

Memorandum



Date August 21, 2009

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

Subject FY 2007-08 Year End Report

Attached for your review is the FY 2007-08 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 2007-08. In addition, the report provides a status of compliance with the Financial Management Performance Criteria (FMPC).

The General Fund ended FY 2007-08 with a surplus (revenues greater than expenditures) of \$13,932,899. This surplus is a result of revenues above budget by \$759,140 and expenditures below the amended budget by \$20,321,304. The \$13,932,899 becomes part of the General Fund balance.

Please let me know if you have any questions.



David Cook
Chief Financial Officer

Attachment

c: Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, 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 2007-08
REVENUES AND EXPENDITURES
(000s)**

| ITEM | AMENDED BUDGET | ACTUAL | OVER/(UNDER) BUDGET |
|--|---------------------------|------------------|--------------------------------|
| REVENUES | 1,045,571 | 1,046,330 | 759 |
| EXPENDITURES | <u>1,052,718</u> | <u>1,032,397</u> | <u>(20,321)</u> |
| SUB TOTAL | (7,148) | 13,933 | 21,080 |
| NET EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS TO RESERVES | | <u>13,933</u> | |

End of Year Report FY 2007-08

General Fund

REVENUES:

- Total General Fund revenues are \$759,000 above budget.

Significant Revenues Above Budget:

- Atmos Energy Revenues are \$2,326,000 above budget due to higher than anticipated prices for natural gas.
- Natural Gas Leases are \$13,163,000 above budget due to higher than anticipated revenue from the lease of gas drilling rights on city owned property.
- Other Franchise fees are \$2,484,000 above budget due to higher than anticipated revenue from fiber optics and receipt of unbudgeted revenue from AT&T Video.
- Licenses and Permits are \$1,435,000 above budget due to an increase in new license requests, such as landscaping, parking, sidewalk café, and dog licenses, as well as a higher than budgeted amount of fire prevention permits.
- Intergovernmental revenues are \$1,214,000 above budget due to higher than budgeted amounts from DFW Airport revenue sharing agreements with the cities of Euless and Irving, and receipt of a Homeless Assistance Center Grant from Dallas County.
- Private Disposal Fees are \$4,922,000 above budget due to slightly higher than average tonnage through the mild-weather winter months, delay in executing long term disposal contracts which offer discounted fees, and additional revenue from the July 1, 2008 landfill tipping fee increase from \$18/ton to \$19/ton.
- Emergency ambulance revenues are \$2,576,000 above budget primarily due to the Electronic Patient Care Reporting system resulting in more accurate billing to Medicaid and Medicare.
- Street Lighting revenues are \$238,000 above budget due to an increase in maintenance costs and electricity.
- Other charges for service are \$1,311,000 above budget primarily due to an increase of fire prevention inspectors needed for special events and a rate case reimbursement from Atmos Energy.
- Miscellaneous revenues are \$6,410,000 above budget primarily due to receipt of unclaimed money and property, and the sale of three helicopters.

Significant Revenues Below Budget:

- Interest earned revenues are \$1,731,000 below budget due to lower than projected interest rates.

- Municipal Court revenues are \$5,962,000 below budget due to an increase in cases not being disposed of and/or awaiting trial, as well as fewer citations issued by Police.
- Red Light Camera Fines are \$8,833,000 below budget primarily due to a lower than budgeted number of citations issued per camera per day. Like other cities, we have experienced a decrease in red light running incidents due the changing behavior of drivers.
- Interfund revenues are \$4,301,000 below budget due to lower than budgeted transfer of land sales revenue and Water Utilities gross receipts.

EXPENDITURES:

- Total General Fund expenditures are \$20,321,000 below budget.

Significant Departments Below Budget:

- City Auditor is \$310,000 below budget primarily due to the delays in filling positions.
- City Secretary is \$111,000 below budget primarily due to the delay in the purchase of replacement office furniture.
- Environmental Health Services is \$1,674,000 below budget primarily due to delays in hiring.
- Independent Audit is \$235,000 below budget due to lower than budgeted costs associated with the external audit.
- Office of Emergency Management is \$152,000 below budget primarily due to delays in filling positions.
- Public Works and Transportation is \$4,091,000 below budget primarily due to a lower than budgeted transfer to the State for Red Light Camera fines and delays in filling positions.

Other Funds

- Aviation expenditures are \$2,327,000 below budget primarily due to lower than anticipated flood damage repair costs as a result of the flood in FY 06-07.
- Convention and Event Services revenues are \$4,477,000 above budget primarily due to an increase in non-budgeted events and higher than projected Hotel Occupancy Tax revenues. Expenditures are \$3,879,000 below budget primarily due to less than anticipated costs associated with electricity and food and beverage services.
- Development Services expenditures are \$2,632,000 below budget primarily due to delays in hiring, along with savings in materials, supplies, travel, training, advertising, and vehicle purchases.
- WRR Municipal Radio revenues are \$247,000 below budget. Commissions are \$260,000 below budget primarily due to a decline in national advertising.

- Equipment Services revenues are \$6,864,000 above budget and expenditures are \$2,289,000 below budget primarily due to higher than budgeted fuel prices.
- Office Services revenues are \$288,000 above budget primarily due to unbudgeted auction commissions from the sale of three police helicopters.
- Employee Benefits are \$192,000 below budget primarily due lower than anticipated advertising expenses related to the city's employee wellness program.

**GENERAL FUND
YEAR END 2007-08 REVENUES
(000s)**

| | AMENDED BUDGET | ACTUAL | OVER/(UNDER) BUDGET |
|---|---------------------------|------------------|--------------------------------|
| <u>TAXES</u> | | | |
| Ad Valorem Tax | 434,958 | 430,539 | (4,419) |
| Sales Tax | 237,196 | 229,853 | (7,343) |
| <u>FRANCHISE REVENUES</u> | | | |
| TXU Electric | 51,701 | 50,040 | (1,660) |
| AT&T | 23,000 | 22,605 | (395) |
| Atmos Energy | 12,787 | 15,113 | 2,326 |
| Time Warner Cable | 6,000 | 5,841 | (159) |
| Natural Gas Drilling | 20,000 | 33,163 | 13,163 |
| Other | 12,328 | 14,812 | 2,484 |
| TOTAL TAXES & FRANCHISE REVENUES | 797,969 | 801,966 | 3,997 |
| <u>LICENSES AND PERMITS</u> | 7,634 | 9,069 | 1,435 |
| <u>INTEREST EARNED</u> | 8,440 | 6,710 | (1,731) |
| <u>INTERGOVERNMENTAL</u> | 4,708 | 5,922 | 1,214 |
| <u>FINES AND FORFEITURES</u> | | | |
| Municipal Court | 23,715 | 17,753 | (5,962) |
| Vehicle Towing & Storage | 6,828 | 6,703 | (124) |
| Parking Fines | 5,970 | 5,946 | (24) |
| Red Light Camera Fines | 14,781 | 5,948 | (8,833) |
| Public Library | 722 | 739 | 16 |
| TOTAL FINES | 52,016 | 37,089 | (14,927) |
| <u>CHARGES FOR SERVICE</u> | | | |
| Sanitation Service | 57,906 | 57,294 | (612) |
| Park | 8,550 | 8,722 | 172 |
| Private Disposal Fees | 18,890 | 23,812 | 4,922 |
| Emergency Ambulance | 13,700 | 16,276 | 2,576 |
| Security Alarm | 4,755 | 4,930 | 175 |
| Street Lighting | 1,331 | 1,568 | 238 |
| Vital Statistics | 2,500 | 2,381 | (119) |
| Other | 10,918 | 12,229 | 1,311 |
| TOTAL CHARGES | 118,550 | 127,213 | 8,663 |
| <u>INTERFUND REVENUE</u> | 44,414 | 40,113 | (4,301) |
| <u>MISCELLANEOUS</u> | 11,839 | 18,249 | 6,410 |
| <u>TOTAL REVENUES</u> | 1,045,571 | 1,046,330 | 759 |

GENERAL FUND
YEAR END 2007-08 EXPENDITURES
(000s)

| <u>DEPARTMENT</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>OVER/(UNDER) BUDGET</u> |
|--------------------------------------|---------------------------|-------------------------|--------------------------------|
| <u>GENERAL FUND</u> | | | |
| Building Services | 16,005 | 15,522 | (483) |
| Business Dev & Procurement Svc | 2,787 | 2,699 | (88) |
| City Attorney's Office | 12,779 | 12,542 | (237) |
| City Auditor's Office | 2,893 | 2,583 | (310) |
| City Manager's Office | 2,686 | 2,607 | (79) |
| City Secretary | 1,973 | 1,862 | (111) |
| Civil Service | 2,040 | 1,954 | (86) |
| Code Compliance | 27,960 | 27,372 | (587) |
| Court and Detention Services | 12,721 | 12,390 | (331) |
| Development Services | 1,302 | 1,247 | (55) |
| Elections | 95 | 94 | (1) |
| Environmental and Health Services | 19,520 | 17,846 | (1,674) |
| Fire | 192,134 | 191,466 | (668) |
| Housing | 1,545 | 1,403 | (142) |
| Human Resources | 6,425 | 6,289 | (136) |
| Independent Audit | 1,150 | 915 | (235) |
| Judiciary | 2,732 | 2,670 | (62) |
| Library | 32,461 | 32,350 | (111) |
| Mayor and Council | 3,512 | 3,494 | (17) |
| Non-Departmental | 21,457 | 20,514 | (943) |
| Office of Cultural Affairs | 15,333 | 14,697 | (636) |
| Office of Economic Development | 4,095 | 4,087 | (8) |
| Office of Emergency Management | 900 | 748 | (152) |
| Office of Environmental Quality | 1,695 | 1,676 | (19) |
| Office of Financial Services | 17,305 | 17,078 | (227) |
| Park and Recreation | 74,380 | 74,022 | (357) |
| Police | 402,843 | 398,121 | (4,723) |
| Public Works and Transportation | 28,811 | 24,720 | (4,091) |
| Sanitation Services | 73,594 | 71,025 | (2,569) |
| Street Lighting | 17,388 | 17,148 | (240) |
| Street Services | 39,302 | 38,361 | (941) |
| <u>OTHER</u> | | | |
| Dallas Central Appraisal District | 2,592 | 2,592 | 0 |
| Jail Contract - Lew Sterrett | 6,824 | 6,824 | 0 |
| Dallas County Tax Collection | 534 | 534 | 0 |
| <u>RESERVES AND TRANSFERS</u> | | | |
| Contingency Reserve | 1,128 | 1,128 | 0 |
| Liability Reserve/Claim Fund | 1,818 | 1,818 | 0 |
| <u>TOTAL GENERAL FUND</u> | <u>1,052,718</u> | <u>1,032,397</u> | <u>(20,321)</u> |

PROPRIETARY FUNDS
YEAR END 2007-08 REVENUES/EXPENDITURES
(000s)

| <u>DEPARTMENT</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>OVER/(UNDER) BUDGET</u> |
|--|---------------------------|----------------|--------------------------------|
| <u>AVIATION</u> | | | |
| REVENUES | 41,886 | 43,069 | 1,183 |
| EXPENDITURES | <u>41,021</u> | <u>38,693</u> | <u>(2,327)</u> |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>866</u> | <u>4,376</u> | <u>3,510</u> |
| <u>CONVENTION & EVENTS SERVICES</u> | | | |
| REVENUES | 63,702 | 68,179 | 4,477 |
| EXPENDITURES | <u>69,798</u> | <u>65,919</u> | <u>(3,879)</u> |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(6,096)</u> | <u>2,260</u> | <u>8,356</u> |
| <u>DEVELOPMENT SERVICES</u> | | | |
| REVENUES | 23,134 | 22,429 | (705) |
| EXPENDITURES | <u>26,993</u> | <u>24,361</u> | <u>(2,632)</u> |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(3,858)</u> | <u>(1,931)</u> | <u>1,927</u> |
| <u>MUNICIPAL RADIO</u> | | | |
| REVENUES | 3,810 | 3,563 | (247) |
| EXPENDITURES | <u>3,676</u> | <u>3,415</u> | <u>(260)</u> |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>134</u> | <u>148</u> | <u>14</u> |

PROPRIETARY FUNDS
YEAR END 2007-08 REVENUES/EXPENDITURES
(000s)

| <u>DEPARTMENT</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>OVER/(UNDER) BUDGET</u> |
|--|---------------------------|---------------|--------------------------------|
| <u>WATER</u> | | | |
| REVENUES | 489,185 | 464,984 | (24,201) |
| EXPENDITURES | 489,185 | 464,706 | (24,479) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>0</u> | <u>278</u> | <u>278</u> |
| <u>COMMUNICATION AND INFORMATION SVCS</u> | | | |
| REVENUES | 38,675 | 39,673 | 998 |
| EXPENDITURES | 39,652 | 38,510 | (1,142) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(977)</u> | <u>1,163</u> | <u>2,140</u> |
| <u>EQUIPMENT SERVICES</u> | | | |
| REVENUES | 45,703 | 52,567 | 6,864 |
| EXPENDITURES | 54,854 | 52,566 | (2,289) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(9,152)</u> | <u>1</u> | <u>9,153</u> |
| <u>OFFICE SERVICES</u> | | | |
| REVENUES | 4,504 | 4,792 | 288 |
| EXPENDITURES | 4,649 | 4,454 | (196) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(145)</u> | <u>339</u> | <u>484</u> |

OTHER FUNDS
YEAR END 2007-08 REVENUES/EXPENDITURES
(000s)

| <u>DEPARTMENT</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>OVER/(UNDER) BUDGET</u> |
|--|---------------------------|---------------|--------------------------------|
| <u>EMPLOYEE BENEFITS</u> | | | |
| EXPENDITURES | 810 | 618 | (192) |
| <u>RISK MANAGEMENT</u> | | | |
| EXPENDITURES | 2,556 | 2,500 | (56) |
| <u>911 SYSTEM OPERATIONS</u> | | | |
| REVENUES | 13,507 | 13,501 | (6) |
| EXPENDITURES | 14,587 | 13,888 | (699) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(1,080)</u> | <u>(388)</u> | <u>692</u> |
| <u>STORMWATER DRAINAGE</u> | | | |
| REVENUES | 29,428 | 29,192 | (236) |
| EXPENDITURES | 29,938 | 29,118 | (820) |
| NET EXCESS OF REVENUES OVER EXPENSES/TRANSFER | <u>(510)</u> | <u>74</u> | <u>584</u> |

DEBT SERVICE FUND
YEAR END 2007-08 REVENUES/EXPENDITURES
(000s)

| <u>DEBT SERVICE</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>OVER/(UNDER) BUDGET</u> |
|---|---------------------------|---------------|--------------------------------|
| REVENUES | 223,385 | 224,411 | 1,026 |
| EXPENSES | 225,449 | 223,560 | (1,889) |
| NET EXCESS OF REVENUES OVER EXPENSES | <u>(2,064)</u> | <u>851</u> | <u>2,915</u> |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2008

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 to exceed 8%:
 - 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.

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
 Current revenues were sufficient to support current expenditures in all operating funds in FY 2007-08.

In Compliance
 The % change in base revenue (from FY 2006-07 to FY 2007-08) was 6.37%.

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

| | |
|---|------------------|
| Base revenues = FY 2006-07 actual revenues from current tax roll (in 000's) | \$ 539,974 |
| 2007-08 Ad-Valorem Tax Revenue | \$ 606,410 |
| Less: Voter Mandated-Debt Service | \$ 15,250 |
| Growth from Annexation | \$ 0 |
| Growth from New Construction | \$ <u>16,807</u> |

| | |
|----------------------------------|------------|
| Adjusted revenue recommendation: | \$ 574,353 |
| % Change from base revenues: | 6.37% |

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

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2008

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, 2008

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 \$5,600,000, 0.55% of the General Fund budget. The Contingency Reserve ending balance was \$3,199,960 on 9/30/08.

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 9/30/08 (actual) | \$ 17.6M |
|---------------------------------------|----------|

| | |
|---|---------|
| Contingency Reserve 9/30/08 (actual) | \$ 3.2M |
|---|---------|

| | |
|-------------------------------|-----------------|
| Fund Balance 9/30/08 (actual) | <u>\$ 49.1M</u> |
|-------------------------------|-----------------|

| | |
|----------|----------|
| Combined | \$ 69.9M |
|----------|----------|

\$69.9M is 6.77% of \$1,032.4M

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2008

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 9/30/08.

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, 2008

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
Replacement and maintenance needs are funded.
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 2007-08.

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
4.0%
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
7.7 Years

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2008

Capital and Debt Management (Continued)

Status

- | | |
|--|---|
| 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). | In Compliance 12.3% |
| 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. | In Compliance 3.7% - Total Debt 2.8% - GO Bond Debt |
| 23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions: <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. | In Compliance |
| 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. | In Compliance |
| 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. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2008

| <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 1.5% |
| <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. | 0.0% |
| 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, 2008

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, 2008

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, 2008

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, 2008

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. • 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 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%. 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, 2008

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.

Not in Compliance
FY 2006-07 CAFR was issued in August 2008

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, 2008

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, 2008

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, 2008

Dallas Water Utilities (Continued)

Status

- | | |
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| 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. | Not In Compliance Actual transfers were 18% of the total capital program |
| 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 |