

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



CITY OF DALLAS

DATE: August 17, 2012

TO: Honorable Members of the Budget, Finance & Audit Committee: Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT: Budget, Finance, & Audit Committee Meeting

Monday, August 20, 2012, 1:00 p.m.
Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

- 1. Approval of August 6, 2012 Minutes
- 2. Dallas/ Fort Worth International Airport Proposed FY 2013 Budget and FY 2012 Budget Amendment
 - Jeff Fegan, Chief Executive Officer
Dallas/Fort Worth International Airport
 - Chris Poinsett, Executive Vice President
Chief Financial Officer
Dallas/Fort Worth International Airport
- 3. Office of the City Auditor's Fiscal Year 2013 Audit Plan
 - Craig Kinton, City Auditor
- 4. FY 2013 Proposed Reserves
 - Jack Ireland, Director
Office of Financial Services

FYI:

- 5. Supplemental Agreements with All American Investment Group, LLC

Please let me know if you have any questions.

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

Public Notice

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POSTED CITY SECRETARY
DALLAS, TX

- c: Honorable Mayor and Members of the City Council
 - Mary K. Suhm, City Manager
 - Rosa A. Rios, City Secretary
 - Thomas P. Perkins, Jr., City Attorney
 - C. Victor Lander, Administrative Judge Municipal Court
 - Craig D. Kinton, City Auditor
 - A.C. Gonzalez, First Assistant City Manager

- Ryan S. Evans, Assistant City Manager
- Jill A. Jordan, P.E., Assistant City Manager
- Forest E. Turner, Assistant City Manager
- Joey Zapata, Assistant City Manager
- Jeanne Chipperfield, Chief Financial Officer
- Stephanie Pegues-Cooper, Assistant to the City Manager

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

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

Budget, Finance & Audit Committee

Meeting Record

DRAFT

Meeting Date: 08-06-2012

Convened: 1:04 p.m.

Adjourned: 1:54 p.m.

Committee Members Present:

Jerry R. Allen, Chair

Tennell Atkins, Vice Chair

Monica Alonzo

Ann Margolin

Scott Griggs

Other Council Members Present:

Delia Jasso

Staff Present:

Jeanne Chipperfield, Craig Kinton, Edward Scott, Lance Sehorn, Adelia Gonzalez, Donna Lowe, Wally Waits, Ben Collins, Molly McCall, Yasmin Tolliver, Lisa Christopherson, Paul Dyer, John Kohut

AGENDA:

1. Approval of the June 18, 2012 minutes

Presenter(s):

Information Only: ____

Action Taken/Committee Recommendation(s):

A motion was made to approve the June 18, 2012 minutes. Motion passed unanimously.

Motion made by: Atkins

Motion seconded by: Alonzo

2. Proposed Vehicle Title ID Rule by the Texas Department of Motor Vehicles

Presenter(s): John Ames, Tax Assessor/Collector, Dallas County

Information Only: ____

Action Taken/Committee Recommendation(s):

A motion was made to forward the item to Council with a recommendation to submit a letter opposing the administrative rule that would determine the acceptable forms of ID that a County Tax Assessor/Collector could accept for the process of transferring a title on a vehicle and registering the vehicle annually. The proposed rule does not include the Mexican issued Matricula Consular Card. Motion passed unanimously.

Motion made by: Atkins

Motion seconded by: Margolin

3. Employees' Retirement Fund Amendments

Presenter(s): Cheryl Alston, Executive Director, Employees' Retirement Fund

Information Only: ____

Action Taken/Committee Recommendation(s):

Budget, Finance & Audit Committee

Meeting Record

DRAFT

A motion was made to forward the item to full Council with a recommendation to approve the modifications to Chapter 40-A ordinance on the August 8, 2012 addendum. Motion passed unanimously.

Motion made by: Griggs

Motion seconded by: Margolin

4. **October 2012 General Obligation Bond Refunding**

Presenter(s): Corrine Steeger, Assistant Director/Treasury Manager, City Controller's Office

Information Only: ____

Action Taken/Committee Recommendation(s):

A motion was made to forward the item to full Council with a recommendation to authorize staff to proceed with preparations for the sale of up to \$260 million General Obligation Refunding Bonds, Series 2012 on the August 22, 2012 agenda. Motion passed unanimously.

Motion made by: Atkins

Motion seconded by: Margolin

5. **Ethics Program Evaluation and Training Program**

Presenter(s): Mike Frosch, Director, Business Development and Procurement Services

Information Only: ____

Action Taken/Committee Recommendation(s):

A motion was made to forward the item to full Council with a recommendation to approve a resolution authorizing a three-year consultant contract with Navigant Consulting in a total amount not to exceed \$435,495 on the August 22, 2012 agenda. Motion passed unanimously.

Motion made by: Atkins

Motion seconded by: Margolin

6. **Dallas Arboretum Parking Revenue – Feasibility Study Contract**

Presenter(s): Paul Dyer, Director, Park and Recreation

Information Only: ____

Action Taken/Committee Recommendation(s):

A motion was made to forward the item to full Council with a recommendation to approve a resolution authorizing a service contract for the Dallas Arboretum Parking Revenue Feasibility Study. Motion passed unanimously.

Motion made by: Atkins

Motion seconded by: Margolin

Budget, Finance & Audit Committee

Meeting Record

DRAFT

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

Memorandum



CITY OF DALLAS

DATE August 17, 2012

TO Honorable Members of the Budget, Finance, & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Dallas/Fort Worth International Airport Briefing on the Proposed FY 2013 Budget and FY 2012 Budget Amendment

The Budget, Finance, and Audit Committee will be briefed on the Proposed FY 2013 Budget and an amendment to the FY 2012 Budget on Monday, August 20, 2012. Mr. Jeff Fegan, Chief Executive Officer of the Dallas/Fort Worth International Airport will provide an introduction to the budget briefing. The briefing will be provided by Mr. Christopher Poinatte, Executive Vice President – Chief Financial Officer of Dallas/Fort Worth International Airport. The briefing materials are attached for your review.

Please contact me if you need additional information.

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

Jeanne Chipperfield
Chief Financial Officer

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
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Stephanie Pegues-Cooper, Assistant to the City Manager



Dallas/Fort Worth International Airport



Proposed FY 2013 Budget and
FY 2012 Budget Amendment
Dallas City Council
Budget, Finance & Audit Committee
August 20, 2012

Two Resolutions for Council Approval as Part of DFW Airport's Annual Budget Approval Process

- Approval of FY 2013 Budget
- Approval of FY 2012 Budget amendment



FY 2013 Budget – Highlights

- FY 2013 Budget = \$654.6 million*
 - \$51 million (8.4%) increase from FY 2012 Outlook
 - \$5 million (1.5%) net increase in expenses
 - \$46 million scheduled increase in debt service
- FY 2013 will be a record year for net revenues from DFW Cost Center (i.e., from non-airlines sources)
- DFW remains the lowest-cost large-hub airport in competitive set
 - But airline costs will increase in FY 2013 due to debt service in terminal renovation programs

* Before \$5 million contingency that is outside of rate base

DFW's Business Model

DFW's ten-year Use Agreement with airlines defines its business model.

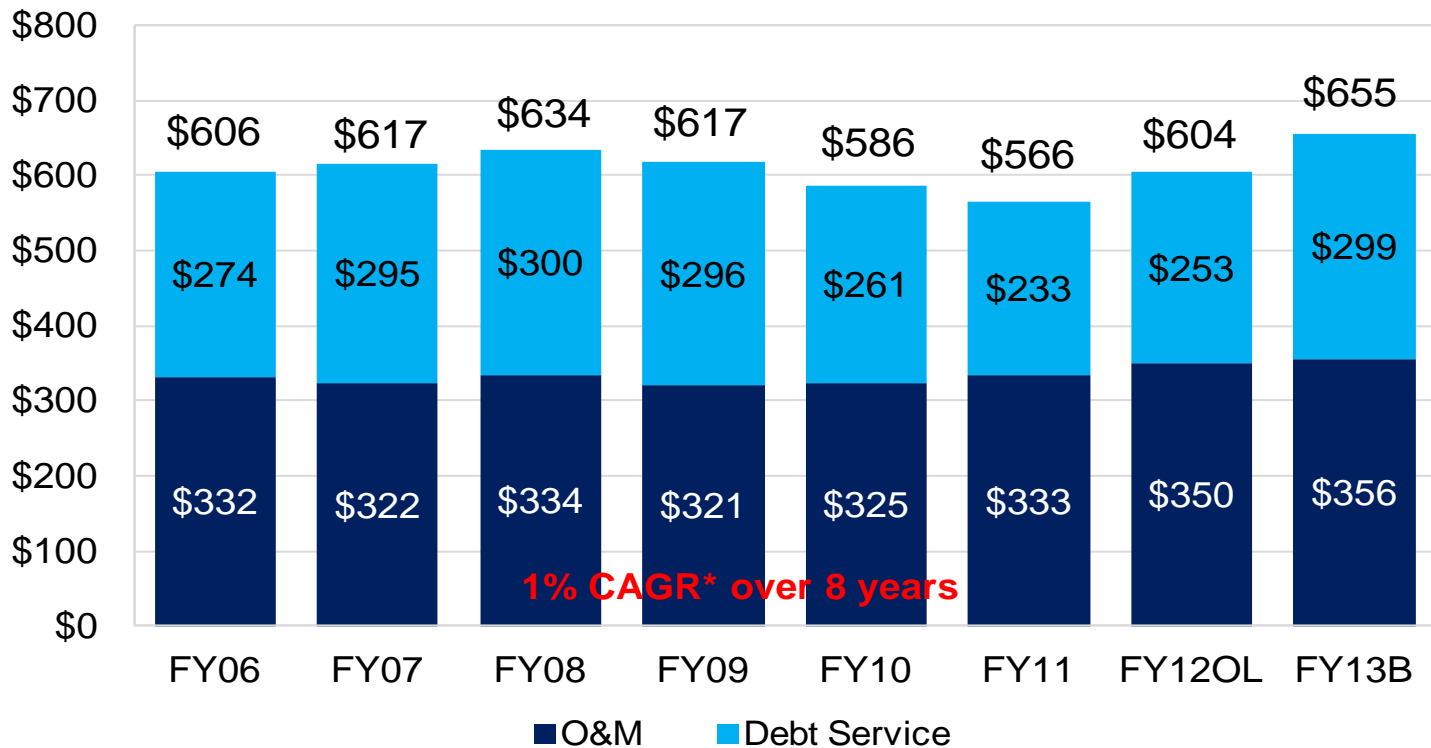
- Three cost centers
- Airfield
 - Revenues equal expenses (residual)
 - Primary revenues to DFW - Landing Fees
- Terminal
 - Revenues equal expenses (residual)
 - Primary revenues to DFW - Terminal Rents
- DFW Cost Center
 - DFW retains net revenues (i.e., net income)
 - Non-airline businesses: parking, concessions, commercial development, rental car
 - If net revenues exceed "Upper Threshold" (\$62.3 million in FY 2013), DFW shares 75% of excess with airlines to reduce landing fees.



Total Annual Budget - Historical Perspective

DFW has continuously managed its cost structure through innovation, sustainability, technology investments, and debt restructuring. Total FY 2012 expenditures are lower than they were in FY 2006.

Total Annual Budget Expenditures
Millions



Source: DFW Finance Department

*CAGR = Compound Annual Growth Rate

Expense Budget Walkforward

FY 2013 Budget is \$654.6 million, a \$51 million or 8.4% increase over the FY 2012 Outlook primarily due to debt service in terminal renovation programs.

Expenditures (in Millions)	FY12 Outlook	FY13 Budget	Variance Increase (Decrease)	
Operating Expenses	\$350.4	\$355.8	\$5.4	1.5%
Debt Service	253.2	298.8	\$45.6	18.0%
Total Budget	\$603.6	\$654.6	\$51.0	8.4%

Expense Budget Walkforward

Operating expenses, excluding reserve adjustments, are projected to increase \$5.4 million or 1.5% from the FY 2012 Outlook.

Operating Expenses (in Millions)	Total
FY 2012 Outlook	\$350.4
Budget reductions	(10.3)
Regulatory/fixed increases	6.4
Strategic/new program increases	2.0
Merit, annualization & vacancy factor	3.3
TRIP related	0.8
Other, net	3.2
Net Increase in Budget	\$5.4
FY 2013 Expense Budget	\$355.8

Expense Budget Walkforward – Detail

Detail of decreases and increases from the FY 2012 Outlook.

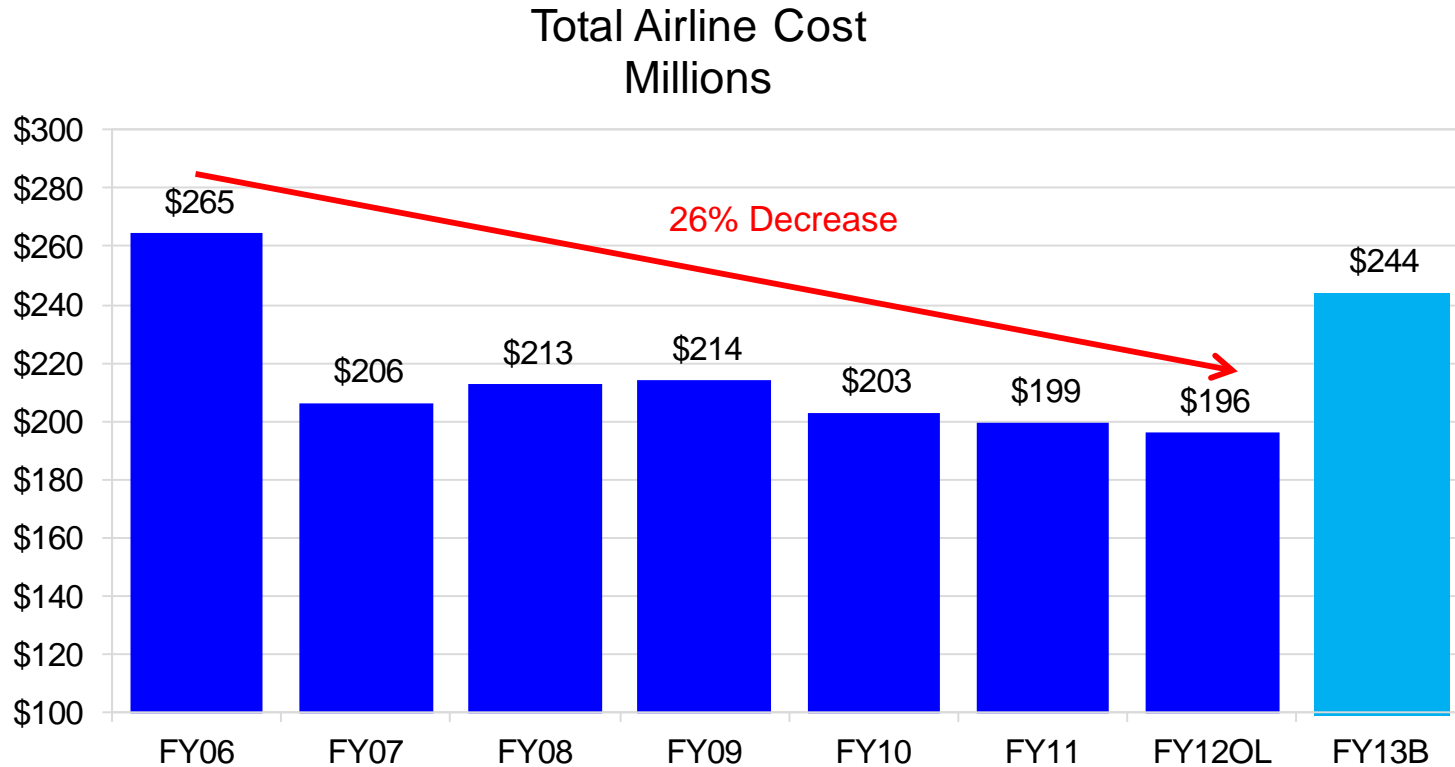
Operating Expenses (in Millions)	Explanation	
FY 2012 Outlook	\$350.4	
Budget reductions		
Retirement enhancement program	(5.5)	104 employees retire
Utility/energy costs	(1.7)	Lower rates and utilization
Outsource remote busing	(1.4)	Net benefit of outsourcing
Demolition of unusable buildings	(1.0)	Removed from FY 2013 Budget
Decrease in CEO contingency	(0.7)	Reduced in FY 2013 Budget
Total budget reductions	(10.3)	
Regulatory/fixed increases		
Airfield paint removal	1.0	FAA mandated program
Defined benefit pension plan	1.0	Actuarial required contribution
Terminal E maintenance	0.6	New contracts higher than prior
Bus contract inflation	1.1	Contract inflation adjustment
Skylink contract inflation	0.6	Contract inflation adjustment
Property & casualty insurance	0.9	Rate increases due to experience
Healthcare	0.6	Projected inflation of 7% (per Hay)
CCTV maintenance	0.6	Full year maintenance on CCTV
Total regulatory/fixed increases	6.4	

Expense Budget Walkforward - Detail, continued

Operating Expenses (in Millions)		Explanation
Strategic/new program increases		
Expanded international marketing	1.2	International Marketing
Global Entry marketing	0.4	Increase passenger facilitation
Wheelchair assistance - Terminal D	0.4	Increased needs for seniors
Total strategic/new program increases	2.0	
Merit, annualization & vacancy factor	3.3	3.0% merit pool, vacancy at 5%
TRIP related		
Terminal parking wayfinding	0.4	Labor for terminal garages
Terminal E ramp monitoring	0.4	Needed due to satellite activation
Total TRIP related	0.8	
Other		
Restore deicing budget	1.6	Low usage in FY12
Restore fire-training budget	0.4	Facility renovated in FY12
Lighting systems	0.5	Converting to LED for savings
Other, net (< \$250,000 each)	0.7	
Total other increases	3.2	
Net Increase in Budget	5.4	
FY 2013 Expense Budget	\$355.8	

Airline Cost - Historical Perspective

DFW lowered airline cost by 26% between FY 2006 and FY 2012. Airline cost increases in FY 2013 due to debt service on terminal renovations. The airlines pay about one-third of the cost to operate at DFW.



Note - Use Agreement Basis, FY11 "True-Up" applied to FY12, includes Air Service Incentive rebates reduce Airline Cost beginning in FY11

Airline Cost - Airfield and Terminals – Walkforward

Airline cost is projected to increase \$47.7 million to \$243.8 million due to debt service and one-time Use Agreement items. The Budget reflects a \$3.3 million reduction in airline cost from on-going operations.

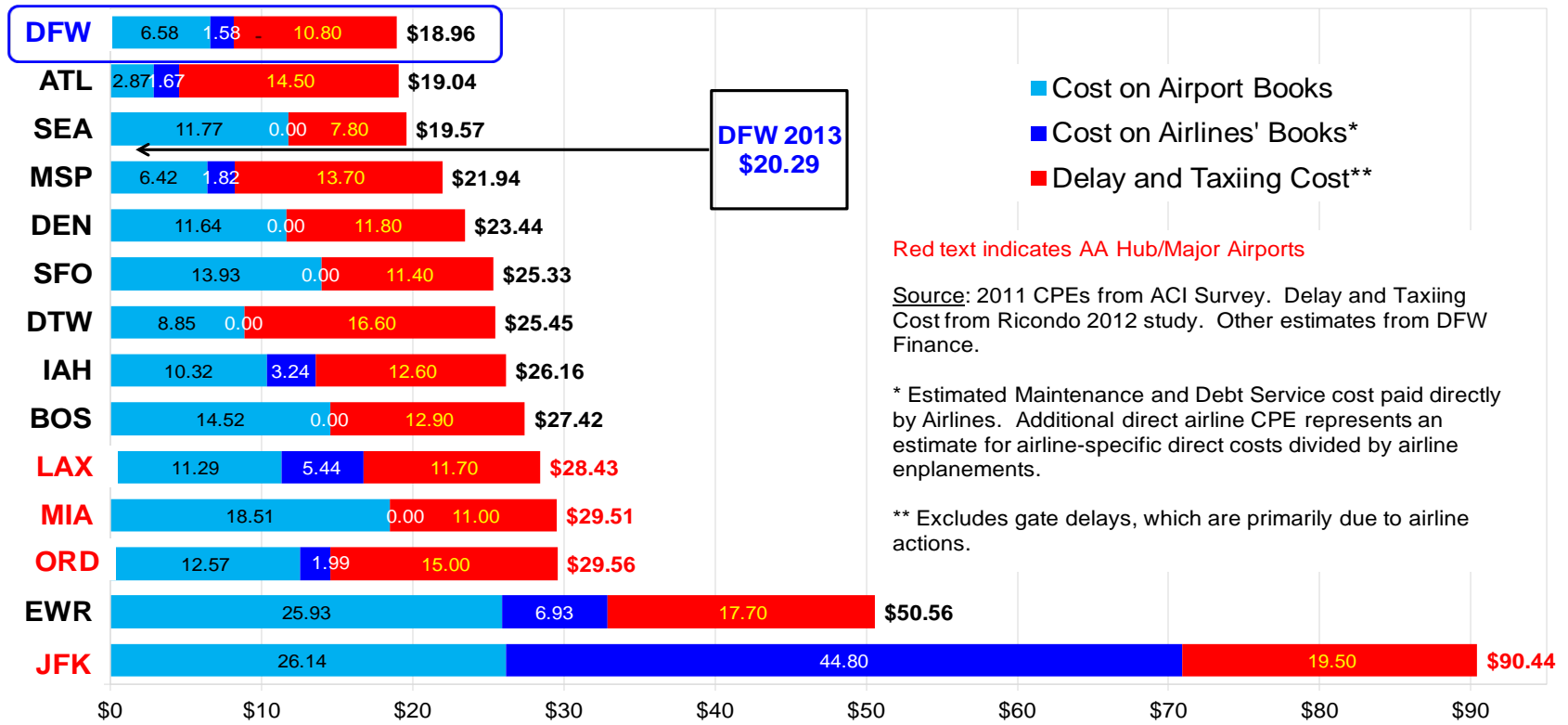
Airline Cost Walkforward	Millions	CPE
FY 2012 Outlook	\$196.1	\$6.41 CPE
Ongoing Operating Expenses, net		
Increased Operating Costs	4.4	
FY13B Threshold Adjustment	(8.4)	
Other, Net	0.7	
Total Ongoing Operations, net	(3.3)	
Debt & Use Agreement Items		
Debt Service	25.6	Debt
FY11 "True-up" paid in FY12	8.9	Use Agreement
FY12 "True-up" paid in FY12	7.0	Use Agreement
AA FIC Credit	5.5	Use Agreement
Joint Capital Contribution	4.0	Use Agreement
Total Debt and Use Agreement	51.0	
Net Increase	47.7	
FY 2013 Budget	\$243.8	\$7.91 CPE



Cost per Enplanement Comparison with Competitive Set

DFW was the lowest cost airport in FY 2011 (latest data available). The FY 2013 budget is shown for comparison purposes.

Fully Loaded Cost per Enplaned Passenger - 2011



DFW Cost Center – Net Revenues

Net revenues are projected to increase \$5.4 million from the FY 2012 Outlook due to a parking increase and new concessions opening in Terminal A.

Budget Category (in Millions)	FY12 Outlook	FY13 Budget	Variance Better (Worse)
Revenues			
Parking	\$111.3	\$115.9	\$4.7
Concessions	54.5	55.6	1.1
RAC	27.4	28.0	0.5
Commercial Development	34.4	33.5	(0.9)
Other	28.8	29.2	0.4
Total Revenues	256.5	262.2	5.8
Less Allocable Expenses and Debt	137.4	143.2	(5.8)
Gross Margin - DFW Cost Center	119.1	119.0	(0.1)
Less Terminal Transfers and Skylink	49.8	44.7	5.1
DFW Cost Center Net Revenues	69.3	74.3	5.1

FY 2013 Budget Resolution

- Request approval of the FY 2013 Budget of \$659.6 million

Expenditures (in Millions)	FY13 Budget
Operating Expenses	\$355.8
Debt Service	298.8
Total Budget	\$654.6
Contingency*	\$5.0
Total Budget With Contingency	\$659.6

* Requires DFW Board approval for use.

FY 2012 Budget Amendment Resolution

- Request approval to increase the FY 2012 Budget by \$1.1 million, from \$606.1 million to \$607.2 million
- The increase is due to increased debt service associated with the refunding of the Grand Hyatt Hotel bonds
 - Refunding approved by Owner City Councils in June 2012
 - Increased cost is offset by new revenues from the Grand Hyatt
 - There is no effect on DFW net revenues or airline costs

Dallas City Council Briefing and Voting Schedule

- Monday, August 20, 2012, 1:00 PM – Budget, Finance & Audit Committee briefing on the Proposed FY 2013 Budget and FY 2012 Amendment
- Wednesday, September 5, 2012, 9:00 AM – Dallas City Council briefing on the Proposed FY 2013 Budget and FY 2012 Amendment
- Wednesday, September 12, 2012, 9:00 AM – Dallas City Council votes on the Proposed FY 2013 Budget and FY 2012 Amendment



Dallas/Fort Worth International Airport



Proposed FY 2013 Budget and
FY 2012 Budget Amendment
Dallas City Council
Budget, Finance & Audit Committee
August 20, 2012

Memorandum



DATE: August 16, 2012

TO: Honorable Members of the Budget, Finance & Audit Committee –
Jerry R. Allen, Chair; Tennell Atkins, Vice-Chair;
Monica Alonzo; Scott Griggs; Ann Margolin

SUBJECT: Office of the City Auditor's Fiscal Year 2013 Audit Plan

On Monday, August 20, 2012, the Office of the City Auditor will present the proposed Fiscal Year 2013 Audit Plan to the Budget, Finance & Audit Committee for consideration of recommendation for approval by the full City Council. The Council Agenda for Wednesday, September 26, 2012 will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2013 Audit Plan.

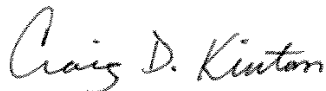
The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Fiscal Year 2013 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate and/or complete during Fiscal Year 2013.

The Office of the City Auditor's mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas. The plan demonstrates the variety of services the Office of the City Auditor provides to address its mission and reflects the following Dallas City Council priorities:

- Public Safety
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts and Recreation
- Education
- E³ Government

We respectfully present the Fiscal Year 2013 Audit Plan and request your support for a recommendation to the full City Council for approval of the plan.

Sincerely,



Craig D. Kinton
City Auditor

Attachment



CITY OF DALLAS

OFFICE OF THE CITY AUDITOR

**AUDIT PLAN
FISCAL YEAR 2013**

DRAFT

**CRAIG D. KINTON
CITY AUDITOR**



AUDIT PLAN FOR FISCAL YEAR 2013

The City of Dallas Office of the City Auditor (Office) performs work for and under the direction of the Dallas City Council. The Fiscal Year 2013 Audit Plan (Audit Plan) is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office plans to initiate and / or complete during Fiscal Year 2013.

The Office's mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas. The Audit Plan demonstrates the variety of services the Office provides to address its mission and reflects the following Dallas City Council priorities:

- Public Safety
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts and Recreation
- Educational Enhancements
- E³ Government

This Audit Plan is a working document in that the City Auditor is authorized, when deemed necessary in his professional judgment, to amend the Audit Plan. The Dallas City Council will be notified in writing concerning additions to, deletions from, or other changes to this Audit Plan. The Audit Plan includes audit and attestation services, investigative services, and non-audit services.

AUDIT AND ATTESTATION SERVICES

The Office complies with generally accepted government auditing standards when performing audits and attestation engagements. These standards provide a framework for conducting high quality audits and attestation engagements with competence, integrity, objectivity, and independence.

Audits include:

- **Performance Audits**

Conducted to provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Performance audit objectives vary widely and can include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and, prospective analyses.

- **Financial Audits**

Conducted to provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) are presented fairly and in accordance with recognized criteria. Financial audits provide users with statements concerning the reliability of information, and provide information about internal control over financial reporting, and compliance with provisions of laws, regulations, contracts and grant agreements that have a material effect on the financial statements.

- **Special Audits**

Upon the death, resignation, removal, or expiration of the term of any officer of the City, other than the City Auditor, the City Auditor shall cause an audit and investigation of the accounts of such officer to be made and shall report to the City Manager and the Council.

Attestation engagements can cover a broad range of financial or non-financial objectives. An attestation engagement results in an examination, a review, or an agreed-upon procedures report on a subject matter or an assertion about a subject matter that is the responsibility of another party.

INVESTIGATIVE SERVICES

The Office maintains a Hotline as a tool for the confidential reporting of allegations of fraud, waste, and abuse. The Office evaluates allegations, conducts investigations, and may provide fraud training and support to City departments. Substantiated allegations of fraud are referred to law enforcement authorities and reported to the City Council and City management as required by the City Charter and Council Resolutions. Fraud investigations are conducted in accordance with Quality Standards for Investigations issued by the Council of the Inspectors General on Integrity and Efficiency.

NON-AUDIT SERVICES

The Office provides non-audit services which are professional services that are not performed in accordance with generally accepted government auditing standards. These non-audit services include:

- **City Council Support**

The Office performs certain non-audit services to support the City Council. The City Auditor is authorized to conduct reviews or provide analytical support for individual Council Members, provided the request will not impact the completion of the Audit Plan. If, in the judgment of the City Auditor, a request will impact completion of the Audit Plan, the City Auditor is to request that the Council Member submits the request in writing for consideration and approval by the Budget, Finance & Audit Committee and the City Council as an amendment to the Audit Plan. All work products will be produced at the direction of the City Auditor.

- **Management Assistance**

The Office performs certain non-audit services at the request of management to assist in carrying out its responsibilities. These non-audit services may include, but are not limited to, providing technical advice, such as participating on committees, task forces, panels, and focus groups. The Office provides Management Assistance Services based on consideration of the impact on auditor independence and audit plan completion.

- **Litigation Support**

The Office provides litigation support services at the request of the City Attorney. The type of support services provided by the Office depends on the needs of the City Attorney and may include providing audit services as well as non-audit services. Non-audit services may include, but are not limited to, research, analysis, and computer forensics.

- **Employees' Retirement Fund Trustee**

Section 40-A.2.(c) of the Dallas City Code designates the City Auditor as a voting member of the Employees' Retirement Fund (ERF) Board of Trustees.

INDEPENDENCE DISCLOSURES

Generally accepted government auditing standards require the Office to disclose impairments to independence. The Office lacks independence in relation to any audit work that might be conducted at the ERF. To the extent that audits and attestation engagements are performed in this area, the Office is not independent. The effects of this independence concern on audit work will be clearly identified in any final reports, if applicable.

#	Department	Key Focus Area**	Description	Objectives
1	ATT	E ³ Government	Litigation Support	Provide litigation support services, as requested by the City Attorney
2	AVI	Economic Vibrancy / E ³ Government	Aircraft Rescue and Firefighting (ARFF)	Verify whether ARFF complies with certain Federal Aviation Administration's (FAA) guidelines which may include emergency response time, ARFF training, and inspection / maintenance / quantity of ARFF vehicles and extinguishers
3	BDPS	E ³ Government	Sole Source / Single Bid Procurements	Determine whether applicable purchasing rules have been followed for sole source or single bid procurements as required by Administrative Directive 4-5
4	Capital Projects	Capital Budget / Economic Vibrancy	Capital Programs	Determine whether budget, financial, and/or operational controls are adequate for selected capital expenditures for various Capital Projects
5	CCO	E ³ Government	Accounts Payable	Evaluate whether payments for goods and/or services comply with the State's prompt requirements
6	CES	Economic Vibrancy / E ³ Government	Controls over Cash Receipts and Collections	Evaluate the efficiency, effectiveness, or adequacy of internal controls over Convention and Event Services cash receipts and collections
7	CIS	E ³ Government	Data Backup Services	Evaluate the adequacy of data backup services for client server and mainframe environments which may include scheduling, problem resolution, and off-site backup
8	CCO / OFS	E ³ Government	Bond Statement Reviews	Review Preliminary and Final Bond Official Statements and provide an Attestation-Agreed Upon Procedures report to City management and to City Council
9	CMO / OFS / CCO	E ³ Government	Citizen Centric Report	Develop a methodology to prepare an annual Citizen Centric Report as a means to supplement the City's financial reports and statements and as a method to demonstrate accountability to the City's citizens and residents

#	Department	Key Focus Area**	Description	Objectives
10	DPD	Public Safety	Drugs / Weapons Destructions	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policies
11	DPD	Public Safety	Tracking Firearms and Equipment	Evaluate the adequacy of internal controls over tracking firearms and equipment
12	DPD / DFR	Public Safety	Uniform Payroll	Assess the adequacy and reliability of internal controls over the payroll system and the accuracy of payroll
13	DWU	Economic Vibrancy / E ³ Government	Maintenance of Infrastructure	Determine whether Dallas Water Utilities adequately maintains and renovates infrastructure to ensure current and future service delivery and the impact on priorities
14	DWU	E ³ Government	Wastewater Collection and Treatment	Assess the adequacy of internal controls over inventories of equipment and supplies
15	HR	E ³ Government	City's Self-Insurance Program	Assess the adequacy of internal controls over the City's Medical Self Insurance Program which may include claims processing, monitoring, oversight, and eligibility determination
16	OCA	Culture, Arts and Recreation	Arts and Cultural Program Funding	Determine the efficiency and effectiveness of the Office of Cultural Affairs' funding for arts and cultural programs which may include eligibility, submitting applications within established deadlines, contracting, and reimbursement documentation
17	OFS	E ³ Government	Franchise Fees	Develop a Request For Proposal for contingent fee based franchise fee reviews for selected franchisees which may include utilities, cable, and telephone
18	OFS	E ³ Government	Revenue Estimates – Budgeted Revenues for Fiscal Year 2013-2014	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager's proposed operating budget

#	Department	Key Focus Area**	Description	Objectives
19	STS	Public Safety	Traffic Signal Systems	Assess the adequacy of internal controls over traffic signal systems which may include whether the software / hardware which supports the traffic signal systems are current and comply with Federal, State, and City requirements
20	Multiple	E ³ Government	Special Audits	Conduct audits, in accordance with Chapter IX, Section 4 of the City Charter, of officers who vacate their offices due to death, resignation, removal, or expiration of term
21	Multiple	Multiple	Council Assistance	Provide audit and non-audit support services, as requested by individual Council members
22	Multiple	Multiple	Fraud, Waste and Abuse Investigations	Evaluate allegations of fraud, waste and abuse, conduct investigations, and educate employees
23	Multiple	Multiple	Management Assistance	Provide audit and non-audit assistance as requested by Management
24	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate management implementation of prior audit recommendations

** The Fiscal Year 2013 Audit Plan (Audit Plan) is based on a risk assessment updated for City Services approved in the Fiscal Year 2012 City of Dallas Adopted Budget. While this year's Audit Plan does not directly address Educational Enhancements, one of the City Council's Fiscal Year 2013 Key Focus Areas, to the extent possible the Office will include this Key Focus Area in projects identified as "Multiple".

Memorandum



CITY OF DALLAS

DATE August 17, 2012

TO Honorable Members of the Budget, Finance, & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT FY 2013 Proposed Reserves

The Budget, Finance, and Audit Committee will be briefed on the FY 2013 Proposed Reserves on Monday, August 20, 2012. Attached is a copy of the briefing for your review.

Please contact me if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield". The signature is fluid and cursive.

Jeanne Chipperfield
Chief Financial Officer

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
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Stephanie Pegues-Cooper, Assistant to the City Manager

FY 2013 Proposed Reserves

Budget, Finance & Audit Committee
August 20, 2012





Purpose

- To provide information on the General Fund Reserves, including:
 - Background
 - Financial Management Performance Criteria
 - Emergency Reserve
 - Contingency Reserve
 - Combined Reserve Levels
 - Risk Reserve
 - Fund Balance Considerations

Background – FMPC

- The City's **Financial Management Performance Criteria** (FMPC) was initially adopted by the City Council in 1978 to set standards and to guide decision making
 - Includes 52 criteria in 6 categories
 - 1) Operating Programs
 - 2) Capital and Debt Management
 - 3) Accounting, Auditing and Financial Planning
 - 4) Budget
 - 5) Cash Management
 - 6) Grants and Trusts
 - Dallas Water Utilities has its own set of 13 criteria
 - FMPC are updated/evaluated for compliance during budget preparation, at year end, and for each debt issuance
 - Council periodically reviews and updates the criteria
 - Last update was approved by Council on September 28, 2011

Background – Fund Balance

- **Fund Balance** reported annually in the City's Comprehensive Annual Financial Report (CAFR)
 - The difference between a fund's assets and liabilities; the fund balance is adjusted annually by the difference between revenues and expenditures
 - As of September 30, 2011 GASB 54 has divided fund balance from 3 categories to 5 categories:
 - 1) Nonspendable – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact (Inventories)
 - 2) Restricted – amounts subject to constraints which are externally imposed by creditors, grantors, contributors, laws or regulations (Debt Service Funds)
 - 3) Committed – amounts subject to self-imposed constraints through formal action of the City Council (Risk Reserve)
 - 4) Assigned – amounts constrained by the City's intent to be used for specific purposes (Encumbrances)
 - 5) Unassigned – remaining fund balance available for any use after other categories are deducted from the total Fund Balance (Includes Emergency and Contingency Reserves)

FMPC Reserve Requirements

- Emergency Reserve (FMPC#7)
 - Funds may be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature
 - Use of Emergency Reserve would require authorization by Council resolution
 - Any uses must be replenished in the next fiscal year
 - FY13 Proposed Emergency Reserve of \$17,563,082 is funded from the FY 12 Emergency Reserve projected ending balance

FMPC Reserve Requirements

- Contingency Reserve (FMPC #8)
 - Provides for unanticipated needs that arise during the fiscal year
 - Use of Contingency Reserve would require authorization by Council resolution
 - FMPC requires Contingency Reserve to be established annually at 0.5% to 1.0% of General Fund expenditures
 - Requirements reviewed annually and may be funded with the carry forward of ending balance from the prior fiscal year
 - FY13 Proposed Contingency Reserve is \$5,300,000 or 0.5091% of General Fund expenditures
 - Funded from FY12 projected ending balance of \$5,100,000 and FY13 appropriated transfer from General Fund of \$200,000

FMPC Reserve Requirements

- Combined Reserve Levels (FMPC #9)
 - Requires the unassigned fund balance, which includes the Emergency and Contingency Reserves, to be no less than 5% of budgeted expenditures

	FY13 Proposed
Unassigned Fund Balance (9/30/13 Projected)	\$84.1m
FY13 Proposed General Fund Expense	\$1,041.0m
5% of General Fund expense – Minimum Requirement	\$52.0m
Over/(Under) Minimum Reserve Requirement	\$32.1m
% General Fund Expense	8.1%

FMPC Reserve Requirements

FMPC #9 - History	Actual* FY08	Actual* FY09	Actual* FY10	Actual* FY11	Estimated FY12	Proposed FY13
Unassigned Fund Balance (including Emergency and Contingency Reserves)	\$69.9m	\$69.8m	\$59.0m	\$79.7m	\$83.9m	\$84.1m
General Fund Operating Expenditures	\$1,032.4m	\$1,037.5m	\$1,015.4m	\$998.7m	\$1,007.9	\$1,041.0m
% of GF Expenses	6.8%	6.7%	5.8%	8.0%	8.3%	8.1%

***Restated**



FMPC Reserve Requirements

- Risk Reserve (FMPC #10)
 - Required to be maintained at a level, which, together with purchased insurance policies, adequately protects the City's assets against loss
 - FY13 Proposed Reserve funded at \$1,250,00 using the FY12 projected ending balance of \$1,250,000

Fund Balance Considerations

- Bond rating agencies consider fund balance as a percent of total expenditures as part of their analysis in determining a rating
- On a percentage basis, Dallas' fund balance is low when compared to cities that are also rated Aa1/AA+
- Moody's May 2012 General Obligation rating report regarding the City's General Fund balance states:
 - "The Aa1 rating continues to reflect a somewhat narrow General Fund balance compared to other highly rated cities..."

Memorandum



CITY OF DALLAS

DATE August 17, 2012

TO Honorable Members of the Budget, Finance & Audit Committee:
Jerry Allen (Chair), Tennell Atkins (Vice Chair), Scott Griggs, Monica Alonzo,
Ann Margolin

SUBJECT Supplemental Agreements with All American Investment Group, LLC

In 2004, the City entered into two Comprehensive Energy Savings Performance Contracts: Love Field (Resolution No. 04-3154) and Dallas Convention Center (Resolution No. 04-3414). The remaining term of the loans for Love Field and Dallas Convention Center is four and five years, respectively. Quarterly payments on the loans are repaid with current funds from energy savings from the baseline electricity budgets.

The performance contract construction phase for both the Dallas Convention Center and Love Field were financed with third party loans from All American Investment Group (AAIG) (Resolution No. 05-3589 and Resolution No. 05-3590). The market interest rates at the time of the loans were 4.176% and 4.05%, respectively.

Due to the downturn in the economy, the market interest rates have decreased. The City has an opportunity to refinance the remaining terms of both Performance Contracts. The current market interest rate is 1.89%. This will result in \$55,145 savings for the Aviation Loan and \$263,806 for the Dallas Convention Center. The new loan terms become effective October 1, 2012.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jill Jordan".

Jill A. Jordan, P.E.
Assistant City Manager

Attachments

- c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa A. Rios, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Jack Ireland, Director, Financial Services
Edward Scott, Director, Controller's Office
Frank Libro, Public Information Office
Stephanie Pegues Cooper, Assistant to the City Manager and Council Office
Rick Galceràn, Director, Public Works Department
Mark Duebner, Director, Aviation Department
Ron King, Director, Convention and Event Services Department

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: August 22, 2012
COUNCIL DISTRICT(S): 2
DEPARTMENT: Public Works Department
Convention and Event Services
CMO: Jill A. Jordan, P.E., 670-5299
Ryan S. Evans, 670-3314
MAPSCO: 45P

SUBJECT

Authorize Supplemental Agreement No. 1 to the ten-year term loan agreement with All American Investment Group, LLC in the amount of \$15,955,356 to decrease the remaining term interest rate from 4.176% to 1.89%, paid in quarterly payments of \$501,088, resulting in a savings of \$263,806, from \$19,705,684 to an amount not to exceed \$19,441,878 for energy conservation related projects at Dallas Convention Center and Union Station - Not to exceed (\$263,806) - Financing: Convention and Event Services Current Funds

BACKGROUND

The City entered into a Performance Contract with Johnson Controls, Inc. to perform an energy audit and develop proposals for energy conservation related projects at the Dallas Convention Center. To finance the project, a loan from All American Investment Group, LLC was awarded. On December 14, 2005, Resolution No. 05-3589 authorized a ten year term loan agreement with All American Investment Group, LLC in the amount of \$15,955,356 for the funding of energy related projects, and authorized Supplemental Agreement No. 1 to the contract with Johnson Controls, Inc. for design and construction of energy conservation related projects at the Dallas Convention Center located at 650 S. Griffin Street and Union Station located at 400 S. Houston Street.

The total loan repayment with interest was \$19,705,684. There are five years of quarterly payments remaining to pay on the ten year loan. This action will authorize the City of Dallas to decrease the interest rate for the remaining five year term from 4.176% to 1.89%, paid in quarterly payments of \$501,088.44, resulting in a savings of \$263,806.52, from \$19,705,684 to \$19,441,878.

ESTIMATED SCHEDULE OF PROJECT

Begin Refinance	September 1, 2012
Complete Loan Agreement	October 1, 2016

PRIOR ACTION / REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Authorized Phase 1 of the Energy Services contract with Johnson Controls, Inc. to perform an energy audit and develop proposals for energy conservation related projects on December 8, 2004, by Resolution No. 04-3414.

Authorized a loan from All American Investment Group, LLC for the funding of the energy related projects, and authorized Supplemental Agreement No. 1 to the contract with Johnson Controls, Inc. for the design and construction of energy conservation related projects at the Dallas Convention Center located at 650 S. Griffin St., and Union Station, located at 400 S. Houston St. on December 14, 2005, by Resolution No. 05-3589.

Authorized a decrease in the Performance Assurance Support Services (PASS) agreement and in the contract with Johnson Controls, Inc. for revised construction scope and ONCOR rebates for the Dallas Convention Center project on September 22, 2010, by Resolution No. 10-2358.

Authorized an amendment to the previously approved Resolution No. 10-2358 to increase the construction contract with Johnson Controls, Inc. for the Dallas Convention Center and correct the remaining term of the Performance Assurance Support Services (PASS) agreement from 4 to 5 years on April 13, 2011, by Resolution No. 11-0936.

FISCAL INFORMATION

Convention and Event Services Current Funds - (\$263,806.52)

MAP

Attached.

August 22, 2012

WHEREAS, on December 8, 2004, Resolution No. 04-3414 authorized Phase 1 of the Energy Services contract with Johnson Controls, Inc. to perform an energy audit and develop proposals for energy conservation related projects; and,

WHEREAS, on December 14, 2005, Resolution No. 05-3589 authorized a loan from All American Investment Group, LLC in the amount of \$15,955,356 for the funding of the energy related projects and authorized Supplemental Agreement No. 1 to the contract with Johnson Controls, Inc. for the design and construction of energy conservation related projects at the Dallas Convention Center located at 650 South Griffin and Union Station located at 400 South Houston in an amount not to exceed \$15,955,356, and for performance assurance support services for a period not to exceed 10 years in a total amount not to exceed \$2,323,728; and,

WHEREAS, on September 22, 2010, Resolution No. 10-2358 authorized a decrease in the contract with Johnson Controls, Inc. in the amount of (\$442,053.69) from \$15,955,356 to \$15,513,302.31 to provide credit for revised construction scope and ONCOR rebates and a decrease in Performance Assurance Support Services (PASS) in the amount of (\$1,785,355), from \$2,323,728 to \$538,373; and,

WHEREAS, the actual rebates and reduced scope credits were \$385,376.19 and the previous action authorized a decrease in the construction contract by the estimated amount of (\$442,053.69) to provide credit for revised construction scope and ONCOR rebates, it became necessary to increase the construction contract by the difference of \$56,677.50; and,

WHEREAS, the previous action also authorized a reduction of services of the PASS from ten years to four years which was later determined to be five years; and,

WHEREAS, on April 13, 2011, Resolution No. 11-0936 authorized an amendment to the previously approved Resolution No. 10-2358 to increase the construction contract with Johnson Controls, Inc. for the Dallas Convention center located at 650 South Griffin Street in the amount of \$56,677.50, increasing the contract from \$15,513,302.31 to \$15,569,979.81 and correct the remaining term of the Performance Assurance Support Services agreement from 4 to 5 years in the amount of \$188,330, from \$538,373 to \$726,703 (subject to annual appropriations); and,

WHEREAS, the City has received a proposal from All American Investment Group, LLC to decrease the interest rate for the remaining repayment term, paid in quarterly payments of \$501,088.44; and,

August 22, 2012

WHEREAS, it is now desirable to authorize Supplemental Agreement No. 1 to the ten year term loan agreement with All American Investment Group, LLC to decrease the remaining term interest rate from 4.126% to 1.89%, paid in quarterly payments of \$501,088.44, resulting in a savings to the City of Dallas of \$263,806.52, from \$19,705,684 to an amount not to exceed \$19,441,878.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is hereby authorized to execute Supplemental Agreement No. 1 to the ten year term loan agreement with All American Investment Group, LLC to decrease the remaining term interest rate from 4.126% to 1.89%, paid in quarterly payments of \$501,088.44, resulting in a savings to the City of Dallas of \$263,806.52, from \$19,705,684 to an amount not to exceed \$19,441,878, after it has been approved as to form by the City Attorney.

Section 2. That the City Controller is hereby authorized to disburse funds in accordance with the terms and conditions of the agreement from:

Convention and Event Services Fund
Fund 0080, Department CCT, Unit 7821, Act. MMCF
Object 354A, Program #04DC030
Vendor #VS0000001946, in an amount not to exceed \$19,441,878

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: August 22, 2012
COUNCIL DISTRICT(S): 14
DEPARTMENT: Public Works Department
Aviation
CMO: Jill A. Jordan, P.E., 670-5299
A. C. Gonzalez, 671-8925
MAPSCO: 34E

SUBJECT

Authorize Supplemental Agreement No. 1 to the eleven year loan agreement with All American Investment Group, LLC in the amount of \$5,303,061 to decrease the remaining term interest rate from 4.05% to 1.89%, resulting in a savings of \$55,145, from \$6,733,000 to an amount not to exceed \$6,677,855 for energy conservation related projects at Dallas Love Field - Not to exceed (\$55,145) - Financing: Aviation Current Funds

BACKGROUND

The City entered into a performance contract with Ameresco, Inc. for various energy conservation related projects at Dallas Love Field. To finance the performance contract, a loan from All American Investment Group, LLC was awarded. On December 14, 2005, Resolution No. 05-3590 authorized acceptance of a loan from All American Investment Group, LLC in the amount of \$5,303,061 to be repaid plus interest beginning in FY2006-07 for a period of 11 years.

The initial loan repayment with interest was \$6,733,000. There are five years of quarterly payments remaining to pay the eleven year loan. This action will authorize the City to decrease the interest rate for the remaining five year term of the loan agreement with All American Investment Group, LLC from 4.05% to 1.89%, resulting in a savings to the City of \$55,144.80, from \$6,733,000 to an amount not to exceed \$6,677,855.

ESTIMATED SCHEDULE OF PROJECT

Begin Refinance	September 1, 2012
Complete Loan Agreement	October 1, 2016

PRIOR ACTION / REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Authorized a professional services contract with Ameresco, Inc. to perform an energy audit and develop proposals for energy conservation-related projects for the City of Dallas Aviation Department on November 10, 2004, by Resolution No. 04-3154.

Authorized **(1)** acceptance of a loan from All American Investment Group, LLC in the amount of \$5,303,061, to be repaid plus interest beginning in FY2006-07 for a period of 11 years; and **(2)** Supplemental Agreement No. 1 to the contract with Ameresco, Inc. for the design and construction of energy conservation related projects at Dallas Love Field in an amount not to exceed \$5,303,061 and for performance assurance support services for a period not to exceed 11 years in a total amount not to exceed \$410,063 to be paid from electric and natural gas savings; and **(3)** the establishment of appropriations in an amount not to exceed \$5,303,061 in the Energy Management Fund on December 14, 2005, by Resolution No. 05-3590.

FISCAL INFORMATION

Aviation Current Funds - (\$55,144.80)

MAP

Attached.

August 22, 2012

WHEREAS, on November 10, 2004, Resolution No. 04-3154 authorized Phase 1 of the Energy Services contract with Ameresco to perform an energy audit and develop proposals for energy conservation related projects at Dallas Love Field; and

WHEREAS, on December 14, 2005, Resolution No. 05-3590 authorized acceptance of a loan from All American Investment Group, LLC in the amount of \$5,303,061 to be repaid plus interest beginning in FY2006-07 for a period of eleven years from electric and natural gas energy savings; and,

WHEREAS, the City has received a proposal from All American Investment Group, LLC to decrease the rate for the remaining repayment term; and,

WHEREAS, it is now desirable to authorize Supplemental Agreement No. 1 to the eleven year loan agreement with All American Investment Group, LLC, decreasing the remaining term interest rate from 4.05% to 1.89%, resulting in a savings to the City of \$55,144.80, from \$6,733,000 to an amount not to exceed \$6,677,855.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is hereby authorized to execute Supplemental Agreement No. 1 to the eleven year loan agreement with All American Investment Group, LLC, decreasing the remaining term interest rate from 4.05% to 1.89%, resulting in a savings to the City of \$55,144.80, from \$6,733,000 to an amount not to exceed \$6,677,855.

Section 2. That the City Controller is hereby authorized to disburse funds in accordance with the terms and conditions of the agreement from:

Aviation Current Funds Fund 0130, Dept. AVI, Unit 7725 Obj. 354A, Program #04DC031 Vendor #VS0000001946, in an amount not to exceed	\$5,303,061
Aviation Current Funds Fund 0130, Dept. AVI, Unit 7725 Obj. 3538, Program #04DC031 Vendor #VS0000001946, in an amount not to exceed	<u>\$1,374,794</u>
Total in an amount not to exceed	\$6,677,855

August 22, 2012

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.