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Memorandum

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CITY SECRETAR
DALLAS, TEXAS



CITY OF DALLAS

DATE: September 15, 2011

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

Tuesday, September 20, 2011, 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 June 13, 2011 minutes
2. DFW International Airport Board Amendment to 47th Supplemental Bond Ordinance
Mike Phemister, Vice President - Treasury Management
3. Office of the City Auditor's Proposed Fiscal Year 2012 Audit Plan
Craig D. Kinton, City Auditor
4. Financial Management Performance Criteria Changes
Edward Scott, City Controller & Abby Neil, Manager of Financial Reporting
5. FY 2011-12 Proposed Budget: Reserve Levels
Jack Ireland, Director & Shelia Robinson, Assistant Director, Office of Financial Services

FYI:

6. July 2011 Financial Forecast Report

Please let me know if you have any questions.

A handwritten signature in cursive script, appearing to read "Jerry R. Allen".

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

cc: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, Acting City Secretary
Thomas P. Perkins, Jr., City Attorney
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, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, City Controller

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: 6-13-2011

Convened: 8:33 a.m.

Adjourned: 9:45 a.m.

Committee Members Present:

Jerry R. Allen, Chair
Ann Margolin, Vice-Chair
Delia Jasso
Ron Natinsky
Angela Hunt
David A. Neumann

Committee Members Absent:

Vonciel Jones Hill

Staff Present:

Mary Suhm, Jeanne Chipperfield, Thomas P. Perkins, Molly McCall, Theresa O'Donnel, Jack Ireland, Shelia Robinson, Mike Frosch, Ben Collins, Corrine Steeger, Edward Scott, Nick Fehrenbach, Lance Sehorn, Zarin Gracey, Joey Zapata, Bonnie Meeder, Warren Ernst

AGENDA:

1. Approval of the May 23, 2011 minutes

Presenter(s):

Information Only: _____

Action Taken/Committee Recommendation(s):

Motion to approve the April 25, 2011 minutes.

Motion made by: Delia Jasso

Motion seconded by: Ron Natinsky

2. Proposed Ordinance to Regulate Payday and Title Loan Lending

Presenter(s): Thomas P. Perkins

Information Only: __X__

Action Taken/Committee Recommendation(s):

The briefing provided information on proposed ordinances to regulate payday and title loan lending.

The Budget, Finance & Audit Committee made a motion to authorize an approval and place the item on the June 22, 2011 agenda.

Motion made by: Jerry R. Allen

Motion seconded by: David A. Neumann

3. Employee & Retiree Health Care Contracts

Presenter(s): Molly McCall

Information Only: _____

Action Taken/Committee Recommendation(s):

The purpose of the briefing was to review the City of Dallas Health Benefits Plans, review the request for Proposal for Employee/Retiree Healthcare, provide results of the proposal evaluations and make recommendations.

Budget, Finance & Audit Committee

Meeting Record (Draft)

The Budget, Finance & Audit Committee made a motion to move for approval and place the item on the June 15, 2011 agenda.

Motion made by: Jerry R. Allen

Motion seconded by: Vonciel Jones Hill

4. **Surplus Property Auction**

Presenter(s): Theresa O'Donnell

Information Only:

Action Taken/Committee Recommendation(s):

The Budget, Finance & Audit Committee made a motion to move for approval of the contract with H&M on the June 22, 2011 agenda.

Motion made by: Delia Jasso

Motion seconded by: David A. Neumann

5. **1998 Sports Arena Project Bonds Optional Redemption**

Presenter(s): Jeanne Chipperfield

Information Only: X

Action Taken/Committee Recommendation(s):

6. **Atmos Energy Gas Reliability Infrastructure Program Rate Settlement**

Presenter(s): Nick Fehrenbach

Information Only: X

Action Taken/Committee Recommendation(s):

The Budget, Finance & Audit Committee made a motion for recommendation to move this item forward to the June 22, 2011 agenda.

Motion made by: Ron Natinsky

Motion seconded by: Delia Jasso

7. **Quarterly Investment Report**

Presenter(s): Jeanne Chipperfield

Information Only: X

Action Taken/Committee Recommendation(s):

The suggestion was made to move the report to the next Budget, Finance & Audit Committee meeting.

8. **March Financial Forecast Report**

Presenter(s): Jeanne Chipperfield

Information Only: X

Action Taken/Committee Recommendation(s):

Budget, Finance & Audit Committee

Meeting Record

(Draft)

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

Memorandum



DATE September 15, 2011

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 DFW International Airport Board Amendment to 47th Supplemental Bond Ordinance Briefing

The attached briefing will be presented on Tuesday, September 20th at the Budget, Finance & Audit Committee by Mike Phemister, Vice-President-Treasury Management of the DFW International Airport Board.

If you have questions or need additional information, please let me know.



Jeanne Chipperfield
Chief Financial Officer

Attachment

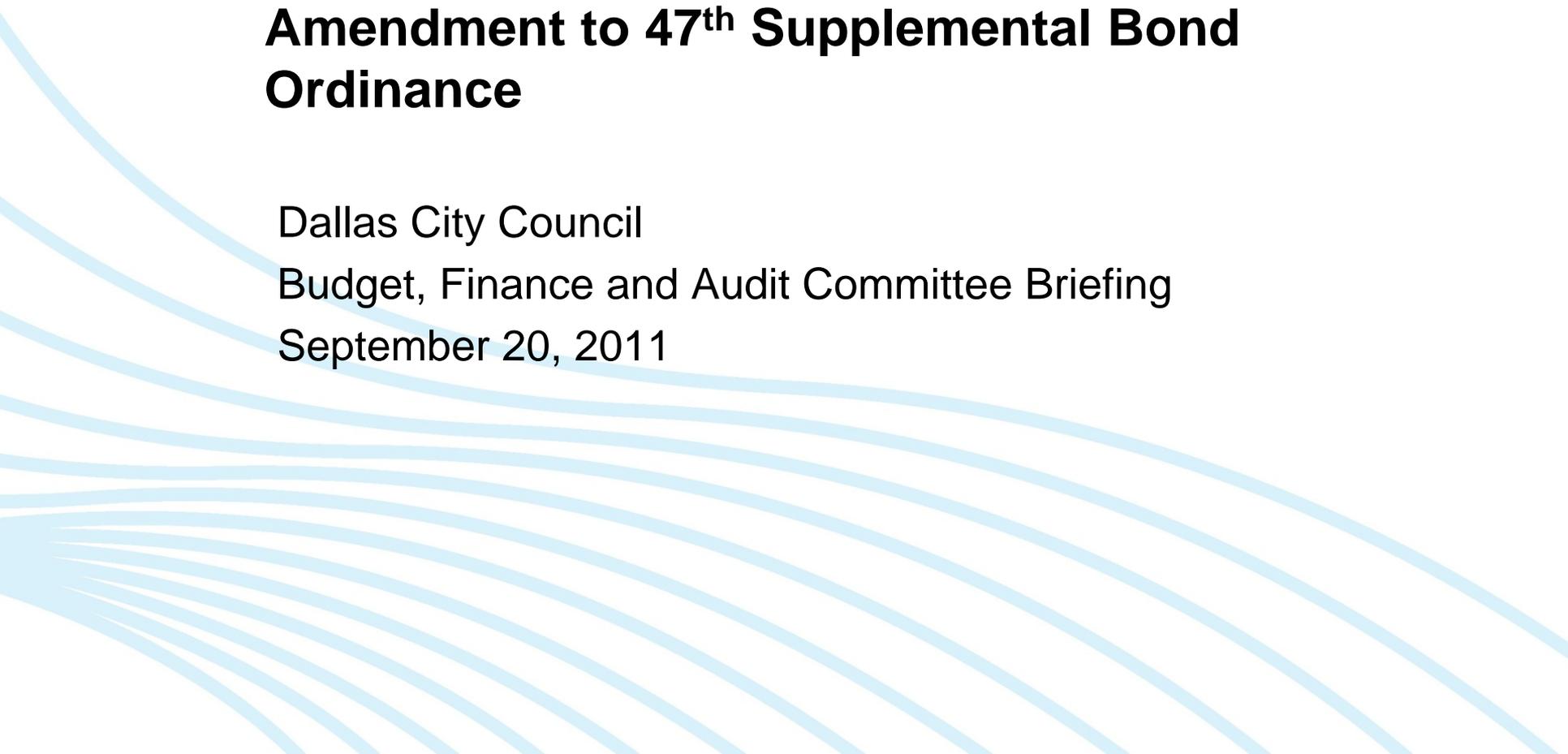
cc: Honorable Mayor and Members of the City Council
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Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
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Joey Zapata, Interim Assistant City Manager
Helena Stevens-Thompson, Assistant to the City Manager
Jack Ireland, Director, Office of Financial Services

Dallas/Fort Worth International Airport Board Amendment to 47th Supplemental Bond Ordinance

Dallas City Council

Budget, Finance and Audit Committee Briefing

September 20, 2011



Background on 47th Supplemental Bond Ordinance

- In May 2011, the City Councils of Dallas and Fort Worth concurrently approved the 47th Supplemental Bond Ordinance.
 - Authorized the issuance of multiple series of refunding bonds in an amount not to exceed \$1.5 billion.
- Two refundings totaling about \$375 million have been completed, with approximately \$45 million of savings.
- DFW Airport plans to refund 2003C bonds in October 2011.
 - Approximately \$104.5 million outstanding, with final maturity in 2018.

Why the 47th Supplemental Bond Ordinance Must Be Amended

- 2003C Bonds were issued for baggage system improvements, which is considered a private activity use.
- Bonds issued for private activity uses may only be refunded using tax exempt AMT bonds or taxable bonds.
- Current market conditions have created a market abnormality, with short term taxable rates less than tax exempt AMT rates.
- Estimated savings of \$10 million if 2003C bonds are refunded with taxable bonds.
- 47th Supplemental Bond Ordinance did not contemplate the issuance of taxable refunding bonds.

Action Requested By City Council

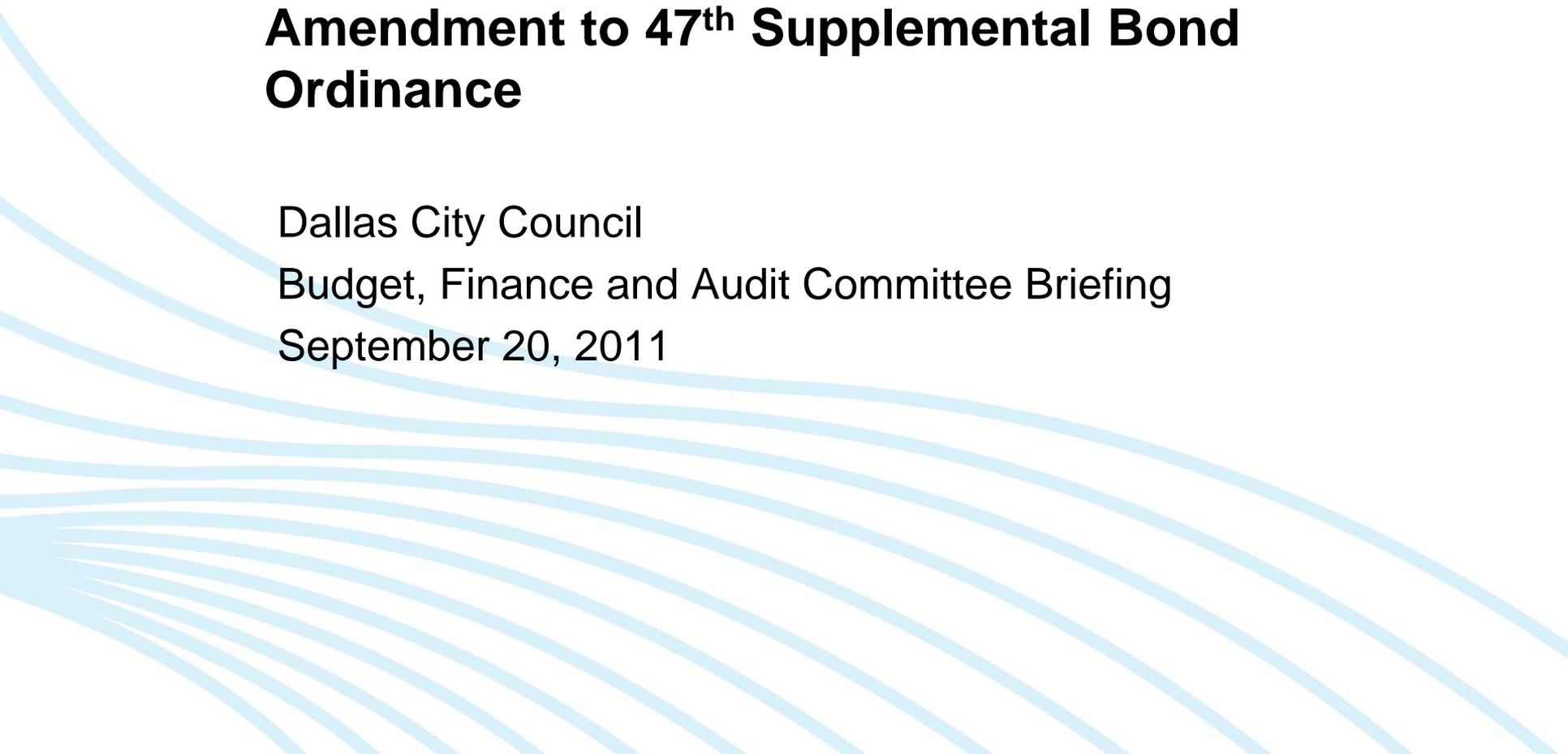
- 47th Supplemental Bond Ordinance be amended to allow the issuance of taxable bonds when interest rates are lower than tax exempt bonds.

Dallas/Fort Worth International Airport Board Amendment to 47th Supplemental Bond Ordinance

Dallas City Council

Budget, Finance and Audit Committee Briefing

September 20, 2011



Memorandum



CITY OF DALLAS

DATE: September 15, 2011

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 2012 Audit Plan

On Tuesday, September 20, 2011, the Office of the City Auditor will present the proposed Fiscal Year 2012 Audit Plan to the Budget, Finance & Audit Committee for consideration of recommendation for approval by the full City Council. The Council Agenda Addendum for Wednesday, September 28, 2011 will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2012 Audit Plan.

The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Fiscal Year 2012 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 2012.

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 2012 Audit Plan and request your support for a recommendation to the full City Council for approval of the plan.

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

Attachment



CITY OF DALLAS

OFFICE OF THE CITY AUDITOR

**AUDIT PLAN
FISCAL YEAR 2012**

**CRAIG D. KINTON
CITY AUDITOR**



AUDIT PLAN FOR FISCAL YEAR 2012

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 2012 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 2012.

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 report on whether an entity's financial information is presented fairly and in accordance with recognized criteria, provide users with statements concerning the reliability of information, and provide information about internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes.

- **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	BDPS	E ³ Government	Purchasing/Contracting Processes	Determine whether: <ul style="list-style-type: none"> Processing controls for purchasing/contracting for good/services are adequate Administrative Actions (AAs) issued: (1) Comply with applicable criteria and guidelines; (2) Were not used to bypass the competitive bid process; and, (3) All processed AAs were accounted for
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	Monthly Bank Reconciliations	Determine whether monthly bank reconciliations are accurate, timely, and efficiently completed
6	CCO / HR	E ³ Government	Payroll Audit	Assess internal controls and processes to determine the accuracy of the payroll system and the adequacy / reliability of controls
7	CIS	Public Safety	Disaster Recovery Plan	Evaluate the adequacy of the City's Disaster Recovery Plan and associated information technology / operations to continue to provide service in the event of a disaster
8	CIS	E ³ Government	Security of Database / Servers / Applications, and Electronic File and Data Transfer	Assess the adequacy of security for: <ul style="list-style-type: none"> Selected key database, servers, applications Electronic file and data transfer to / from external sources

#	Department	Key Focus Area**	Description	Objectives
9	CIS	E ³ Government	Software Licensing Agreements	Evaluate the City's management of, and compliance with the terms of, software licensing agreements and determine if the licensing programs are effective
10	CMO / HR	E ³ Government	City's Ethics Program	Assess and evaluate the design and effectiveness of the City's ethics program and activities
11	DPD	Public Safety	Drugs / Weapons Destructions	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policies
12	DPD	Public Safety	Dallas Police Department Efficiency Study Follow-up	Follow-up and determine the status of selected aspects / components of the 2004 Dallas Police Department Efficiency Study
13	DWU	E ³ Government	Water Customer Billings	Determine whether Dallas Water Utilities' customers are accurately and timely billed for water and water related services
14	HR	E ³ Government	City's Self-Insurance Programs	Determine the adequacy of the processes used to administer and oversee the City's self-insurance programs which may include general, vehicle accident, and Workers' Compensation liability
15	OFS	Economic Vibrancy / E ³ Government	Ad Valorem Tax on Not-For-Profit Entities	Evaluate controls for ad valorem tax rolls related to certain properties owned by non-profit entities
16	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
17	OFS	E ³ Government	Revenue Estimates – Budgeted Revenues for Fiscal Year 2012-2013	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager's proposed operating budget
18	Multiple	Public Safety	Business Continuity Plan	Evaluate whether the City's Business Continuity Plan can continue operating in the event of a disaster

#	Department	Key Focus Area**	Description	Objectives
19	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
20	Multiple	Multiple	Council Assistance	Provide audit and non-audit support services, as requested by individual Council members
21	Multiple	Multiple	Fraud, Waste and Abuse Investigations	Evaluate allegations of fraud, waste and abuse, conduct investigations, and educate employees
22	Multiple	Multiple	Management Assistance	Provide audit and non-audit assistance as requested by Management
23	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate management implementation of prior audit recommendations

** The Fiscal Year 2012 Audit Plan (Audit Plan) is based on a risk assessment updated for City Services approved in the Fiscal Year 2011 City of Dallas Adopted Budget. While this year's Audit Plan does not directly address Clean, Healthy Environment; Culture, Arts, and Recreation; and Educational Enhancements, three of the City Council's Fiscal Year 2011 Key Focus Areas, to the extent possible the Office will include these three Key Focus Areas in projects identified as "Multiple".

DRAFT

Memorandum



CITY OF DALLAS

DATE September 15, 2011

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 Financial Management Performance Criteria Changes Briefing

On Tuesday, September 20, 2011, you will be briefed on the Financial Management Performance Criteria Changes. The material is attached for your review.

If you have questions or need additional information, please let me know.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

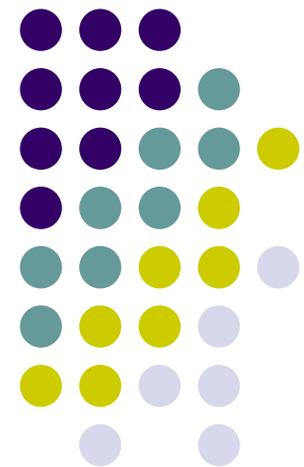
Jeanne Chipperfield
Chief Financial Officer

Attachment

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Jack Ireland, Director, Office of Financial Services
Edward Scott, City Controller

Financial Management Performance Criteria Changes

Budget, Finance & Audit Committee
September 20, 2011



Purpose



- The purpose of the briefing is to propose changes to the City's Financial Management Performance Criteria
- Seek recommendation for approval of these changes

Summary of Changes



- Revise fund balance classifications to be in accordance with new accounting standards
- Other revisions are proposed due to changes to requirements or to clarify the criteria



Fund Balance Classifications

- Fund balance is the difference between a fund's assets and liabilities; the fund balance is adjusted annually by the difference between revenues and expenditures
- The Governmental Accounting Standards Board (GASB) adopted new terminology in GASB Statement Number 54 for classifications of fund balance
- The revised statement on fund balance reporting is effective for the City's fiscal year end 2011 financial statements
- Fund balance classifications previously emphasized the amount available for appropriation
- The objectives of this new statement are to:
 - Show constraints on spending and the sources of those constraints, rather than the availability of appropriation
 - Enhance the usefulness of fund balance information; and
 - Establish a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of resources.

Classifications Prior to GASB Statement 54



- **Reserved**: The portion of fund balance which is not available for appropriation
 - Examples: Inventories, Encumbrances and Debt Service
- **Designated**: Self-imposed limitations reflecting actual plans approved by the government's senior management on the use of otherwise available fund balance
 - Examples: Emergency Reserve and Contingency Reserve
- **Unreserved/Undesignated**: Residual classification available for appropriation

Revised Classifications in GASB Statement 54



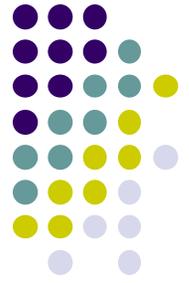
- **Nonspendable**: Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact
 - Example: Inventories
- **Restricted**: Amounts subject to constraints which are externally imposed by creditors, grantors, contributors, laws or regulations
 - Example: Debt Service
- **Committed**: Amounts subject to self-imposed constraints through formal action of the city council
 - Example: Risk Reserve
- **Assigned**: Amounts constrained by the City's intent to be used for specific purposes
 - Example: Encumbrances
- **Unassigned**: Residual classification

Other GASB Statement 54 Changes



- Contingency and Emergency Reserves
 - The new guidance requires the City to classify these reserves as Unassigned Fund Balance.
 - For budgeting purposes, the City will continue to set aside amounts for these purposes.

Comparison of Classifications Pre- and Post-GASB 54 As of September 30, 2010



Pre - GASB 54 Presentation

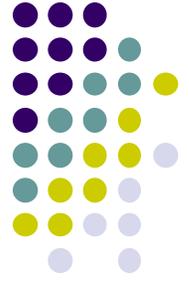
	<u>General Fund</u> *
Fund balances	
Reserved for:	
Encumbrances	\$ 18,230
Inventories	9,034
Unreserved, designated for:	
9-1-1 Program	2,599
Cultural Programs	738
Risk reserve	1,250
Future expenditures	971
Emergencies	17,563
Contingencies	1,367
Unreserved, undesignated	40,220
Total fund balance	<u>\$ 91,972</u>

GASB 54 Presentation

	<u>General Fund</u> *
Fund balances	
Nonspendable	\$ 9,034
Restricted	2,599
Committed	1,988
Assigned	19,201
Unassigned	
Contingencies	1,367
Emergencies	17,563
Residual unassigned	40,220
Total fund balance	<u>\$ 91,972</u>

*Multiple funds are summarized with the General Fund for financial reporting but presented separately for budgetary purposes.

Example: 9-1-1 Fund



FMPC Recommended Revisions

- Operating Program
 - FMPC #9
 - Current FMPC: “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 balance of the General Fund, is at a level not less than 5% of the General Fund operating expenditures less debt service.”
 - Recommendation: Replace reference to unreserved fund balance to unassigned fund balance and include the amounts set aside for emergency and contingency reserves in the unassigned fund balance of the General fund
 - Reason: To comply with reclassifications from GASB 54
 - Revised FMPC: “The unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained at a level not less than 5% of the General Fund operating expenditures less debt service. (The Risk Reserve is not included in this calculation).”

FMPC Recommended Revisions, Continued



- Operating Program
 - FMPC #6
 - Current FMPC: “Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the utility.”
 - Recommendation: Replace “utility” with “fund”
 - Reason: Not all enterprise funds are utilities
 - Revised FMPC: “Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the fund.”
- Capital and Debt Management
 - FMPC #19
 - Current FMPC: “Interest expense and other capital related expenses incurred prior to actual operation will be capitalized only for facilities of enterprise activities”
 - Recommendation: Delete reference to capitalization of other capital expenses
 - Reason: Generally Accepted Accounting Principles only restrict capitalization of interest expense to enterprise funds. Other capital expenditures may be incurred in non-enterprise funds
 - Revised FMPC: “Interest expense incurred prior to actual operation will be capitalized only for facilities of enterprise activities”

FMPC Recommended Revisions, Continued



- Dallas Water Utilities
 - DWU FMPC #12
 - Current FMPC: “Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement of 1979.”
 - Recommendation: Change the reference from the 1979 inter-city agreement to the agreement currently in effect.
 - Reason: Changes to the agreement were approved by Council May 12, 2010
 - Revised FMPC: “Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement currently in effect.”

Recommendation



- A recommendation for approval of changes to the FMPC, as detailed in the attached appendix, on the September 28 agenda.

Appendix



FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Operating Program

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 **unassigned undesignated** fund balance accumulated through prior year surplus. Nonrecurring or one-time revenues should, to the extent possible, only be used for one-time expenditures (expenditures not expected to reoccur and requiring future appropriations) to avoid future shortfalls.
2. The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not exceed 8%:
 - Excluding taxable value gained through annexation or consolidation;
 - Excluding the value gained through new construction;
 - Excluding expenditure increases mandated by the voters or another governmental entity; and
 - Not excluding the valuation gained through revaluation or equalization programs.
3. Debt will not be used to fund current operating expenditures.
4. All retirement systems will be financed in a manner to systematically fund liabilities. The City will assure sufficient funds are provided to pay current service plus interest on unfunded liabilities plus amortization of the unfunded liabilities over a programmed period. No less than annual reviews will be provided to Council by the pension funds.
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.
6. Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the **utility fund**. 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.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Operating Program (Continued)

7. The Emergency Reserve, a component of unassigned fund balance, 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 adopted 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.
8. The Contingency Reserve, a component of unassigned fund balance, shall be used to provide for unanticipated needs that arise during the year: for example, expenses associated with new service needs that have been identified after the budget process, new public safety or health needs, revenue shortfalls, service enhancements, or opportunities to achieve cost savings. Funds shall be allocated from the Contingency Reserve only after an analysis has been prepared by the City Manager and presented to the City Council outlining the initial and recurring costs associated with the adopted expenditure. Additionally, these funds would be used prior to use of the Emergency Reserve funds. Funds shall be allocated each year in the budget process to replace any use of the Contingency Reserve funds during the preceding fiscal year and to maintain the balance of the Contingency Reserve at a level ranging from ½% to 1% of budgeted departmental expenditures.
9. ~~The 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 balance~~ The unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained is at a level not less than 5% of the General Fund operating expenditures less debt service. (The Risk Reserve is not included in this calculation.)
10. A Risk Reserve shall be maintained at a level which, together with purchased insurance policies, adequately protects the City's assets against loss. An analysis shall be conducted every three years or when the deductible level of the City's property insurance is modified (whichever is earlier), to determine the appropriate level of this reserve.
11. A General Fund liability fund shall be budgeted annually to provide for outstanding and anticipated claims expense and resulting liabilities during the budget year. An individual judgment settlement cap is set at \$5,000,000. The Emergency Reserve will be accessed should the cap be exceeded. An analysis shall be conducted every two years to determine the appropriate level of this fund.
12. Consider the establishment of a Landfill Closure / Post-Closure Reserve to provide for any future potential liabilities. Analysis will be performed periodically to determine appropriate timing and amount of funding needs. Funds could be allocated from an increase in user fees.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Operating Program (Continued)

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.
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.
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.

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.)
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.
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.
19. Interest expenses ~~and other capital related expenses~~ incurred prior to actual operation will be capitalized only for facilities of enterprise activities.
20. Average (weighted) General Obligation bond maturities (exclusive of Pension Obligation Bonds) shall be kept at or below 10 years.
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).

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Capital and Debt Management (Continued)

22. Per Capita General Obligation Debt including Certificates of Obligation (C.O.'s), 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.
23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions:
 - 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.
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.
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.
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.
 - All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt.
27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.
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.
29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Capital and Debt Management (Continued)

30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.
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.
32. A Tax Increment Financing Reinvestment Zone may not be created if more than 10 percent of the property in the adopted zone, excluding property dedicated for public use, is used for residential purposes. "Residential purposes" includes property occupied by a house, which is less than five living units.
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").

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.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Capital and Debt Management (Continued)

35. All adopted PID or TIF debt issuances supported by a district's revenues, are subject to the following criteria:
- 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.
 - Additional Bonds Test - the project should include an additional bonds test parallel to the coverage test.
 - Reserve Fund - the project should include a debt service reserve fund equal to the maximum annual debt service requirements.
 - Limitations on Amount of PID/TIF Bonds – the total amount of PID/TIF indebtedness will be included and managed as part of the City's overlapping debt, and
 - The total amount of PID/TIF debt outstanding should generally not exceed 20% of the City's outstanding general obligation indebtedness.
 - PID/TIF bonds should be limited to projects consistent with the City's previously adopted Financial Management Performance Criteria for debt issuance.
 - PID bonds should be limited to those projects, which can demonstrate the ability to support the debt either through its own revenues or another pledge source other than ad valorem taxes. PID/TIF bond authorizations should remain in effect for no more than five years from the date of City Council approval.
36. All adopted PID or TIF debt issuances must mature on or before the termination date of the respective PID or TIF district and, further, all bonds must also conform to the district's Financial Plan by maturing on or before the plan's projected date by which all district expenses would be paid, repayment of bonds.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Capital and Debt Management (Continued)

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.
38. The City should use PID/TIF bonds only when other options have been considered.
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 4%.
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.

Accounting, Auditing, and Financial Planning

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

Budget

44. Revenues and expenditures will be projected annually for at least three years beyond the current budget projections.
45. Financial systems will be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.
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.
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.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

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.
49. The accounting system and cash forecasting system will provide regular information concerning cash position and investment.
50. Internal Service Funds and Enterprise Funds will maintain positive cash balances.

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.
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.

Dallas Water Utilities

1. Current revenues will be sufficient to support current expenses including debt service and other obligations of the system.
2. Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses.
3. Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects which result in capital improvements. The authorization of tax-exempt commercial paper will be limited to 20% of the 10-year capital improvement program in effect at the time of the commercial paper authorization. No commercial paper program will be authorized for more than ten years. Outstanding tax-exempt commercial paper will never exceed the amount authorized by Council.
4. Contingency reserves will be appropriated at a level sufficient to provide for unanticipated, nonrecurring expenditures.
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.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Dallas Water Utilities (Continued)

6. An unrestricted 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.
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.
8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes.
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.
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.
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.
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~~ currently in effect. 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 therefor.
13. Funds generated by Dallas Water Utilities will be used solely for the development, operation, and maintenance of the water and wastewater utility system.

Memorandum



CITY OF DALLAS

DATE September 16, 2011

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

SUBJECT FY 2011-12 Proposed Budget Reserve Levels

The Budget, Finance, and Audit Committee will be briefed on the FY 2011-12 Proposed Budget Reserve Levels on Tuesday, September 20th. Attached is a copy of the briefing for your review.

Please let me know if additional information is needed.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

- c: Honorable Mayor and Members of the City Council
- Mary K. Suhm, City Manager
- Thomas P. Perkins, Jr., City Attorney
- Rosa Rios, Acting City Secretary
- Craig Kinton, City Auditor
- C. Victor Lander, Judiciary
- A.C. Gonzalez, First Assistant City Manager
- Ryan S. Evans, Assistant City Manager
- Jill A. Jordan, P.E., Assistant City Manager
- Forest Turner, Assistant City Manager
- Joey Zapata, Interim Assistant City Manager
- Helena Stevens-Thompson, Assistant to the City Manager
- Jack Ireland, Director, Office of Financial Services

FY2011-12 Proposed Budget Reserve Levels

Budget, Finance & Audit Committee
September 20, 2011





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

Financial Management Performance Criteria (FMPC)

- Initially adopted by the City Council in 1978 to set standards and to guide decision making
- Includes 52 criteria in 5 categories
 - Operating Programs
 - Capital and Debt Management
 - Accounting, Auditing and Financial Planning
 - Cash Management
 - 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 24, 2008
 - Recommended changes scheduled for council vote on September 28, 2011

Background (cont'd)

- **Fund Balance reported annually in the City's Comprehensive Annual Financial Report (CAFR)**
- **Fund Balance**
 - 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:
 - **Nonspendable** – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact
 - Inventories
 - **Restricted** – amounts subject to constraints which are externally imposed by creditors, grantors, contributors, laws or regulations
 - Debt Service Funds

Background (cont'd)

- **Committed** – amounts subject to self-imposed constraints through formal action of the City Council
 - Risk Reserve

- **Assigned** – amounts constrained by the City's intent to be used for specific purposes
 - Encumbrances

- **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
 - FY2011-12 Proposed Emergency Reserve of \$17,563,082 is funded from the FY2010-11 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
 - FY2011-12 Proposed Contingency Reserve is \$5,100,000 or 0.0505% of General Fund expenditures
 - Funded from FY2010-11 projected ending balance of \$3,436,886 and FY2011-12 appropriated transfer from General Fund of \$1,663,114

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

	FY2011-12 Proposed
Unassigned Fund Balance	\$65.2m
FY2011-12 Proposed General Fund Expense	\$1,009.6m
5% of General Fund expense – Minimum Requirement	\$50.5m
Over/(Under) Minimum Reserve Requirement	\$14.7m
% General Fund Expense	6.5%

FMPC Reserve Requirements

FMPC #9 - History	Actual* FY2007	Actual * FY2008	Actual * FY2009	Actual* FY2010	Estimated FY2011	Proposed FY2012
Unassigned Fund Balance (including Emergency and Contingency Reserves)	\$67.0m	\$69.9m	\$69.9m	\$59.1m	\$63.5m	\$65.2m
General Fund Operating Expenditures	\$1,007.0m	\$1,032.4m	\$1,037.6m	\$1,015.4m	\$1,007.3	\$1,009.6m
% of GF Expenses	6.7%	6.8%	6.7%	5.8%	6.3%	6.5%

***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
- FY2011-12 Proposed Reserve funded at \$1,250,00 using the FY2010-11 projected ending balance of \$1,250,000



Fund Balance Considerations

- Bond rating agencies consider fund balance as a percent of 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
- Moody's October 2010 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; however, the rating also takes into consideration formally adopted fiscal policies that include minimum financial reserves ...”

Memorandum



CITY OF DALLAS

DATE September 9, 2011
TO The Honorable Mayor and Members of the City Council
SUBJECT Financial Forecast Report

For your information, attached is the financial forecast for FY 2010-11, based on information through July. General Fund revenues are projected to be \$2,959,000 below budget and expenditures are projected to be \$4,499,000 below budget.

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

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

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

Mary K. Suhm
City Manager

Attachment

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

**GENERAL FUND
COMPARISON OF 2010-11 REVENUES AND EXPENDITURES
AS OF JULY 31, 2011
(000s)**

<u>ITEM</u>	<u>BUDGET</u>	<u>YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
Revenues	\$1,001,318	\$834,979	\$998,359	(\$2,959)
Expenditures	\$1,008,873	\$797,346	\$1,004,374	(\$4,499)
Sub Total	(\$7,555)	\$37,633	(\$6,015)	\$1,540
Use of one time resources	\$7,555		\$7,555	
Net Excess/(Deficiency) of Revenues Over Expenditures and Transfers to Reserves	<u>(\$0)</u>		<u>\$1,540</u>	

**FINANCIAL FORECAST REPORT
FY 2010-11
AS OF JULY 31, 2011**

GENERAL FUND

Revenues

- Total General Fund revenues are estimated to be \$2,959,000 below budget.
 - Oncor Electric revenues are projected to be \$3,584,000 above budget primarily due to an increase in consumption as a result of abnormal weather.
 - AT&T Telephone revenues are projected to be \$1,651,000 below budget due to customers switching to other providers and also switching to wireless service. The general decline in the economy also results in a reduction in business phone lines.
 - Other franchise revenues are projected to be \$2,197,000 above budget due to higher than budgeted revenue from growth in fiber optic and AT&T U-verse franchise fees.
 - Interest revenues are projected to be \$1,202,000 below budget due to lower than budgeted interest rates.
 - Red Light Camera revenues are projected to be \$1,093,000 below budget due to increased compliance and delays in adding and relocating cameras.
 - Public Library revenues are projected to be \$67,000 below budget due to reduced collection of fines.
 - Park revenues are projected to be \$1,097,000 above budget due to revenue received from classes held at various recreation centers.
 - Private Disposal revenues are projected to be \$5,347,000 below budget primarily due to the delayed improvements to the general economy, and to the construction industry in particular, which constitutes the greatest portion of the revenue from commercial customers. The trend in commercial businesses to divert or recycle wastes has also decreased the waste stream accepted at the city landfill.
 - Emergency Ambulance revenues are projected to be \$4,144,000 below budget due to delays associated with the conversion to the new billing and collection agency.
 - Security Alarm revenues are projected to be \$449,000 below budget primarily due to less than anticipated fees for false calls.
 - Vital Statistics revenues are projected to be \$296,000 below budget due to a decrease in the number of requests for birth and death certificates.
 - Other Charges for Services are projected to be \$2,761,000 below budget primarily due to decrease in re-inspection fees as a result of improved compliance in multi-family, restaurant, and non-owner occupied properties.
 - Interfund Revenue is projected to be \$7,042,000 below budget due to decreased transfers from other City funds.
 - Miscellaneous revenues are projected to be \$4,473,000 above budget primarily due to a reimbursement from Atmos Energy for rate case expenses previously incurred by the City, reimbursement from State Special Events Fund for expenses related to the 2011 Super Bowl, and sales of paper and cardboard recyclables.

Expenditures

- Total General Fund expenditures are estimated to be \$4,499,000 below budget.
 - Independent Audit is projected to be \$300,000 above budget due to increased audit fees, resulting from additional audit work required for the American Recovery and Reinvestment Act (ARRA) grants for FY10 and FY11.

FINANCIAL FORECAST REPORT
FY 2010-11
AS OF JULY 31, 2011

- Judiciary is projected to be \$178,000 below budget primarily due to delays in hiring and a delay in the implementation of the Night Court.
- Sustainable Development and Construction is projected to be \$193,000 below budget primarily due to delays in hiring.
- Trinity Watershed Management is projected to be \$97,000 above budget due to legal expenses related to the Trinity River Corridor Project.

PROPRIETARY

- Sustainable Development/Construction revenues are projected to be \$4,137,000 above budget due to an increase in construction activity.
- Equipment Services revenues and expenses are projected to be \$3,103,000 and \$2,747,000, respectively, above budget primarily due to higher than budgeted fuel prices and increased body shop costs which are charged back to the customer department.
- Express Business Center revenues are projected to be \$465,000 above budget primarily due to an increase in the sale value of vehicles sold at auto pound and scrap metal sales.

**GENERAL FUND
FORECAST OF FY 2010-11 REVENUES
AS OF JULY 31, 2011
(000s)**

	<u>BUDGET</u>	<u>REVENUES YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
TAXES				
Ad Valorem Tax	\$435,785	\$438,649	\$439,983	\$4,199
Sales Tax	\$204,810	\$138,705	\$212,114	\$7,304
FRANCHISE REVENUES				
Oncor Electric	\$46,641	\$38,767	\$50,225	\$3,584
AT&T	\$19,668	\$9,087	\$18,017	(\$1,651)
Atmos Energy	\$11,355	\$10,061	\$11,775	\$420
Time Warner Cable	\$6,000	\$4,754	\$5,995	(\$5)
Other	\$13,486	\$8,386	\$15,683	\$2,197
TOTAL TAXES & FRANCHISE REVENUES	\$737,745	\$648,410	\$753,793	\$16,047
LICENSES AND PERMITS	\$9,893	\$8,050	\$9,697	(\$196)
INTEREST EARNED	\$2,413	\$937	\$1,211	(\$1,202)
INTERGOVERNMENTAL	\$6,312	\$5,345	\$5,593	(\$719)
FINES AND FORFEITURES				
Municipal Court	\$16,560	\$12,982	\$15,723	(\$838)
Vehicle Towing & Storage	\$7,774	\$6,033	\$7,395	(\$379)
Parking Fines	\$5,988	\$3,668	\$5,700	(\$289)
Red Light Camera Fines	\$8,344	\$0	\$7,251	(\$1,093)
Public Library	\$670	\$459	\$603	(\$67)
TOTAL FINES	\$39,337	\$23,142	\$36,672	(\$2,665)
CHARGES FOR SERVICE				
Sanitation Service	\$59,883	\$50,864	\$60,028	\$145
Parks	\$7,488	\$7,040	\$8,585	\$1,097
Private Disposal Fees	\$23,396	\$13,492	\$18,048	(\$5,347)
Emergency Ambulance	\$19,274	\$10,397	\$15,130	(\$4,144)
Security Alarm	\$4,650	\$3,493	\$4,201	(\$449)
Street Lighting	\$1,493	\$919	\$1,592	\$99
Vital Statistics	\$1,853	\$1,319	\$1,557	(\$296)
Other	\$19,344	\$16,645	\$16,583	(\$2,761)
TOTAL CHARGES	\$137,381	\$104,169	\$125,725	(\$11,656)
INTERFUND REVENUE	\$54,238	\$32,080	\$47,196	(\$7,042)
MISCELLANEOUS	\$14,000	\$12,847	\$18,473	\$4,473
TOTAL REVENUE	\$1,001,318	\$834,979	\$998,359	(\$2,959)
USE OF ONE-TIME RESOURCES	\$7,555	\$0	\$7,555	\$0
TOTAL RESOURCES	\$1,008,873	\$834,979	\$1,005,913	(\$2,959)

**GENERAL FUND
FORECAST OF FY 2010-11 EXPENDITURES
AS OF JULY 31, 2011
(000s)**

DEPARTMENT	BUDGET	EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
Building Services	\$20,888	\$17,926	\$20,836	(\$53)
Business Dev/Procurement Svcs	\$2,088	\$1,592	\$2,062	(\$25)
City Attorney's Office	\$9,944	\$7,812	\$9,684	(\$260)
City Auditor's Office	\$2,157	\$1,645	\$2,126	(\$31)
City Controller's Office	\$3,558	\$2,749	\$3,463	(\$95)
City Manager's Office	\$1,546	\$1,441	\$1,471	(\$75)
City Secretary's Office	\$1,620	\$1,322	\$1,617	(\$3)
Civil Service	\$1,057	\$851	\$1,016	(\$41)
Code Compliance	\$26,846	\$20,276	\$26,804	(\$41)
Court Services	\$10,849	\$8,008	\$10,513	(\$336)
Elections	\$2,668	\$2,372	\$2,770	\$101
Fire	\$196,527	\$161,070	\$196,836	\$310
Housing / Community Services	\$7,450	\$6,581	\$7,445	(\$5)
Human Resources	\$3,064	\$2,422	\$3,037	(\$26)
Independent Audit	\$772	\$0	\$1,072	\$300
Judiciary	\$2,964	\$2,758	\$2,786	(\$178)
Library	\$19,591	\$15,798	\$19,338	(\$252)
Management Services	\$2,524	\$2,566	\$2,434	(\$91)
Mayor and Council	\$3,658	\$2,738	\$3,618	(\$40)
Non-Departmental	\$31,916	\$25,132	\$31,308	(\$608)
Office of Cultural Affairs	\$12,530	\$10,242	\$12,519	(\$10)
Office of Economic Development	\$505	\$433	\$498	(\$7)
Office of Financial Services	\$1,532	\$1,050	\$1,498	(\$34)
Park and Recreation	\$63,700	\$56,750	\$62,989	(\$711)
Police	\$403,070	\$313,673	\$401,217	(\$1,853)
Public Works and Transportation	\$11,875	\$13,800	\$11,217	(\$658)
Sanitation Services	\$72,973	\$58,139	\$73,476	\$503
Street Lighting	\$17,338	\$13,259	\$17,271	(\$67)
Street Services	\$49,002	\$32,096	\$48,952	(\$50)
Sustainable Dev/Construction	\$915	\$904	\$722	(\$193)
Trinity Watershed Management	\$151	\$55	\$247	\$97
 <u>OTHER</u>				
Appraisal Districts	\$3,258	\$3,216	\$3,216	(\$42)
Dallas County Tax Collection	\$576	\$552	\$552	(\$24)
Jail Contract - Lew Sterrett	\$8,116	\$8,116	\$8,116	\$0
 <u>RESERVES AND TRANSFERS</u>				
Salary and Benefit Reserve	\$1,432	\$0	\$1,432	\$0
Contingency Reserve	\$3,646	\$0	\$3,646	\$0
Liability/Claims Fund	\$6,569	\$0	\$6,569	\$0
 EXPENDITURES	 \$1,008,873	 \$797,346	 \$1,004,374	 (\$4,499)

**PROPRIETARY FUNDS
FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
AS OF JULY 31, 2011
(000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Aviation</u>				
Revenues	\$47,007	\$38,566	\$46,501	(\$506)
Expenses	\$47,007	\$26,887	\$46,501	(\$506)
Net Excess of Revenues				
Over Expenses/Transfer	\$0	\$11,679	\$0	\$0
<u>Convention Center</u>				
Revenues	\$58,636	\$46,624	\$59,453	\$817
Expenses	\$58,636	\$48,450	\$59,626	\$991
Net Excess of Revenues				
Over Expenses/Transfer	\$0	(\$1,826)	(\$173)	(\$173)
<u>Municipal Radio Fund</u>				
Revenues	\$2,717	\$1,753	\$2,600	(\$118)
Expenses	\$2,717	\$2,077	\$2,634	(\$83)
Net Excess of Revenues				
Over Expenses/Transfer	\$0	(\$324)	(\$35)	(\$35)
<u>Sustainable Dev/ Construction</u>				
Revenues	\$17,298	\$19,317	\$21,435	\$4,137
Expenses	\$16,791	\$13,224	\$16,470	(\$321)
Net Excess of Revenues				
Over Expenses/Transfer	\$507	\$6,093	\$4,965	\$4,458
<u>Water Utilities</u>				
Revenues	\$531,240	\$401,993	\$511,587	(\$19,653)
Expenses	\$531,240	\$324,158	\$511,587	(\$19,653)
Net Excess of Revenues				
Over Expenses/Transfer	\$0	\$77,835	\$0	\$0
<u>Communication & Information Svcs</u>				
Revenues	\$48,019	\$34,808	\$48,124	\$104
Expenses	\$48,155	\$37,815	\$47,138	(\$1,017)
Net Excess of Revenues				
Over Expenses/Transfer	(\$136)	(\$3,006)	\$985	\$1,121

**PROPRIETARY FUNDS
FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
AS OF JULY 31, 2011
(000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Equipment Services</u>				
Revenues	\$44,933	\$34,519	\$48,037	\$3,103
Expenses	\$44,933	\$32,417	\$47,680	\$2,747
Net Excess of Revenues Over Expenses/Transfer	\$0	\$2,102	\$356	\$356
<u>Express Business Center</u>				
Revenues	\$3,901	\$3,358	\$4,366	\$465
Expenses	\$4,049	\$3,302	\$4,185	\$136
Net Excess of Revenues Over Expenses/Transfer	(\$148)	\$56	\$181	\$329

**OTHER FUNDS
FORECAST OF FY 2010-11 REVENUES AND EXPENDITURES
AS OF JULY 31, 2011
(000s)**

DEPARTMENT	BUDGET	REVENUES AND EXPENDITURES YEAR TO DATE	YEAR-END FORECAST	BUDGET VS FORECAST VARIANCE
<u>Employee Benefits</u>	\$512	\$333	\$512	\$0
<u>Risk Management</u>	\$1,268	\$985	\$1,268	\$0
<u>9-1-1 System Operations</u>				
Revenues	\$13,457	\$11,554	\$13,733	\$275
Expenses	\$13,912	\$7,817	\$13,595	(\$317)
Net Excess of Revenues				
Over Expenses/Transfer	(\$454)	\$3,737	\$138	\$592
<u>Storm Water Drainage</u>				
Revenues	\$48,234	\$41,943	\$49,195	\$961
Expenses	\$50,119	\$30,766	\$49,930	(\$189)
Net Excess of Revenues				
Over Expenses/Transfer	(\$1,885)	\$11,177	(\$734)	\$1,151

**DEBT SERVICE FUND
FORECAST OF 2010-11 REVENUES AND EXPENDITURES
AS OF JULY 31, 2011
(000s)**

<u>DEBT SERVICE</u>	<u>BUDGET</u>	<u>EXPENDITURES AND REVENUES YEAR TO DATE</u>	<u>YEAR-END FORECAST</u>	<u>BUDGET VS FORECAST VARIANCE</u>
Beginning Balance	\$3,632	\$0	\$3,741	\$109
Revenues	\$259,660	\$231,527	\$253,059	(\$6,601)
Expenses	\$260,685	\$187,800	\$253,882	(\$6,803)
Ending Balance	<u>\$2,607</u>	<u>\$43,727</u>	<u>\$2,918</u>	<u>\$311</u>

CONTINGENCY RESERVE STATUS

Beginning Balance October 1, 2010	\$5,013,005
Elections - Increase elections services contract with Dallas County (May 25, 2011, CR# 11-1390)	(\$1,576,119)
Balance as of July 31, 2011	<u>\$3,436,886</u>

LIABILITY/CLAIMS FUND

Beginning Balance October 1, 2010	\$13,277,328
Paid October 2010	(\$268,115)
Paid November 2010	(\$93,596)
Paid December 2010	(\$1,117,421)
Paid January 2011	(\$60,324)
Paid February 2011	(\$570,568)
Paid March 2011	(\$463,426)
Paid April 2011	(\$388,720)
Paid May 2011	(\$303,641)
Paid June 2011	(\$2,808,973)
Paid July 2011	(\$1,266,886)
Balance as of July 31, 2011	<u>\$5,935,657</u>