building Services expenditures were \$950,979 above budget primarily due to professional services and building materials.
- Business Development & Procurement Services expenditures were \$179,050 above budget primarily due to a decrease in the reimbursement for Surety Support.
- City Manager's Office expenditures were \$13,753 above budget primarily due to personnel related expenses partially offset by an increase in reimbursements.
- City Secretary expenditures were \$11,270 above budget primarily due to advertising partially offset by printing and photo services savings.
- Court and Detention Services expenditures were \$104,125 above budget primarily due to temporary help and overtime cost to process citations partially offset by supplies and services.
- Environmental and Health Services expenditures were \$119,926 above budget primarily due personnel expenses associated with the Utility Pay Stations and Metro Dallas Homeless Alliance consultant fees.
- Fire expenditures were \$875,588 above budget primarily due to uniform personnel overtime costs off-set by an increase in reimbursements.
- Independent Audit expenditures were \$704,261 above budget due to additional charges for work related to fiscal year 2005-06 and a higher than budgeted cost for the 2006-07 audit.
- Judiciary expenditures were \$100,490 above budget due to higher than budgeted expenses for overtime related to warrant roundup, Teen Court, civil court proceedings, and a decrease in reimbursements from the Court Security Fund.
- Library expenditures were \$111,215 above budget due to personnel related expenses offset by material savings.
- Non-departmental expenditures were \$399,909 above budget due to grant repayment to HUD.

**Departments Above Budget (continued):**

- Police expenditures were \$12,548,428 above budget due to the hiring of additional police officers, overtime initiatives and certification incentive pay. This fiscal year, the department achieved a net gain of 168 officers instead of 100 as originally budgeted. More overtime was utilized to support initiatives such as the Holiday Mall Task Force, Public Nuisance, and call answering. In addition, the budget anticipated that approximately 2,000 officers would receive the Certification Incentive Pay. The expenditures reflect that nearly 2,400 officers are earning this pay.
- Street Services expenditures were \$75,727 above budget primarily due to supplies and materials related to street repairs.
- Dallas County Tax Collection expenditures were \$2,386 above budget due to a higher than estimated number of accounts.

**Significant Departments Below Budget:**

- Housing expenditures were \$228,755 below budget primarily due to employee retirement, and building materials and professional services associated with the People Helping People program.

# End of Year Report FY 2006-07

## Enterprise Funds

- Aviation expenditures were \$5,055,866 above budget primarily due to overruns for Legend Terminal litigation, DPD Security Orange Level overtime, DFR ARFF overrun, Wright Amendment litigation, Rates and Charges Study, COCO Communications, environmental emission testing, CDM utility deregulation consulting, and Director Search.
- Aviation revenues were \$7,870,575 above budget primarily due to concessions and a one-time insurance settlement.
- Convention and Event Services expenditures were \$5,405,218 above budget primarily due to expenses related to non-budgeted events and hotel occupancy tax.
- Convention and Event Services revenues were \$4,776,851 above budget primarily due to expenses related to non-budgeted events.

## Internal Service Funds

- Express Business Center revenues were \$533,276 budget primarily due to auto auction sales.
- Express Business Center expenditures were \$1,078,305 above budget primarily due to staff realignment and increase in postage rate.
- Employee Benefits expenditures were \$180,388 below budget primarily due to lower than budgeted expenses for professional services.
- Equipment Services revenues were \$4,647,632 below budget primarily due to lower than budgeted cost for fuel.
- Communication and Information Services (Radio) expenditures were \$543,257 above budget primarily due to equipment purchase
- 911 System Operation expenditures were \$82,201 budget primarily due to VESTA maintenance, the primary software interface between the phone company and the CAD system.

**GENERAL FUND  
YEAR END 2006-07 REVENUES  
(000s)**

	Budget Prior to Final Council Adjustments	ACTUAL	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<b><u>TAXES</u></b>					
Ad Valorem Tax	414,314	412,779	(1,535)	414,314	(1,535)
Sales Tax	225,741	222,927	(2,814)	225,741	(2,814)
<b><u>FRANCHISE REVENUES</u></b>					
TXU Electric	47,359	49,397	2,038	47,359	2,038
AT&T	23,000	23,208	208	23,000	208
Atmos Energy	12,344	13,800	1,456	12,344	1,456
Time Warner Cable	5,300	5,336	36	5,300	36
Other	12,778	9,113	(3,664)	12,778	(3,664)
<b>TOTAL TAXES &amp; FRANCHISE REVENUES</b>	<b>740,836</b>	<b>736,561</b>	<b>(4,275)</b>	<b>740,836</b>	<b>(4,275)</b>
<b><u>LICENSES AND PERMITS</u></b>	<b>6,796</b>	<b>7,653</b>	<b>857</b>	<b>6,796</b>	<b>857</b>
<b><u>INTEREST EARNED</u></b>	<b>6,047</b>	<b>9,120</b>	<b>3,073</b>	<b>6,047</b>	<b>3,073</b>
<b><u>INTERGOVERNMENTAL</u></b>	<b>4,845</b>	<b>17,045</b>	<b>12,200</b>	<b>4,845</b>	<b>12,200</b>
<b><u>FINES AND FORFEITURES</u></b>					
Municipal Court	22,902	20,331	(2,571)	22,902	(2,571)
Vehicle Towing & Storage	6,633	7,010	377	6,633	377
Parking & Red Light Camera Fines	20,457	13,328	(7,129)	20,457	(7,129)
Public Library	713	823	110	713	110
<b>TOTAL FINES</b>	<b>50,705</b>	<b>41,491</b>	<b>(9,214)</b>	<b>50,705</b>	<b>(9,214)</b>

**GENERAL FUND  
YEAR END 2006-07 REVENUES  
(000s)**

	Budget Prior to Final Council Adjustments	ACTUAL	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<b><u>CHARGES FOR SERVICE</u></b>					
Sanitation Service	55,648	61,535	5,886	55,648	5,886
Park	7,752	8,077	325	7,752	325
Private Disposal Fees	20,686	26,187	5,502	20,686	5,502
Emergency Ambulance	13,500	14,414	914	13,500	914
Security Alarm	3,750	3,676	(74)	3,750	(74)
Street Lighting	1,331	1,787	456	1,331	456
Vital Statistics	2,579	2,283	(296)	2,579	(296)
Other	11,058	10,522	(536)	11,058	(536)
<b>TOTAL CHARGES</b>	<b>116,303</b>	<b>128,482</b>	<b>12,178</b>	<b>116,303</b>	<b>12,178</b>
<b><u>INTERFUND REVENUE</u></b>					
	38,438	36,218	(2,221)	38,438	(2,221)
<b><u>MISCELLANEOUS</u></b>					
	15,275	12,775	(2,499)	15,275	(2,499)
<b><u>TOTAL REVENUES</u></b>	<b>979,245</b>	<b>989,344</b>	<b>10,099</b>	<b>979,245</b>	<b>10,099</b>
<b><u>USE OF ONE-TIME RESOURCES</u></b>		17,500			
<b><u>TOTAL RESOURCES</u></b>		<b>996,745</b>			<b>989,344</b>



**GENERAL FUND**  
**YEAR END 2006-07 EXPENDITURES**  
**(000s)**

<u>DEPARTMENT</u>	Budget Prior to Final Council Adjustments	<u>ACTUAL</u>	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<b><u>GENERAL FUND</u></b>					
Mayor and Council	2,998	3,002	4	3,002	0
Building Services	34,315	35,266	951	35,266	0
Business Dev & Procurement Svc	2,521	2,700	179	2,700	0
City Attorney's Office	12,723	12,118	(605)	12,118	0
City Auditor's Office	2,722	2,605	(117)	2,605	0
City Manager's Office	2,624	2,637	14	2,637	0
City Secretary	1,908	1,919	11	1,919	0
Civil Service	1,938	1,796	(142)	1,796	0
Code Compliance	24,050	23,354	(696)	23,354	0
Court and Detention Services	12,212	12,316	104	12,316	0
Development Services	2,131	1,958	(173)	1,958	0
Elections	2,431	2,368	(63)	2,368	0
Environmental and Health Services	15,536	15,656	120	15,656	0
Fire	186,832	187,707	876	187,707	0
Housing	1,524	1,295	(229)	1,295	0
Human Resources	6,680	6,330	(351)	6,330	0
Independent Audit	680	1,384	704	1,384	0
Judiciary	2,444	2,545	100	2,545	0
Library	28,060	28,171	111	28,171	0
Non-Departmental	17,943	18,343	400	18,343	0
Office of Cultural Affairs	14,806	14,758	(48)	14,758	0
Office of Economic Development	3,843	3,688	(155)	3,688	0
Office of Emergency Management	695	691	(3)	691	0
Office of Environmental Quality	1,372	1,283	(89)	1,283	0
Office of Financial Services	13,886	13,856	(30)	13,856	0
Park and Recreation	72,534	72,277	(257)	72,277	0
Police	362,904	375,452	12,548	375,452	0
Public Works and Transportation	26,233	25,332	(900)	25,332	0
Sanitation Services	69,185	67,867	(1,318)	67,867	0
Street Lighting	18,548	17,771	(777)	17,771	0
Street Services	35,377	35,452	76	35,452	0

**GENERAL FUND  
YEAR END 2006-07 EXPENDITURES  
(000s)**

<u>DEPARTMENT</u>	Budget Prior to Final Council Adjustments	<u>ACTUAL</u>	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<b><u>OTHER</u></b>					
Dallas Central Appraisal District	2,408	2,408	0	2,408	0
Jail Contract - Lew Sterrett	7,076	7,076	0	7,076	0
Dallas County Tax Collection	529	532	2	532	0
<b><u>RESERVES AND TRANSFERS</u></b>					
Contingency Reserve	1,174	1,174	0	1,174	0
Liability Reserve/Claim Fund	3,906	3,906	0	3,906	0
<b><u>TOTAL GENERAL FUND</u></b>	<b>996,745</b>	<b>1,006,993</b>	<b>10,248</b>	<b>1,006,993</b>	<b>0</b>

**PROPRIETARY FUNDS  
YEAR END 2006-07 REVENUES/EXPENDITURES  
(000s)**

<u>DEPARTMENT</u>	Budget Prior to Final Council Adjustments	<u>ACTUAL</u>	OVER/ (UNDER) <u>BUDGET</u>	COUNCIL ADJUSTED <u>BUDGET</u>	OVER/ (UNDER) <u>BUDGET</u>
<b><u>AVIATION</u></b>					
REVENUES	35,887	43,600	7,713	35,887	7,713
EXPENDITURES	<u>35,283</u>	<u>40,359</u>	<u>5,076</u>	<u>40,359</u>	<u>0</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>604</u>	<u>3,241</u>	<u>2,637</u>	<u>(4,471)</u>	<u>7,713</u>
<b><u>CONVENTION &amp; EVENTS SERVICES</u></b>					
REVENUES	64,815	69,592	4,777	64,815	4,777
EXPENDITURES	<u>64,941</u>	<u>70,347</u>	<u>5,405</u>	<u>70,347</u>	<u>0</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>(126)</u>	<u>(755)</u>	<u>(628)</u>	<u>(5,532)</u>	<u>4,777</u>
<b><u>DEVELOPMENT SERVICES</u></b>					
REVENUES	23,017	24,058	1,040	23,017	1,040
EXPENDITURES	<u>24,494</u>	<u>23,937</u>	<u>(557)</u>	<u>24,494</u>	<u>(557)</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>(1,477)</u>	<u>121</u>	<u>1,598</u>	<u>(1,477)</u>	<u>1,598</u>

**PROPRIETARY FUNDS**  
**YEAR END 2006-07 REVENUES/EXPENDITURES**  
**(000s)**

<u>DEPARTMENT</u>	Budget Prior to Final Council Adjustments	ACTUAL	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<b><u>MUNICIPAL RADIO</u></b>					
REVENUES	3,572	4,008	436	3,572	436
EXPENDITURES	<u>3,450</u>	<u>3,445</u>	<u>(5)</u>	<u>3,450</u>	<u>(5)</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>122</u>	<u>563</u>	<u>441</u>	<u>122</u>	<u>441</u>
<b><u>WATER</u></b>					
REVENUES	466,229	428,005	(38,224)	466,229	(38,224)
EXPENDITURES	<u>465,549</u>	<u>434,510</u>	<u>(31,039)</u>	<u>465,549</u>	<u>(31,039)</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>680</u>	<u>(6,505)</u>	<u>(7,185)</u>	<u>680</u>	<u>(7,185)</u>
<b><u>Communication &amp; Information Svc Radio Services</u></b>					
REVENUES	3,974	5,356	1,382	3,974	1,382
EXPENDITURES	<u>3,929</u>	<u>4,473</u>	<u>543</u>	<u>4,473</u>	<u>0</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>44</u>	<u>883</u>	<u>839</u>	<u>(499)</u>	<u>1,382</u>

**PROPRIETARY FUNDS**  
**YEAR END 2006-07 REVENUES/EXPENDITURES**  
**(000s)**

<u>DEPARTMENT</u>	Budget Prior to Final Council Adjustments	ACTUAL	OVER/ (UNDER) BUDGET	COUNCIL ADJUSTED BUDGET	OVER/ (UNDER) BUDGET
<u>Communication &amp; Information Svc Information Technology</u>					
REVENUES	31,002	31,275	273	31,002	273
EXPENDITURES	<u>30,999</u>	<u>30,546</u>	<u>(452)</u>	<u>30,999</u>	<u>(452)</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>3</u>	<u>729</u>	<u>726</u>	<u>3</u>	<u>726</u>
 <u>EQUIPMENT SERVICES</u>					
REVENUES	45,707	42,111	(3,596)	45,707	(3,596)
EXPENDITURES	<u>45,535</u>	<u>43,955</u>	<u>(1,580)</u>	<u>45,535</u>	<u>(1,580)</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>172</u>	<u>(1,844)</u>	<u>(2,016)</u>	<u>172</u>	<u>(2,016)</u>
 <u>EXPRESS BUSINESS CENTER</u>					
REVENUES	4,454	4,987	533	4,454	533
EXPENDITURES	<u>4,448</u>	<u>5,527</u>	<u>1,078</u>	<u>5,527</u>	<u>0</u>
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	<u>6</u>	<u>(539)</u>	<u>(545)</u>	<u>(1,072)</u>	<u>533</u>

**OTHER FUNDS**  
**YEAR END 2006-07 REVENUES/EXPENDITURES**  
**(000s)**

<u>DEPARTMENT</u>	<u>Budget Prior to Final Council Adjustments</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER) BUDGET</u>	<u>COUNCIL ADJUSTED BUDGET</u>	<u>OVER/ (UNDER) BUDGET</u>
<b><u>EMPLOYEE BENEFITS</u></b>					
EXPENDITURES	1,476	1,296	(180)	1,476	(180)
<b><u>RISK MANAGEMENT</u></b>					
EXPENDITURES	2,525	2,290	(234)	2,525	(234)
<b><u>911 SYSTEM OPERATIONS</u></b>					
REVENUES	13,030	13,550	520	13,030	520
EXPENDITURES	12,885	12,967	82	12,967	0
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	145	583	438	63	520
<b><u>STORMWATER DRAINAGE</u></b>					
REVENUES	28,998	31,622	2,624	28,998	2,624
EXPENDITURES	28,955	27,573	(1,382)	28,955	(1,382)
NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER	43	4,048	4,006	43	4,006

**DEBT SERVICE FUND**  
**YEAR END 2006-07 REVENUES/EXPENDITURES**  
**(000s)**

<u>DEBT SERVICE</u>	<u>Budget Prior to Final Council Adjustments</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER) BUDGET</u>	<u>COUNCIL ADJUSTED BUDGET</u>	<u>OVER/ (UNDER) BUDGET</u>
REVENUES	190,672	188,236	(2,436)	190,672	(2,436)
EXPENSES	<u>193,476</u>	<u>189,801</u>	<u>(3,675)</u>	<u>193,476</u>	<u>(3,675)</u>
NET EXCESS OF REVENUES OVER EXPENSES	<u>(2,804)</u>	<u>(1,565)</u>	<u>1,239</u>	<u>(2,804)</u>	<u>1,239</u>

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**Operating Program Status**

**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.

In Compliance

Current revenues were sufficient to support current expenditures in all operating funds in FY 2006-07.

2. The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not to exceed 8%:

In Compliance

The % change in base revenue (from FY 2005-06 to FY 2006-07) was 1.98%.

- Excluding taxable value gained by 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.

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

Base revenues = FY 2005-06 actual revenues from current tax roll (in 000's)	\$ 511,018
2006-07 Ad-Valorem Tax Revenue	\$ 539,865
Less: Voter Mandated-Debt Service	\$ 6,175
Growth from Annexation	\$ 0
Growth from New Construction	<u>\$ 12,529</u>

Adjusted revenue recommendation:	\$ 521,161
% Change from base revenues:	1.98%

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

In Compliance

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

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.

In Compliance



# FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2007

## 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. Adjustments in subsequent years will gain compliance.

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, 2007**

**Operating Program Status (Continued)**

**Status**

8. The Contingency Reserve 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.

In Compliance  
 The Contingency Reserve was funded at \$5,000,000, 0.50% of the General Fund budget. The Contingency Reserve ending balance was \$3,771,987 on 9/30/07.

9. The combined levels of the Emergency Reserve and the Contingency Reserve shall be maintained at a level which, when added to the end-of-year unreserved, undesignated fund balances of the General Fund is not less than 5% of the General Fund operating expenditures less debt service.

In Compliance

Emergency Reserve 9/30/07 (actual)	\$ 18.3M
Contingency Reserve 9/30/07 (actual)	\$ 3.8M
Fund Balance 9/30/07 (actual)	<u>\$ 44.9M</u>
Combined	\$ 67.0M

\$67.0M is 6.65% of \$1,006,993,098

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**Operating Program Status (Continued)**

**Status**

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

In Compliance  
The Risk Reserve was funded at \$1,250,000. The ending balance was \$1,250,000 on 9/30/07.

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.

In Compliance

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.

Establishment of reserve not recommended at this time.

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.

Not In Compliance  
It is estimated that \$5.0M would be necessary to maintain buildings. All other aspects are in compliance.

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**Operating Program Status (Continued)**

**Status**

- |   |  |
|---|--|
| 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.  | 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<br>A comprehensive fees and charges study was completed in FY 2005-06. |

**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<br>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<br>4.2% |
| 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.  |                       |

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**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<br/>7.6 Years</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<br/>3.3% - Total Debt<br/>2.4% - 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"> <li>• the original improvement is at or near the end of its expected service life;</li> <li>• the betterment extends the life of the original improvement by at least one third of the original service life;</li> <li>• the life of the financing is less than the life of the betterment;</li> <li>• the betterment is financed through either C.O.'s or G.O.'s.</li> </ul> | <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, 2007**

<u>Capital and Debt Management (Continued)</u>	<u>Status</u>
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.	In Compliance 1.0%
<ul style="list-style-type: none"> <li>• All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt.</li> </ul>	In Compliance 0%
27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.	In Compliance
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.	In Compliance
29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.	In Compliance
30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.	In Compliance
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.	In Compliance
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.	In Compliance

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**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, 2007**

**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, 2007

## Capital and Debt Management (Continued)

## Status

- 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.

In Compliance

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, 2007**

**Capital and Debt Management (Continued)**

**Status**

- |   |                      |
|---|----------------------|
| <p>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.</p> <ul style="list-style-type: none"><li>• All projects must be carefully evaluated for credit-worthiness and meet the criteria above whether or not a credit rating is obtained.</li></ul> | <p>In Compliance</p> |
| <p>38. The City should use PID/TIF bonds only when other options have been considered.</p>  | <p>In Compliance</p> |
| <p>39. Advance refundings 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%.</p> <p>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%.</p>   | <p>In Compliance</p> |
| <p>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.</p>   | <p>In Compliance</p> |

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA**  
**Year Ending September 30, 2007**

**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

The basis of budgeting for all funds essentially follows the basis of accounting (modified accrual). The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis); 2) compensated absences (accrued but unused leave) are not reflected in the budget; 3) depreciation expense is not included in the budget basis.

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.

Report was issued July 2007.

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, 2007**

**Budget (Continued)**

**Status**

- |   |               |
|---|---------------|
| 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. | 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, 2007**

**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 10% 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, 2007**

**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 indicate 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 |

