

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



DATE November 26, 2014

TO Members of the Budget, Finance & Audit Committee:
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Budget, Finance & Audit Committee Meeting

Monday, December 1, 2014, 1:00 p.m.

Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Consideration of minutes from the November 3, 2014 Budget, Finance & Audit Committee meeting
2. Five Texas Cities' Budget Comparisons
Jack Ireland, Director
Office of Financial Services

FYI

3. Upcoming Agenda Item: Water and Sewer System Commercial Paper Program - Credit Agreement Extension
4. Upcoming Agenda Item: Radio Frequency Identification System for McCommas Bluff Landfill

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

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

A quorum of the Dallas City Council may attend this Council Committee meeting.

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: 11.3.2014

Convened: 1:03pm

Adjourned: 2:36pm

Committee Members Present:

Jerry R. Allen, Chair
Sheffie Kadane

Jennifer S. Gates, Vice-Chair
Philip T. Kingston

Tennell Atkins

Committee Members Absent:

N/A

Other Council Members Present:

N/A

Staff Present:

Jeanne Chipperfield
Craig Kinton
Jack Ireland
James Martin
Lance Sehorn
Sheila Delgado

Corrine Steeger
Edward Scott
Wallace Waits
Stephanie Cooper
Karen Plunkett
Justin Hunt

Kelly High
Donna Lowe
Renee Hayden
Bill Finch
Sana Syed

Erick Thompson
Barbara McAninch
Rosa Rios
Shelia Robinson
Mark McDaniel

Others Present:

Rosa Rios Valdez, Community and Business Lenders of Texas
Alesha Larkins, Community and Business Lenders of Texas
Ben Kohnle, Grant Thornton LLP
Kirt Seale, Grant Thornton LLP
Harrison Clay, Dallas Clean Energy
Evan G. Williams, Cambrian Energy

AGENDA:

1. Consideration of the October 20, 2014 Minutes

Presenter(s):

Information Only: __

Action Taken/Committee Recommendation(s):

A motion was made to approve the October 20, 2014 minutes. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Philip T. Kingston

2. Community Loan Center of Dallas A Low-Cost Alternative to Payday & Car Title Loans

Presenter(s): Rosa Rios Valdez, President and CEO, Business & Community Lending of Texas

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

3. Communications Related to the FY 2013 Audit and FY 2014 Audit Plan

Presenter(s): Ben Kohnle, Partner, Grant Thornton LLP

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

Budget, Finance & Audit Committee

Meeting Record- DRAFT

4. **McCommas Bluff Landfill – Dallas Clean Energy Lease Amendment**

Presenter(s): Kelly High, Director, Sanitation Services

Information Only:

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, November 12, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

5. **Bond Disclosure Counsel Contracts**

Presenter(s): Warren M.S. Ernst, City Attorney

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

6. **General Obligation Bond Sale**

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

Information Only:

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, November 12, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Philip T. Kingston

7. **Depository Services Contract**

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

Information Only:

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, November 12, 2014. Motion passed unanimously.

Motion made by: Philip T. Kingston

Motion seconded by: Tennell Atkins

FYI

8. **Upcoming Agenda Items: Purchase, Installation and Upgrades of the Public, Education, and Government Cable System**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

9. **Upcoming Agenda Item: Tires and Tubes Master Agreement**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

Budget, Finance & Audit Committee

Meeting Record- **DRAFT**

N/A

10. **Upcoming Agenda Item: Increase to Master Agreement for Computer Software**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

11. **Upcoming Agenda Item: Consultant Contract to Develop a Citywide Data Management Plan**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

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

Memorandum



CITY OF DALLAS

Date November 26, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject Five Texas Cities' Budget Comparisons

On December 1, 2014, the Budget, Finance and Audit Committee will be briefed on Five Texas Cities' Budget Comparisons. The briefing will be presented by Jack Ireland, Director of the Office of Financial Services.

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 City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
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Five Texas Cities' Budget Comparisons

Budget, Finance, & Audit Committee

December 1, 2014



Purpose

- Provide comparison of annual budgets for five largest cities in Texas
 - Dallas, Austin, Fort Worth, Houston, San Antonio
- Provide historical comparison of select budget metrics for City of Dallas
- No action of committee is required; briefing is informational only

Texas Cities in Briefing

Fort Worth

Pop-792,727
Households- 269,433
Sq. Miles- 350
Budget- \$1.5 billion
FTE- 6,395

Austin

Pop-885,400
Households- 349,200
Sq. Miles- 272
Budget- \$3.5 billion
FTE- 12,931

San Antonio

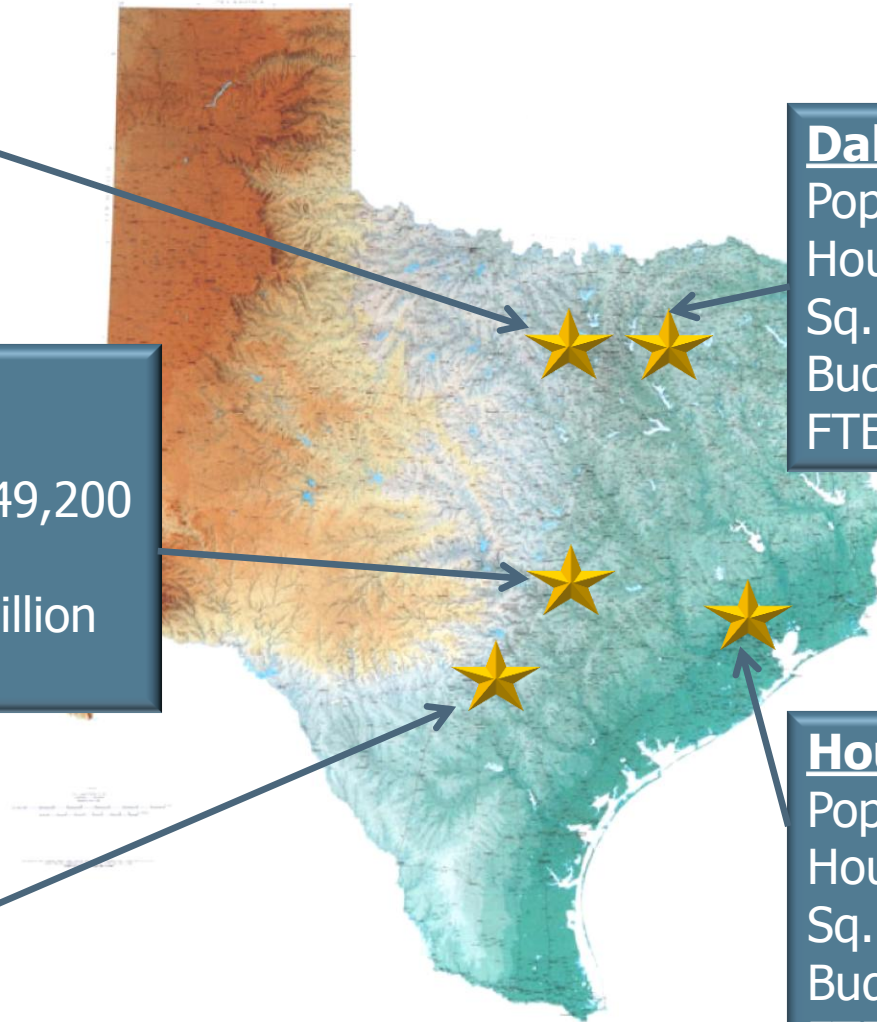
Pop-1,409,019
Households- 493,102
Sq. Miles- 467
Budget- \$2.4 billion
FTE- 11,339

Dallas

Pop-1,257,676
Households- 476,733
Sq. Miles- 385
Budget- \$2.8 billion
FTE- 13,483

Houston

Pop-2,195,914
Households- 815,266
Sq. Miles- 602
Budget- \$4.8 billion
FTE- 21,698



Overview

- Comparison of budgets (even at a high-level) for other cities is difficult since every city categorizes budget items differently
 - Budgets for other four cities have been adjusted to match Dallas' general fund budget as much as possible:
 - For example, in Austin, San Antonio, and Fort Worth sanitation services are provided as an enterprise fund not part of general fund
 - Fort Worth has a ½ percent Crime Control District sales tax; those revenues have been added to its "Other Revenues" and expenses added to the Police Department
 - Still not an exact apples-to-apples comparison

Overview and Observations

- Property tax bill is much more than tax rate; and includes value, exemptions, and rate
- Dallas homestead and over-65/disabled exemptions benefit home owners yet reduces revenue for City
- Sales tax dedicated to transit supports DART yet reduces revenue for City
- Transfers from City-owned electric/gas utilities (Austin/San Antonio) and other revenues (dedicated sales taxes/ transportation user/code fees) reduce reliance on property tax

Overview and Observations

- Dallas ranks below the average for general fund expenditures per capita
- Dallas has the highest percentage of budget devoted to police and fire services at 58%
- Dallas' debt service tax rate has fallen by 12.2% since FY11
- Dallas' percentage of budget dedicated to debt service has also decreased 5.3% since FY10

Areas of Comparison

General Fund
Revenues

Property Tax

Sales Tax

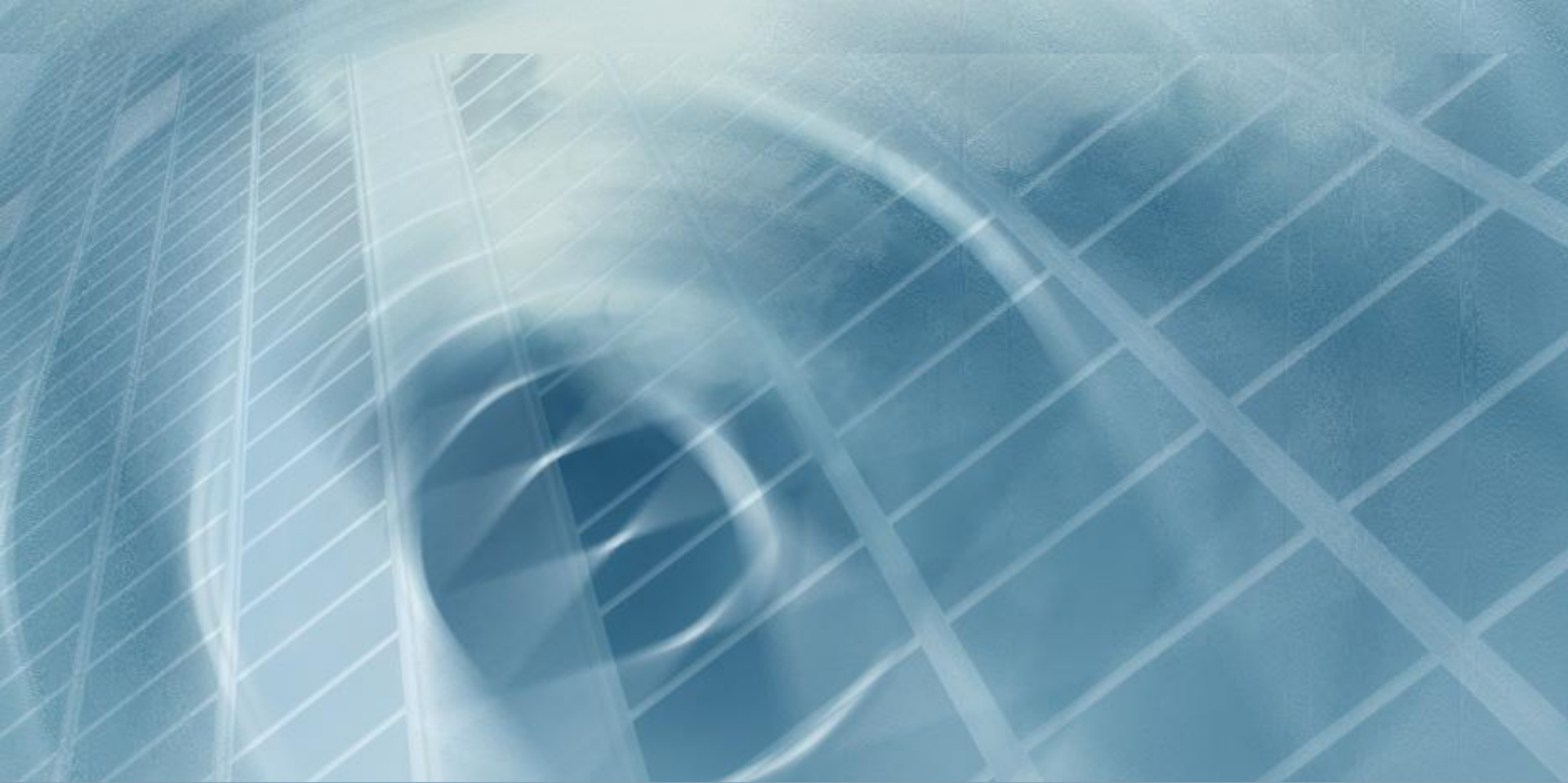
General Fund
Expenses

Public Safety
(Police/Fire)

Debt Service

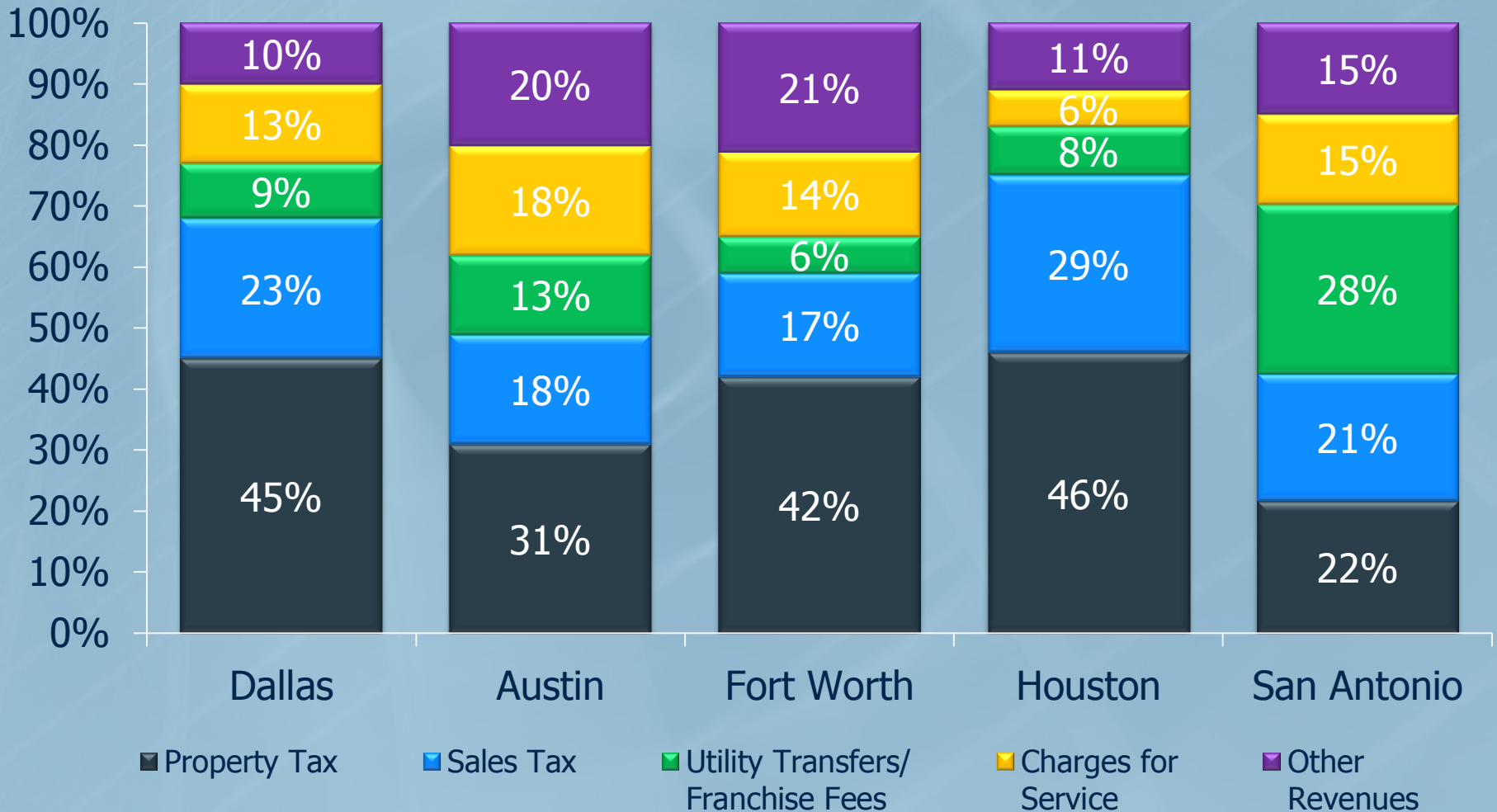
Non-General
Fund Fees

Average Cost
for Citizen



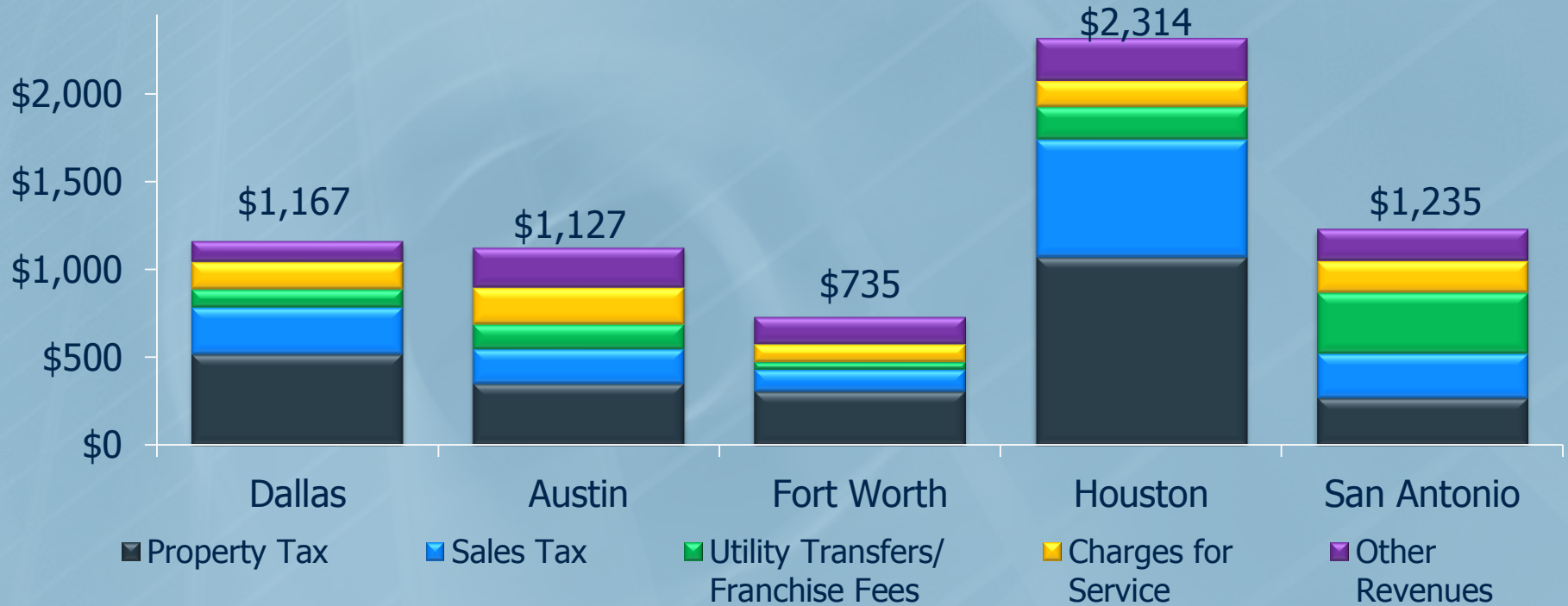
General Fund Revenues

FY15 General Fund Revenue Budget (Revenue Sources as % of Total)



Note: Adjustments made to other cities to be comparable to Dallas' general fund.

FY15 General Fund Revenue Budget (\$ in Millions)



	Dallas	Austin	Fort Worth	Houston	San Antonio
Property Tax	\$520.3	\$354.4	\$308.9	\$1,069.5	\$273.3
Sales Tax (1% only)	268.7	198.3	126.0	667.0	253.4
Utility/Franchise Fees	102.4	141.6	44.0	185.1	347.0
Charges for Service	152.9	205.6	102.3	148.6	179.2
Other Revenues	122.4	226.8	154.0	243.6	181.9

Property Tax

- Property tax is typically largest source of general fund revenue for Texas cities
- Property tax payments from property owners (tax bill) is based on following:
 - Property values determined by Appraisal Districts
 - Tax rate set by City Council
 - Exemptions set by City Council

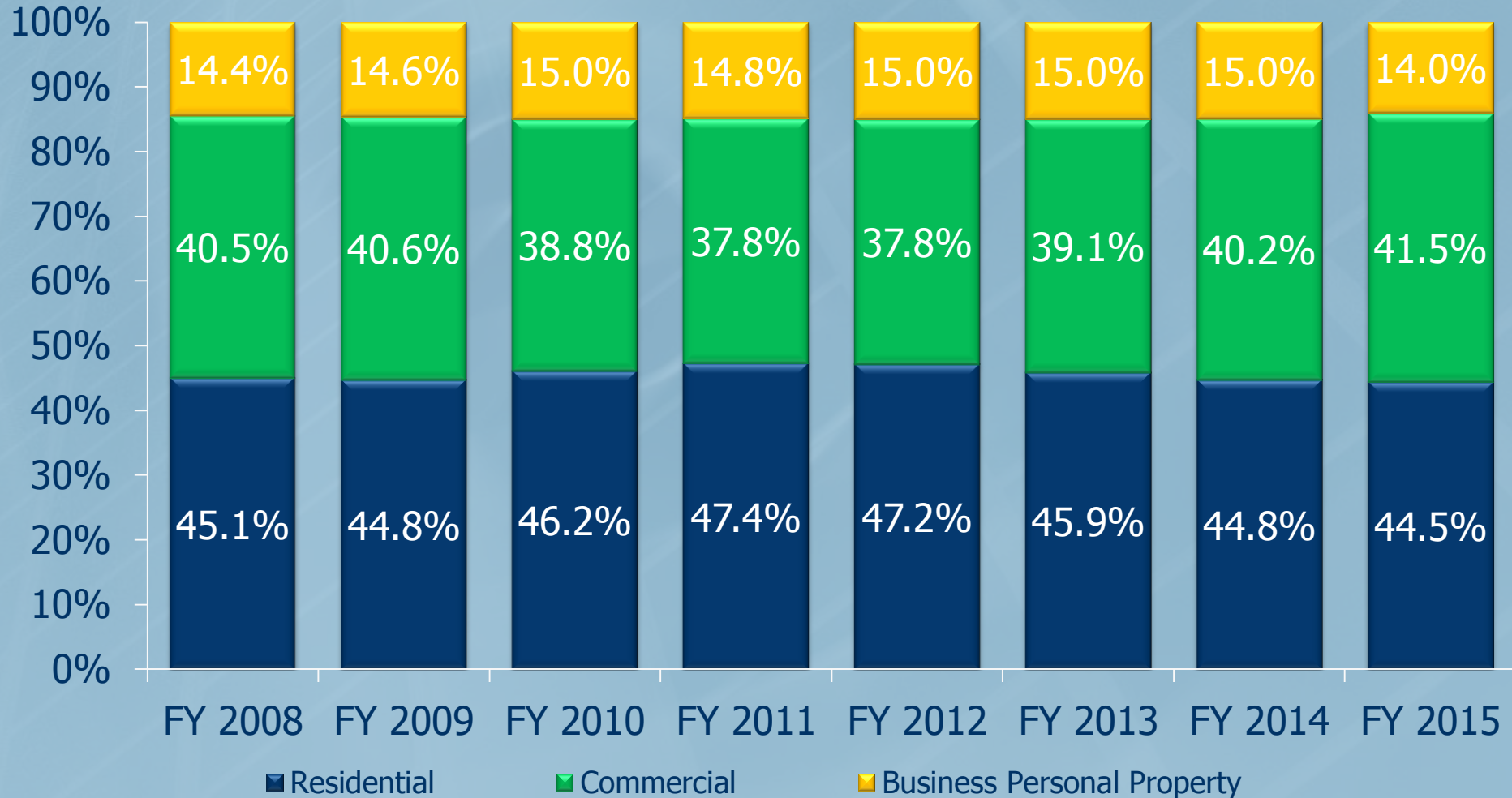


Dallas Metric: Tax Base (Total Certified Value in \$ Billions)



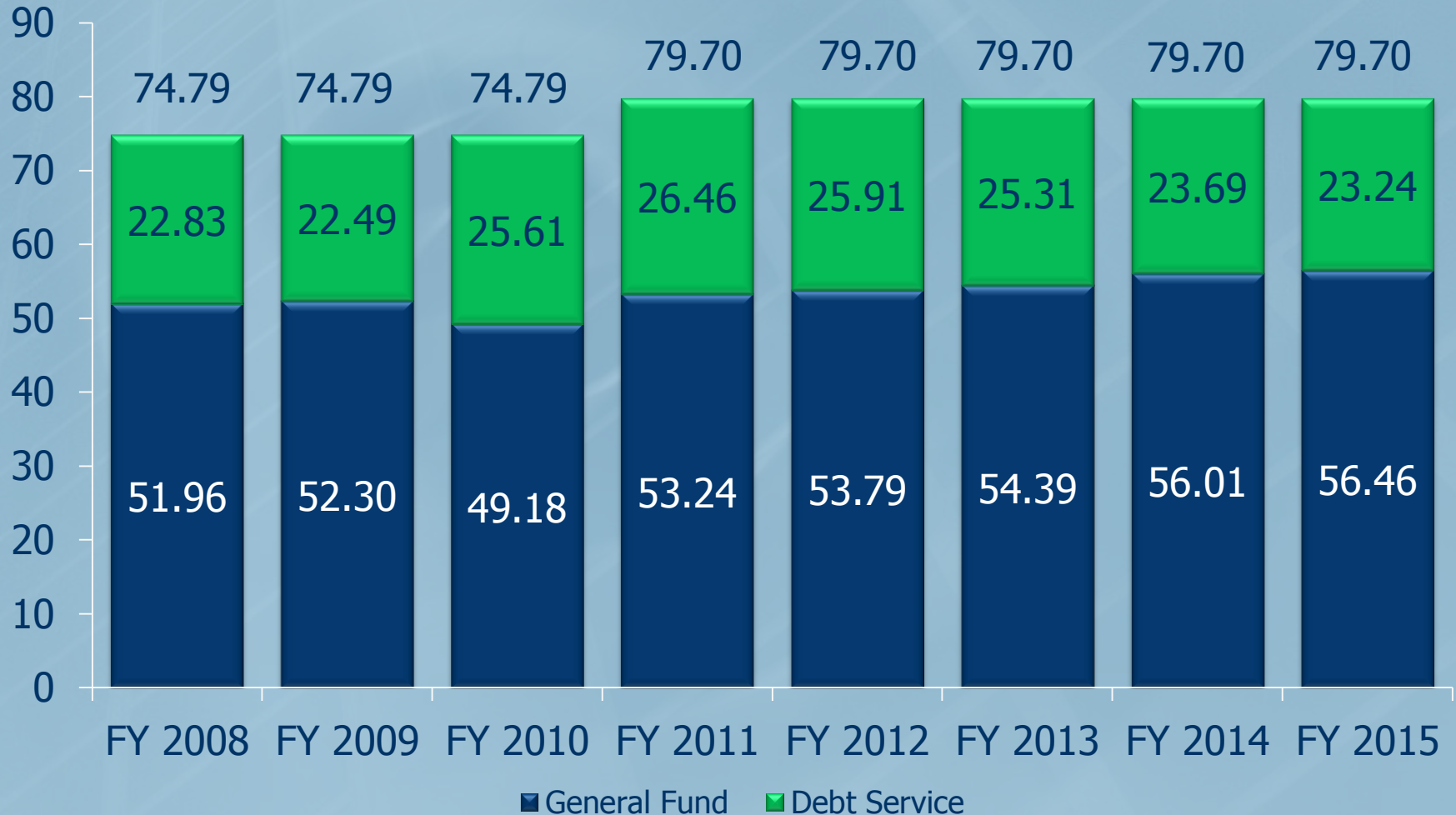
Dallas Metric: Tax Base

(Percent Residential, Commercial, & BPP)



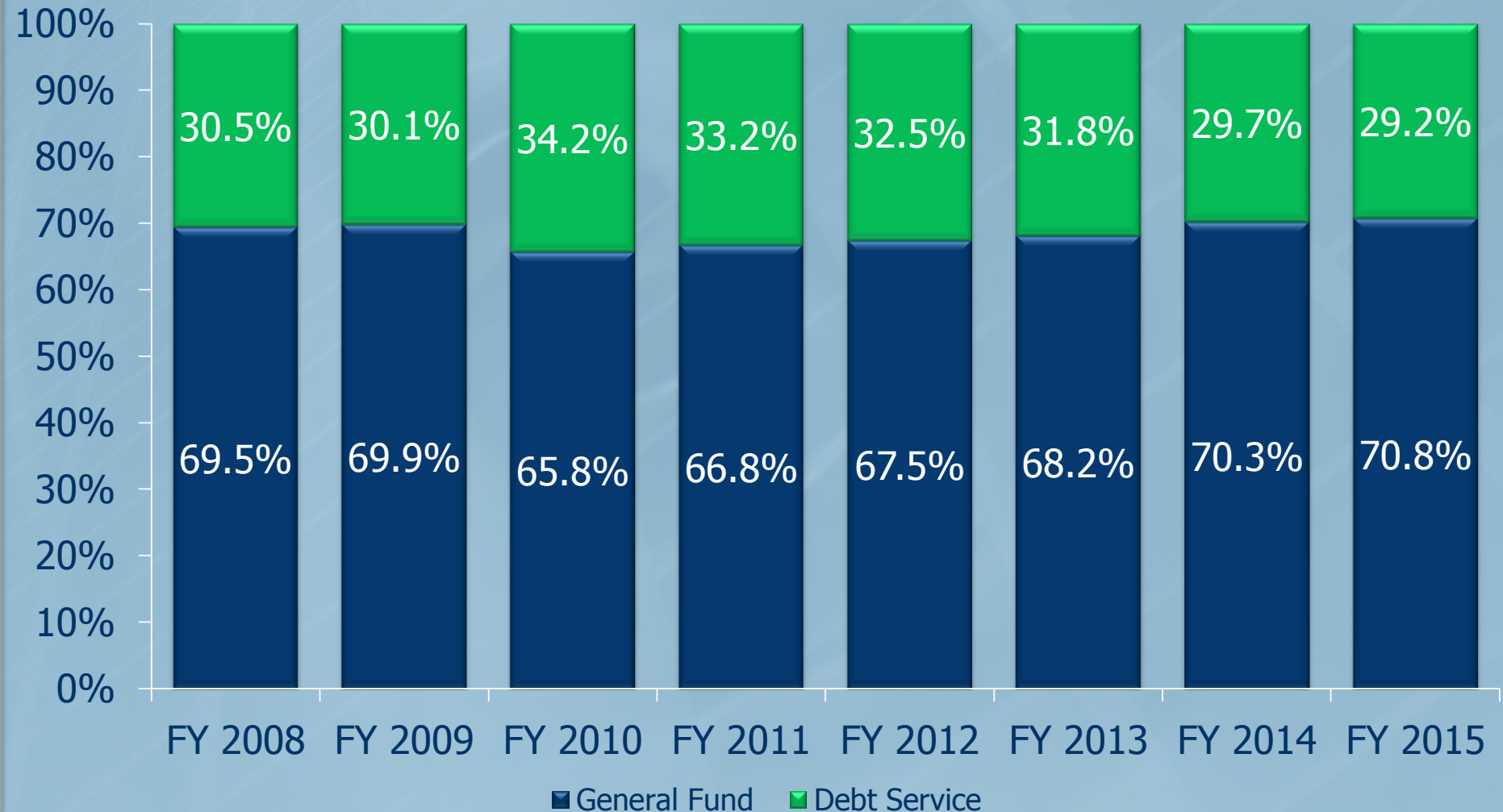
Dallas Metric: Tax Rate

(Rate in Cents per \$100 Valuation)



Dallas Metric: Tax Rate

(Percent General Fund and Debt Service)



Property Tax Comparison

(Most Recent Certified Roll)

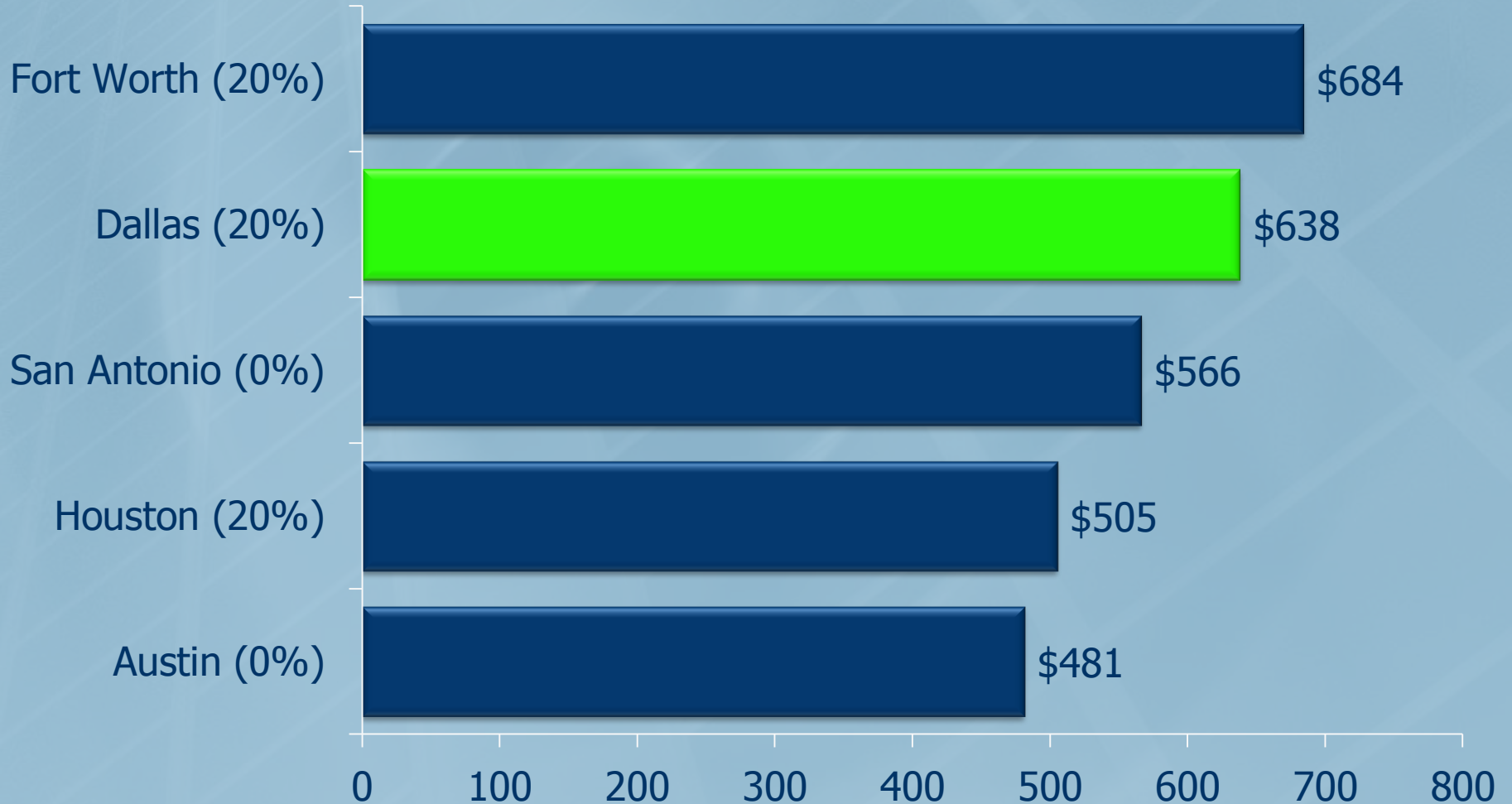
	Dallas	Austin	Fort Worth	Houston	San Antonio
Tax Base Value (% change from PY)	\$93.14 billion (+6.75%)	\$98.33 billion (+11.1%)	\$47.08 billion (+6.3%)	\$185.86 billion (+10.7%)	\$79.77 billion (+6.1%)
Residential	44.5%	48.0%	43.4%	39.7%	49.2%
Commercial	41.5%	42.6%	38.5%	47.0%	37.3%
Bus Personal Prop	14.0%	9.4%	18.1%	13.3%	13.5%
Property Tax Rate per \$100 valuation	\$0.7970	\$0.4809	\$0.8550	\$0.6311	\$0.5657
General Fund	70.8%	76.6%	79.1%	75.2%	62.6%
Debt Service	29.2%	23.4%	20.9%	24.8%	37.4%
Last Tax Rate Change	FY11-Increase from \$0.7479 to \$0.7970 (+6.6%)	FY15- Decrease from \$0.5027 to \$0.4809 (-4.3%)	FY07- Decrease from \$0.8600 to \$0.8550 (-0.6%)	FY15- Decrease from \$0.6387 to \$0.6310 (-1.3%)	FY10- Decrease from \$0.5671 to \$0.5657 (-0.3%)
City Exemptions: Homestead Over 65/Disabled	20% \$64,000	None \$51,000	20% \$40,000	20% \$80,000	None \$65,000

Property Tax Comparison – Tax Bill

	Dallas	Austin	Fort Worth	Houston	San Antonio
Average Single-Family Residential Market Value	\$194,480	\$242,672	\$130,255	\$173,129	\$156,342
Value of City Homestead Exemption	(\$38,896)	\$0	(\$26,051)	(\$34,626)	\$0
Average Taxable Value	\$155,584	\$242,672	\$104,204	\$138,503	\$156,342
Tax Rate/\$100	\$0.7970	\$0.4809	\$0.8550	\$0.6311	\$0.5657
Average City Property Tax Bill	\$1,240.00	\$1,167.01	\$890.94	\$874.09	\$884.43

Source: Appraisal Districts; Tax Year 2014

Average Tax Bill for \$100,000 Home



*City homestead exemption shown in parenthesis

Property Tax – Observations

- Neither Austin or San Antonio have city homestead exemptions
- Both Austin and Fort Worth have lower over-65/disabled homestead exemptions than Dallas
- Of 5 cities, Austin has least favorable exemptions to homeowner (no homestead, \$51,000 over-65/disabled exemption)
- If Dallas had no homestead exemption, an additional \$8.1 billion in value would be taxable and generate additional \$63m in revenue at current rate
 - If City's tax rate were reduced to rate necessary to generate current revenue budget, tax rate could be reduced by \$0.069 (-8.7%) from \$0.7970 to \$0.7274

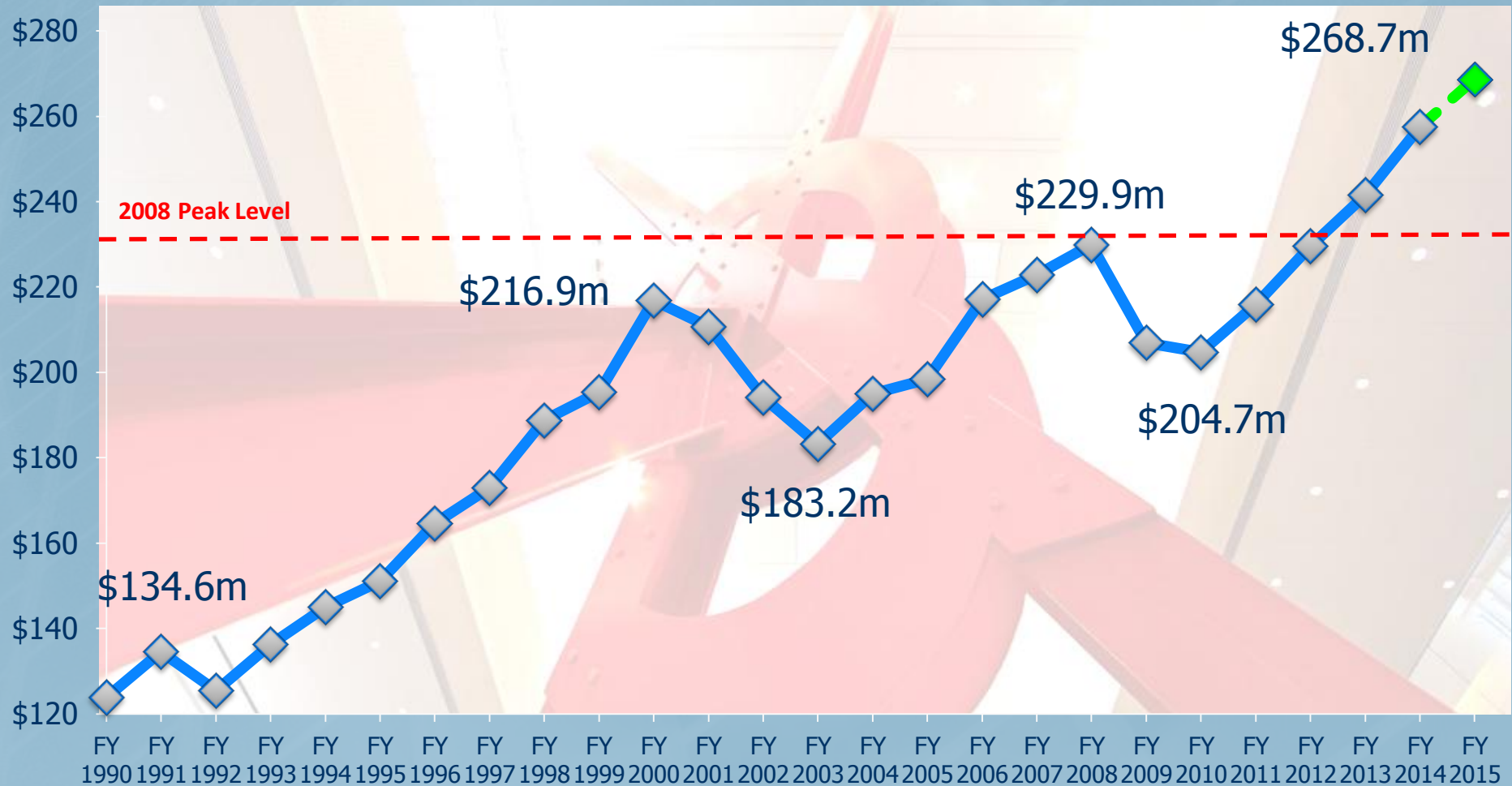
Sales Tax

- Sales tax is also major revenue source for Texas cities
- Sales tax is more volatile and is reflective of health of local economy
 - Typically declines and recovers faster than property tax base
- State law caps total sales tax rate at 8.25%
 - 6.25% retained by State
 - 2.00% for local entities (cities, transit authorities)



Dallas Metric: Sales Tax Revenue

(\$ in millions)



Sales Tax Comparison

	Dallas	Austin	Fort Worth	Houston	San Antonio
Local Sales Tax Rates (net of the State's 6.25% rate)	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 0.5%-Crime Control District (City) 0.5%- Transit	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 0.125%-Linear Parks Development (City) 0.125%-Pre-K 4 SA Education (City) 0.25%-Advanced Transportation District 0.5%-Transit
Sales Tax Revenue (FY14 GF Actual- Unaudited)	\$255.7m	\$180.7m	\$125.5m	\$639.7m	\$241.5m
Sales Tax per Capita	\$203	\$191	\$157	\$291	\$171
Unemployment	5.1%	4.2%	5.0%	5.0%	4.7%
Retail Occupancy	92.7%	95.1%	92.7%	93.7%	94.4%
% of Population with Bachelor's Degree or Higher	30.7%	46.7%	28.2%	31.4%	25.8%
Median Household Income (City-level)	\$41,978	\$56,351	\$52,430	\$45,353	\$45,399

Sales Tax – Observations

- Of sales tax rate in Dallas, 1% goes to DART while Fort Worth and San Antonio's transit rate is 0.5%
- Both Fort Worth and San Antonio use additional 0.5% for purposes such as crime control, infrastructure, parks, and Pre-K education
- If Dallas had 0.5% additional sales tax, it would equal \$134.3m for purposes other than DART
 - If property tax rate was lowered commensurate with this additional revenue, decrease would equal \$0.1476 (from \$0.7970 to \$0.6494)

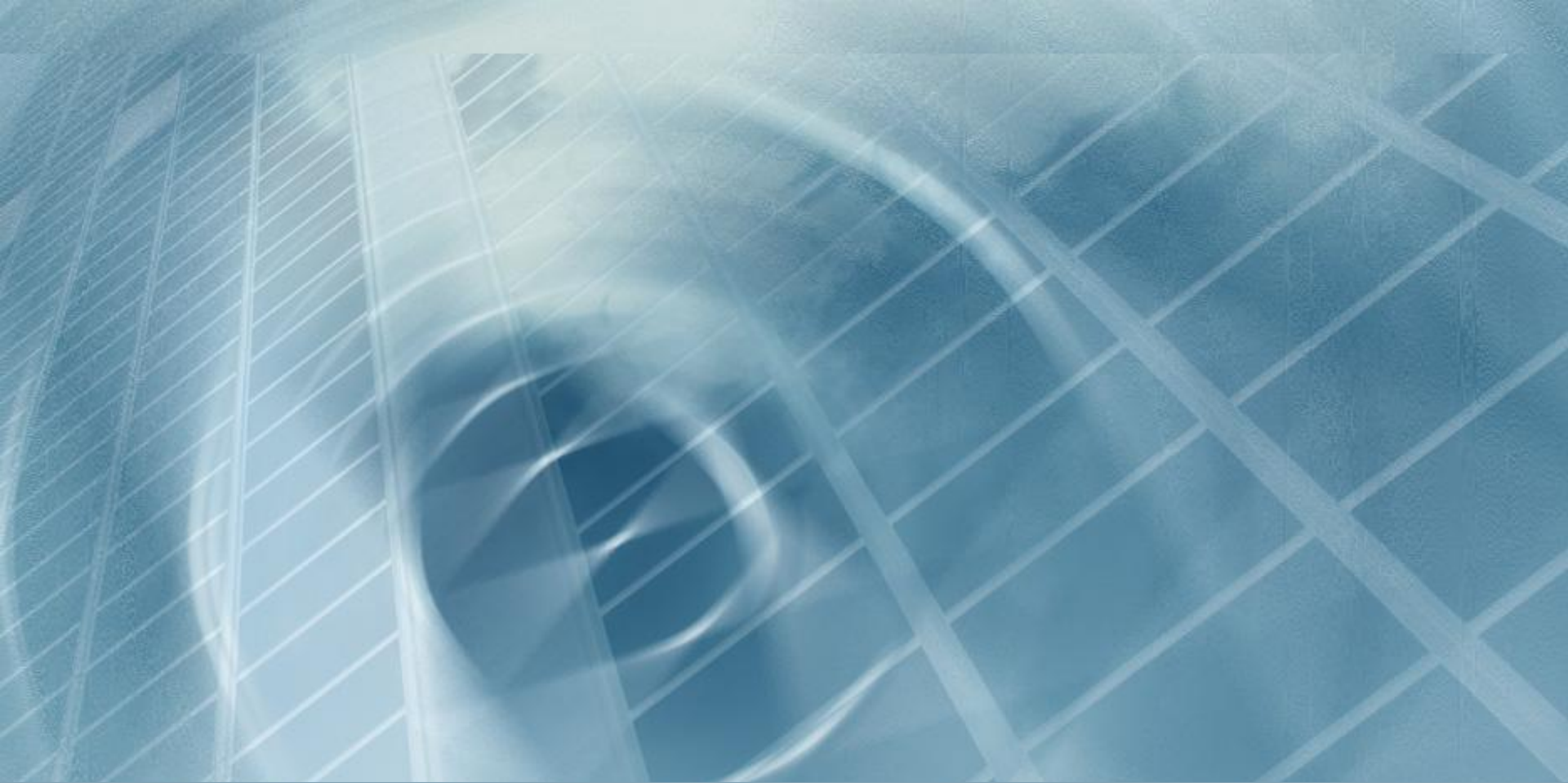
Other Major General Fund Revenues

- Both Austin and San Antonio have city-owned electric/gas utilities that provide significant resources for their general funds
 - Austin (electric only)-\$126m
 - San Antonio (gas and electric)-\$315m
 - Dallas electric/gas franchise fees-\$62m
- If Dallas had a utility transfer above its franchise fee revenue, it would lower the tax rate \$0.0711-\$0.2798



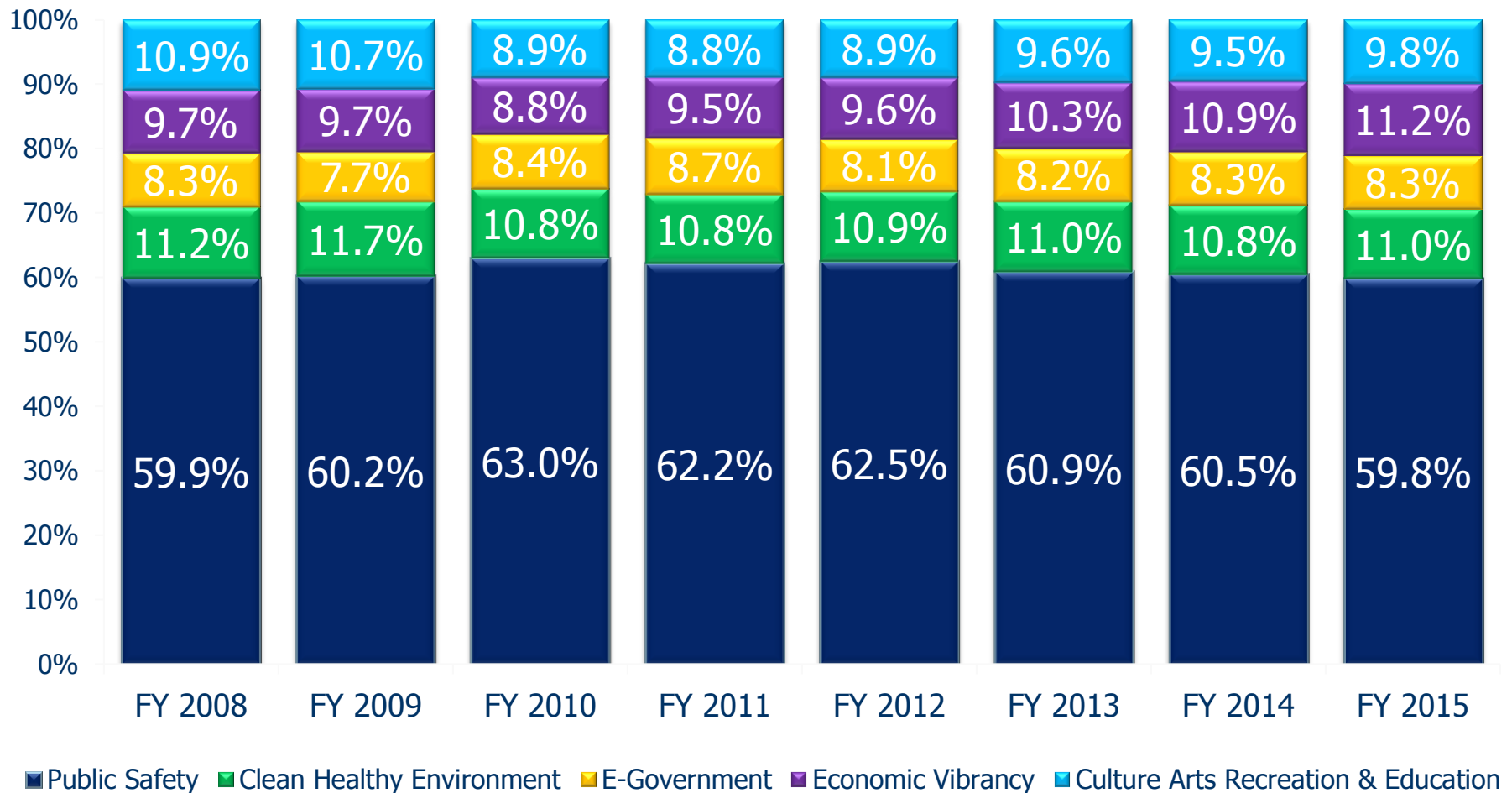
Other Major General Fund Revenues

- Austin has two additional fees it charges residents:
 - Transportation User Fee (\$36.9m)-funds street maintenance; TUF is \$8.25/month for a single-family home
 - Clean Community Fee (\$15.1m)-funds code enforcement services; CCF is \$7.40/month for a single family home
- San Antonio enacted a Parks Environmental Fee in FY14 that is \$1/month fee used to maintain parks including mowing, litter removal, and tree trimming

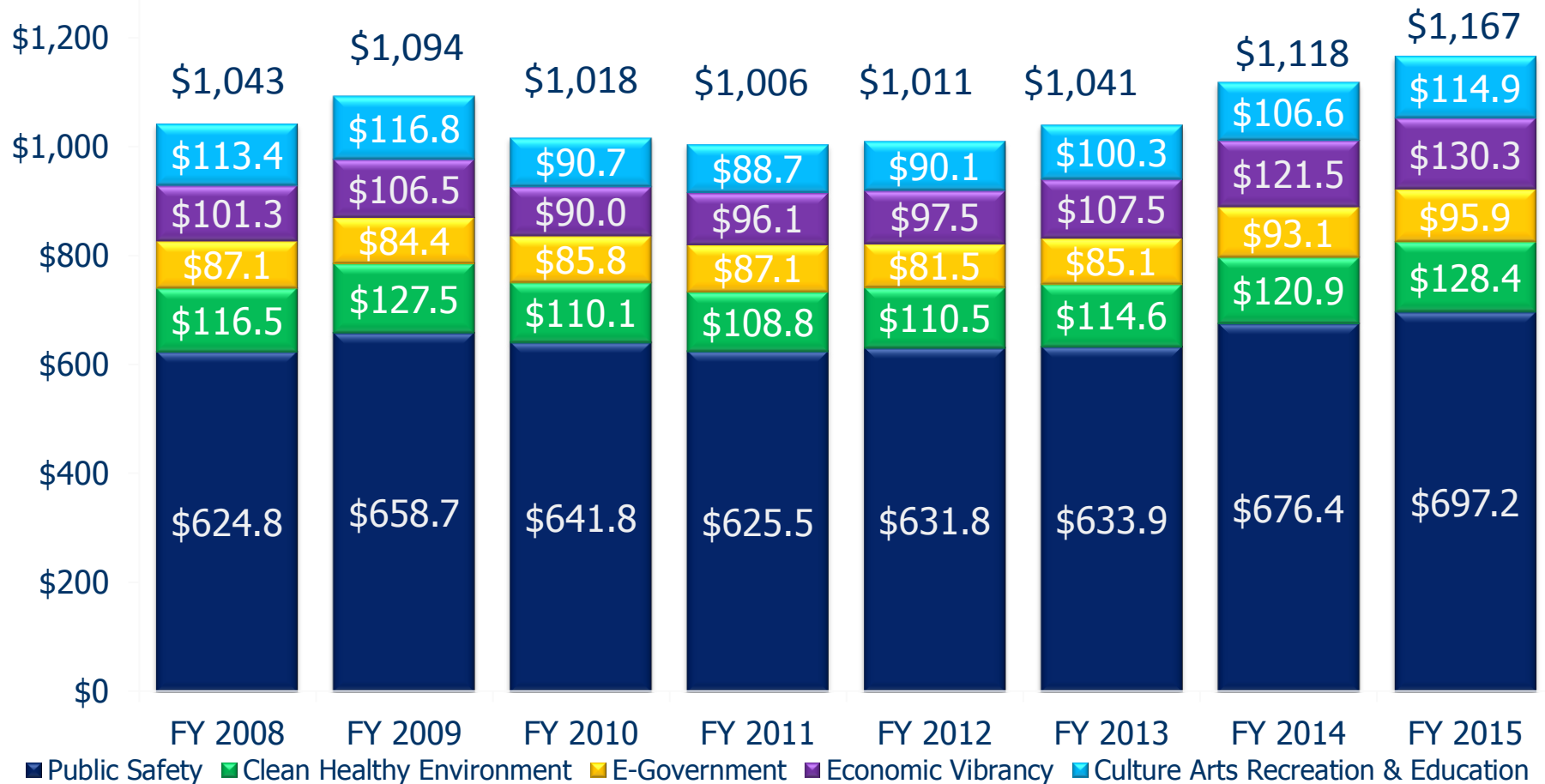


General Fund Expenditures

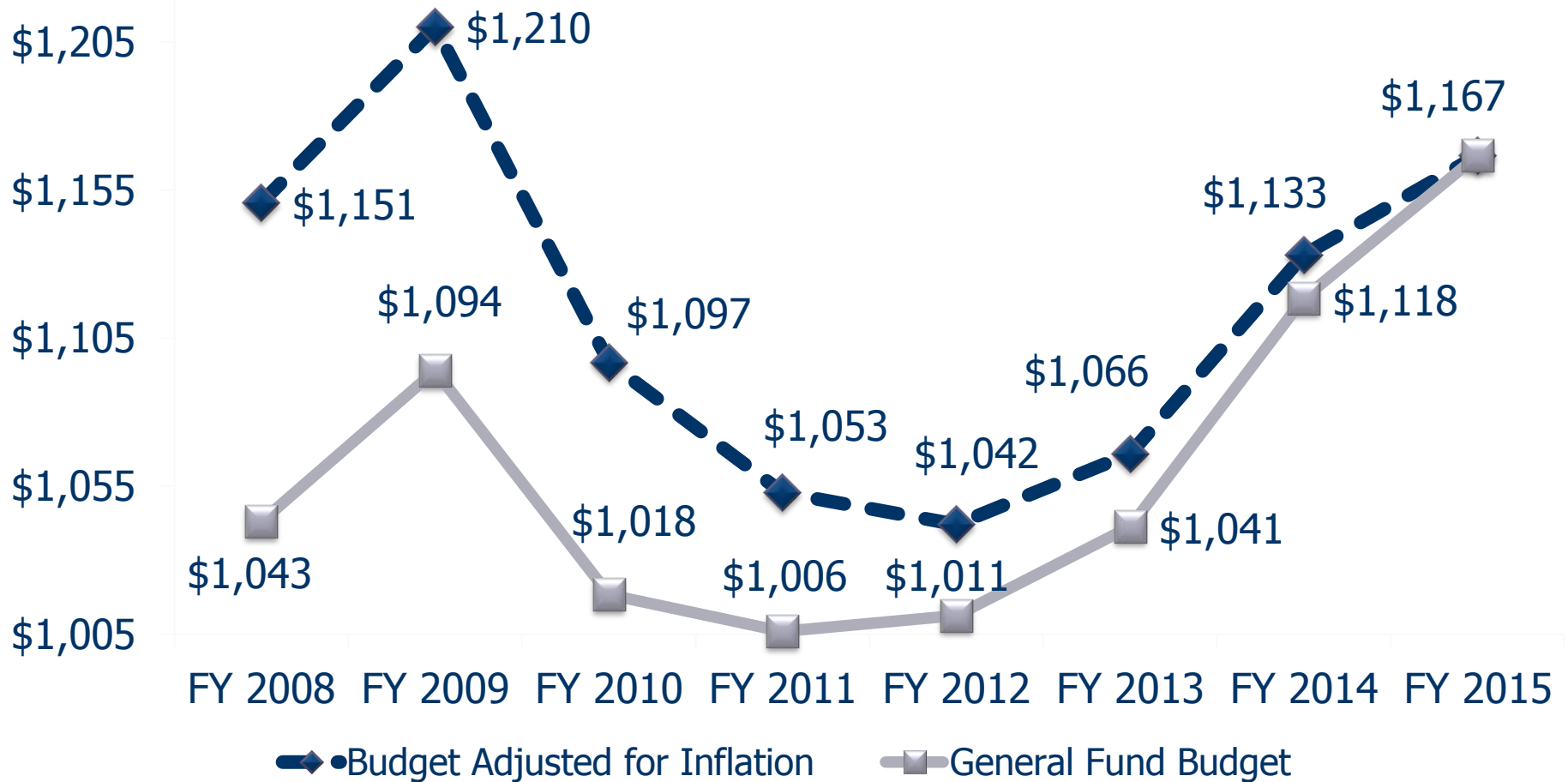
Dallas Metric: History of General Fund Expenses by Key Focus Area



Dallas Metric: History of General Fund Expenses by Key Focus Area

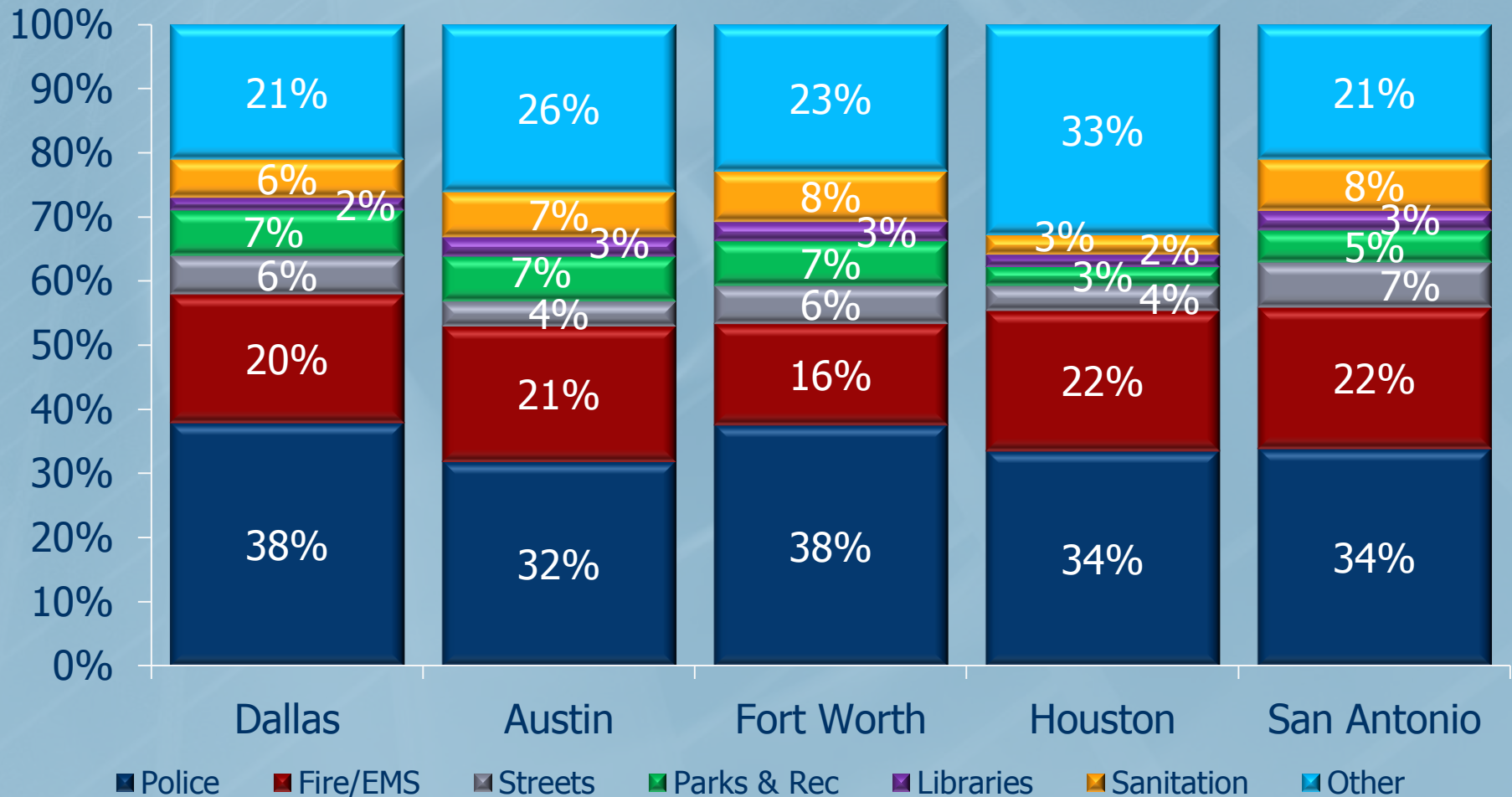


Dallas Metric: General Fund Expense Budget (Adjusted for Inflation)



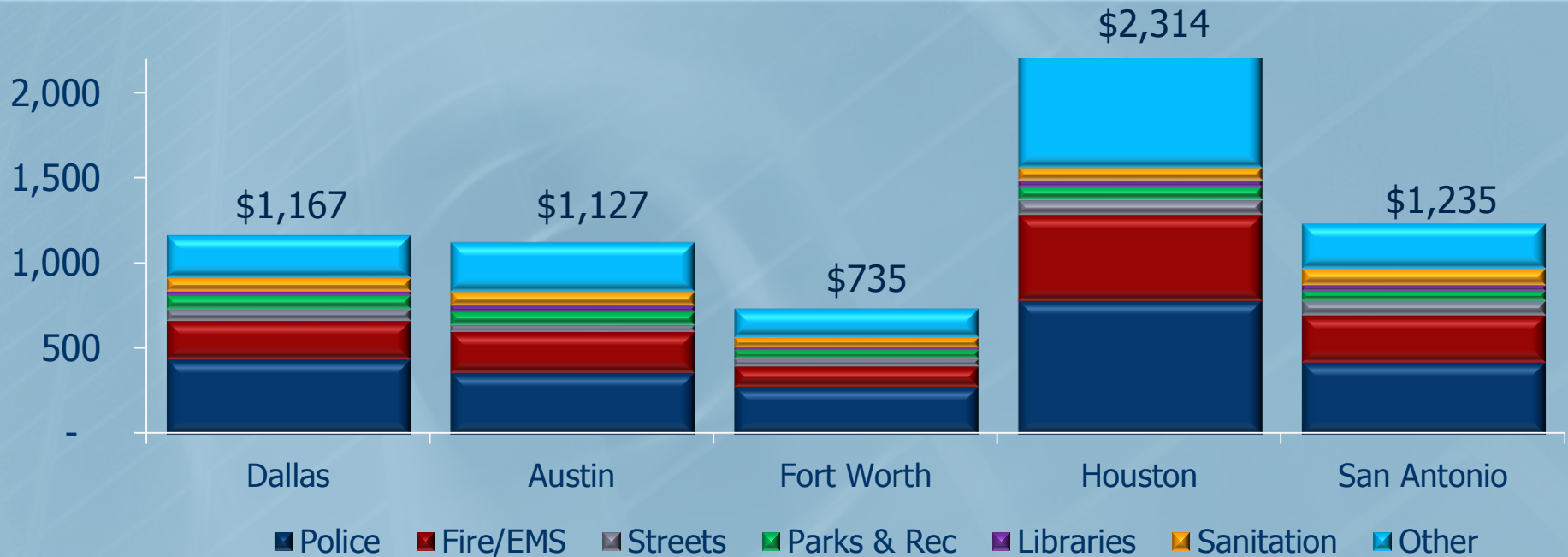
Source: Bureau of Economic Analysis; Price Index for Government Consumption Expenditures
(State & Local Governments)-July 2014

FY15 General Fund Expenditures (Expenditures as % of Total)



Note: Adjustments made to other cities to be comparable to Dallas' general fund.

FY15 General Fund Expenditures (\$ in millions)

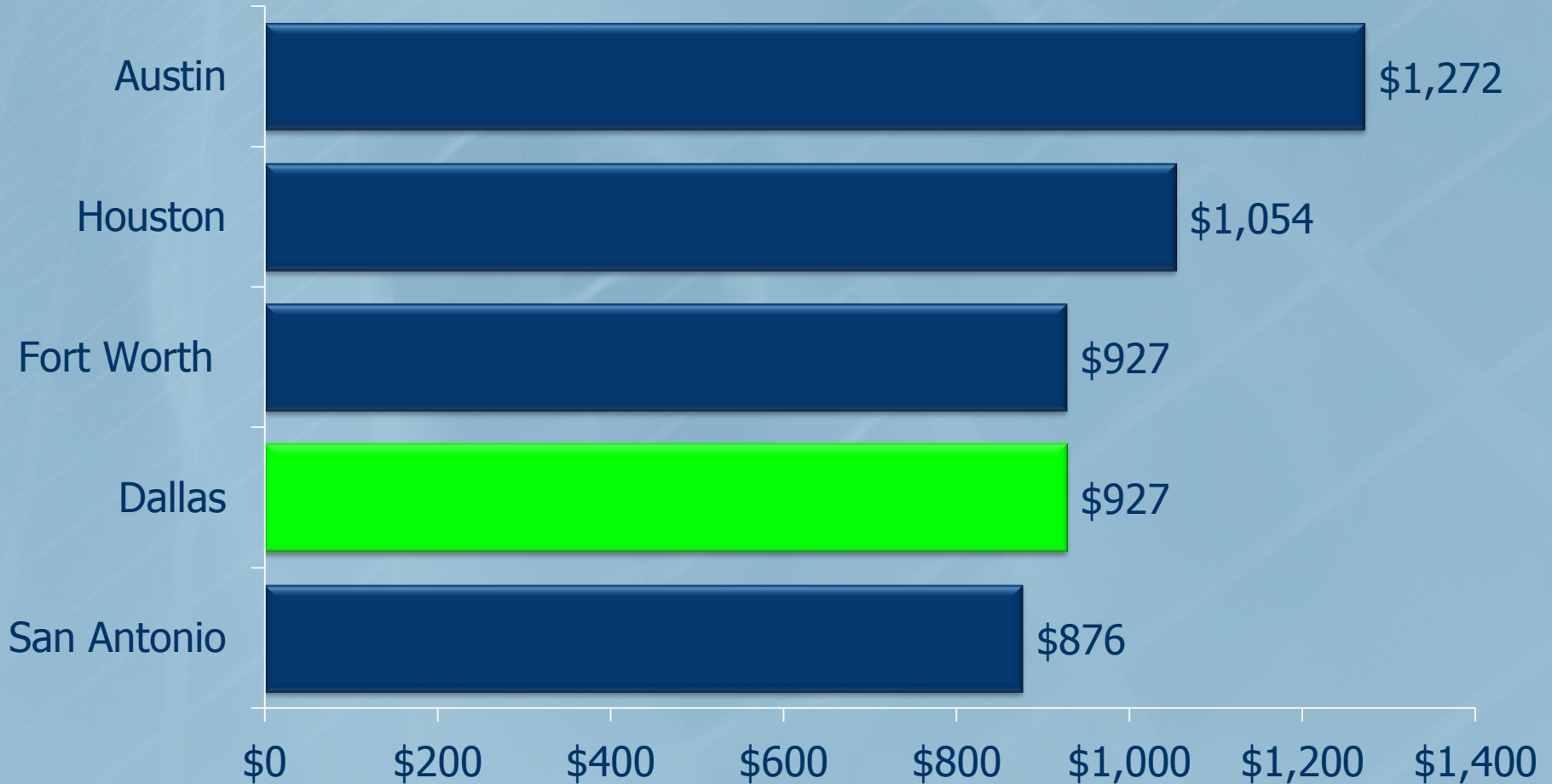


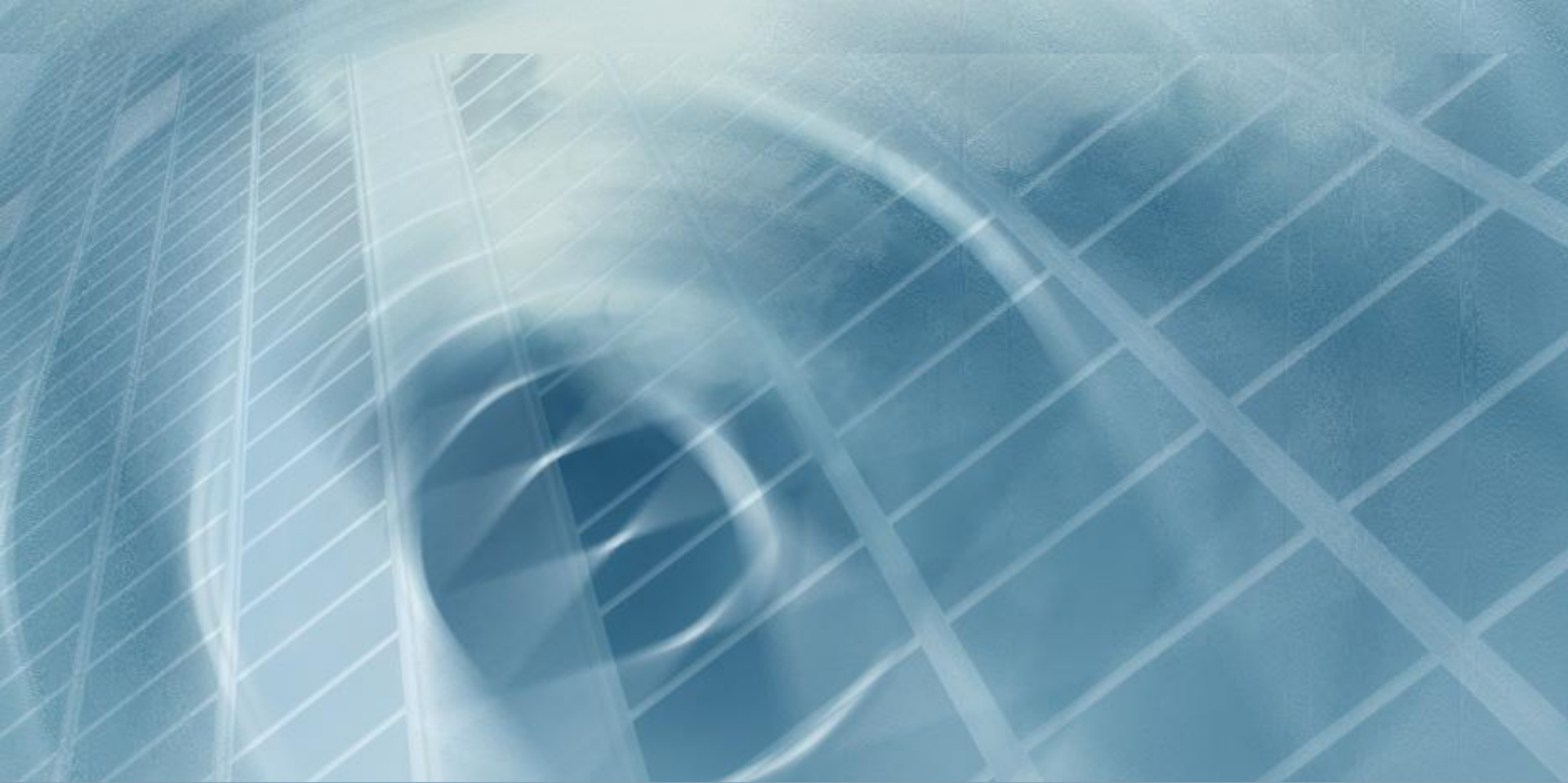
	Dallas	Austin	Fort Worth	Houston	San Antonio
Police	\$438.1	\$361.1	\$280.4	\$776.8	\$421.0
Fire/EMS	228.0	239.6	117.2	506.7	276.3
Streets	65.9	39.9	46.3	85.1	82.9
Parks & Rec	81.9	77.5	49.4	78.1	59.3
Libraries	26.1	36.6	19.2	39.9	34.9
Sanitation	75.7	82.1	55.7	73.7	97.4
Other Expenses	250.6	289.8	167.0	753.5	262.9

Other General Fund Expenses

- Other expense category includes services such as:
 - Code Compliance
 - Housing/Human Services
 - Municipal Court
 - Economic Development
 - Cultural Affairs
 - Planning/Development Services/Historic Preservation
 - Street Lighting
 - Administrative Departments (HR, Legal, Audit, Finance)
 - Non-Departmental

FY15 General Fund Expenditure Budget (Total Expenditure per Capita)





Public Safety

Public Safety Comparison – Fire

	Dallas	Austin	Fort Worth	Houston	San Antonio
Public Safety (Police + Fire) as % of GF*	58%	53%	54%	56%	56%
Fire/EMS Budget (FY15)	\$228m	\$239m	\$117m	\$507m	\$276m
Fire/EMS Uniform FTE's	1,938	1,605	884	3,876	1,663
Fire Stations	57	45	42	103	51
Sq. Miles covered by each Fire Station	6.75	6.04	8.33	5.84	9.16
ISO Rating (scale 1-10 1=Best)	2	2	2	1	2

Note: Fort Worth EMS is privatized and City subsidy was eliminated in FY11

*% determined using cities' comparison to Dallas' general fund from previous slides.
Dallas Public Safety KFA represents 59.8% which includes services of other departments.

Public Safety Comparison – Police

	Dallas	Austin	Fort Worth	Houston	San Antonio
Police Budget (FY15)	\$438m	\$361m	\$280m	\$777m	\$421m
Police Budget per Capita	\$348	\$408	\$354	\$354	\$299
Police Uniform Strength	3,474	1,675	1,545	5,358	2,312
(per 1,000 Pop.)	2.77	1.95	1.96	2.46	1.65
Police Stations	7	4	5	12	6
Violent Crime Rate	0.66%	0.36%	0.56%	0.96%	0.63%
Property Crime Rate	4.17%	4.85%	4.34%	5.09%	5.71%
Total Crime Rate	4.83%	5.21%	4.90%	6.05%	6.35%

Note: Fort Worth Police includes 191 Uniform positions funded through Crime Control District Sales Tax

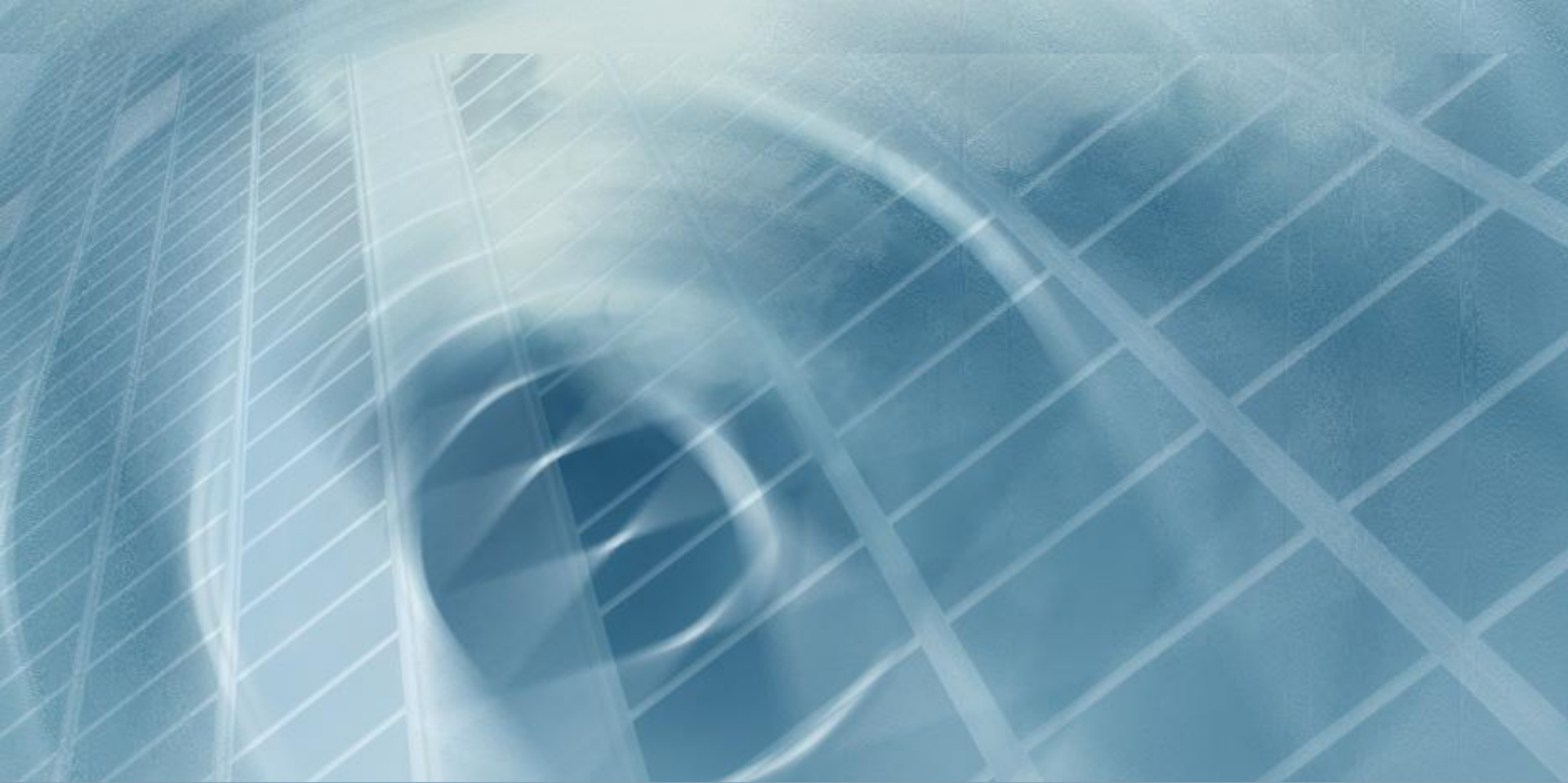
Crime Rate equals # of incidents divided by population; 2014 FBI UCR Statistics

Public Safety – Police Observations

- Dallas has the highest officer per 1,000 population of the five cities
- If Dallas were to adjust to the other cities:

	Dallas	Austin	Fort Worth	Houston	San Antonio
Police Uniform Strength	3,474	1,675	1,545	5,358	2,312
(per 1,000 Pop.)	2.77	1.95	1.96	2.46	1.65
Dallas change in Strength to match city's officers per 1,000 Pop. (+/-)		(1,094)	(1,004)	(409)	(1,394)
Est. Budgetary Impact of Change		(\$82.1m)	(\$75.4m)	(\$30.7m)	(\$104.7m)

Note: Budgetary impact based on average salary and benefits of \$75,078/officer



Debt Service

Dallas Metric: Total Outstanding General Obligation Debt

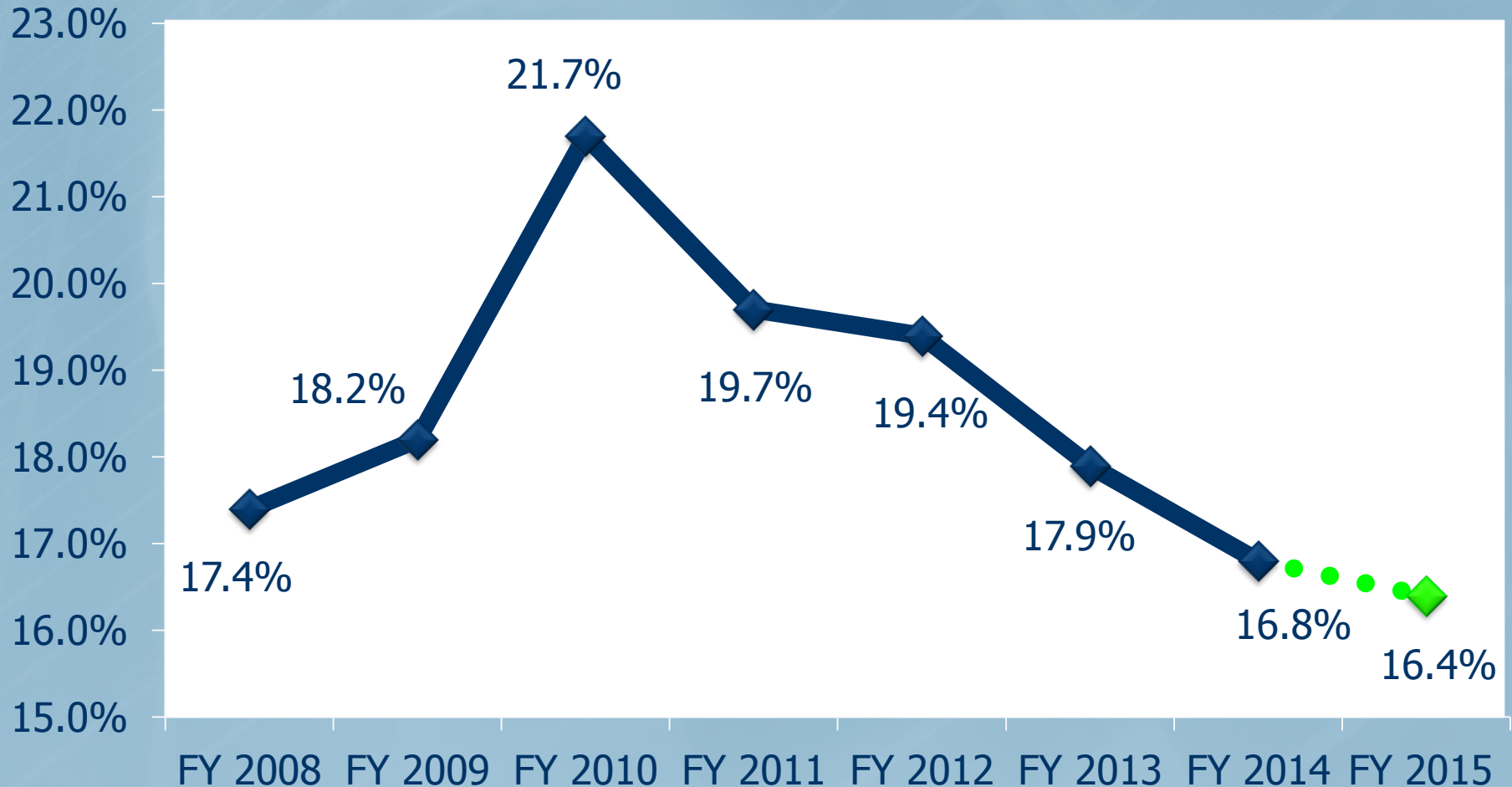
(\$ in billions)



Note: FY15 projected balance as of 9/30/15. Assumes \$350M debt issuance in Dec 2014.

Dallas Metric: Debt Service Budget as a Percent of Tax-supported Operating Budget

General Fund + Debt Service

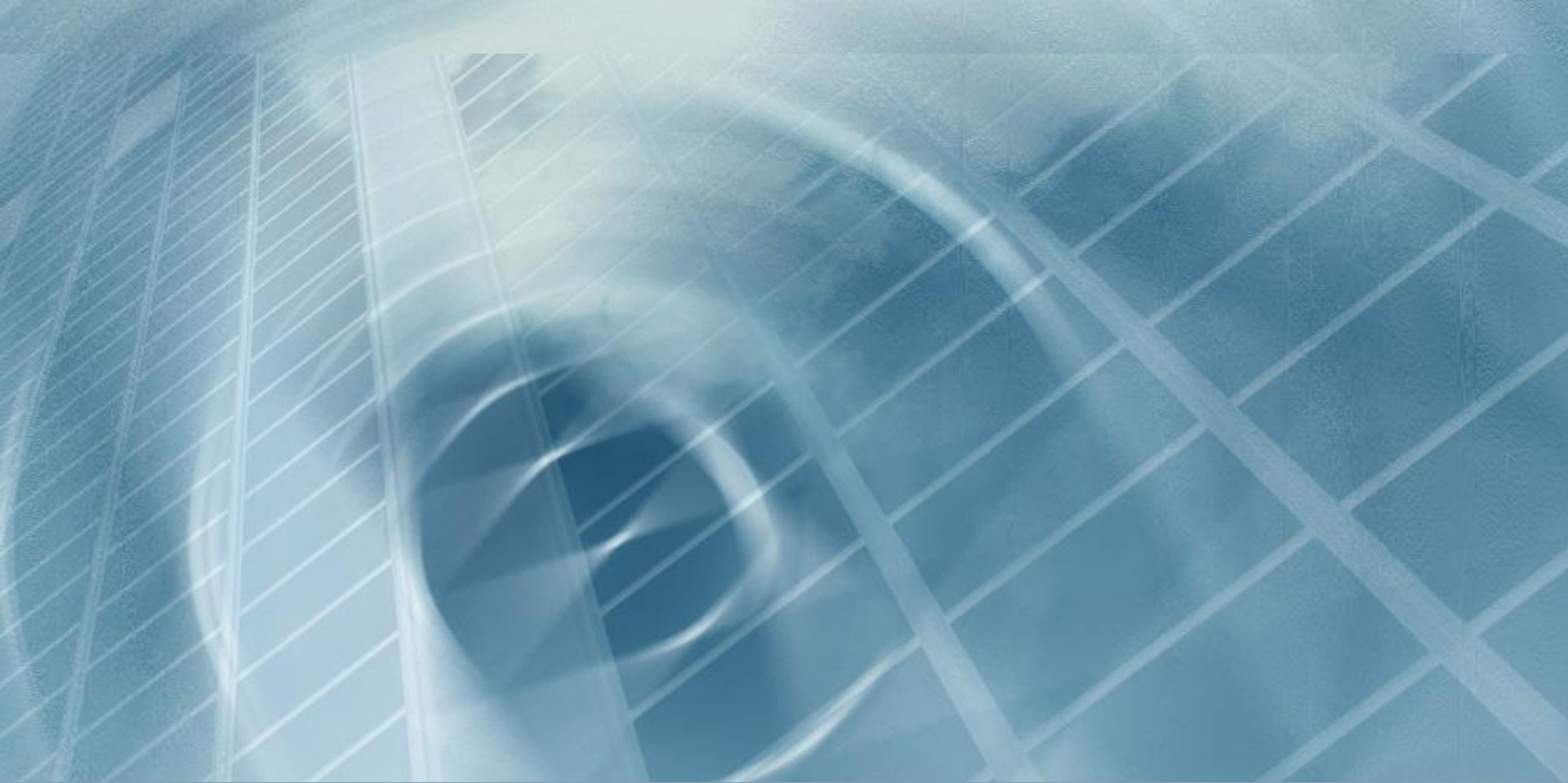


Note: FY15 assumes interest payment on \$350M debt issuance in Dec 2014

Debt Service Comparison

	Dallas	Austin	Fort Worth	Houston	San Antonio
Bond Rating: Moody's S&P	Aa1 AA+	Aaa AAA	Aa1 AA+	Aa2 AA+	Aaa AAA
Most Recent Bond Program	Nov 2012- \$642m Implement over 5 years	Nov 2012- \$306.6m Implement over 4 years*	May 2014- \$292m Implement over 5 years	Nov 2012- \$410m Implement over 6 years	Nov 2012- \$596m Implement over 5 years
Outstanding General Obligation Debt	\$1,547m	\$948.9m	\$664.1m	\$3,201m	\$1,477m
GO Bond Maturities	20 Years	20 Years	20 Years	30 Years	20 Years
GO Debt per Capita	\$1,230	\$1,071	\$837	\$1,457	\$1,048
Debt Service Tax Rate (% of total rate)	\$0.2324 (29.2%)	\$0.1123 (23.3%)	\$0.1791 (20.9%)	\$0.1564 (24.8%)	\$0.2115 (37.4%)
FY15 Debt Service Budget	\$221.3m	\$148.6m	\$80.6m	\$328.2m	\$183.9m

*Austin's proposed \$600m Bond Program did not pass in the Nov 2014 election



Average Annual Cost to Citizens

Non-General Fund Fees (Typical Residential Monthly Bill)

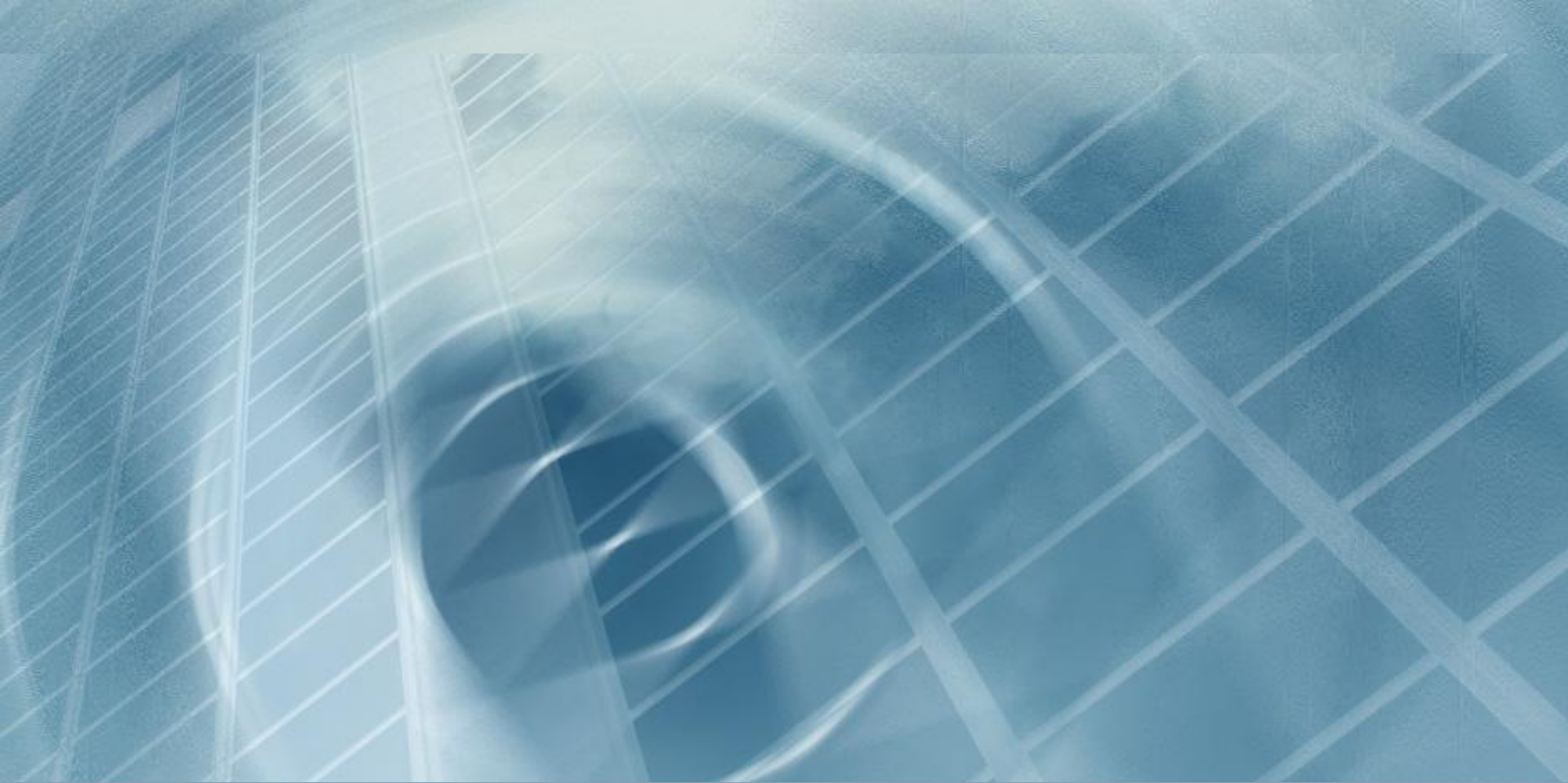
	Dallas	Austin	Fort Worth	Houston	San Antonio
Storm Water	\$5.77	\$9.80	\$5.40	\$5.00	\$4.25
Sanitation	\$21.31	\$29.00	\$22.75	Included in tax rate	\$20.93
Water/Sewer	\$62.52	\$103.98	\$62.21	\$92.69	\$56.61
Parks Environmental Fee	N/A	N/A	N/A	N/A	\$1.00
Clean Community Fee	N/A	\$7.40	N/A	N/A	N/A
Transportation User Fee	N/A	\$8.25	N/A	N/A	N/A

Note: Although not included in the table above, Houston and San Antonio residents also contribute revenue to independent flood control districts (Harris County Flood Control District/San Antonio River Authority)

Average Annual Cost to Citizens

	Dallas	Austin*	Fort Worth	Houston	San Antonio*
Property Tax Bill (City)	\$1,240.00	\$1,167.01	\$890.94	\$874.09	\$884.43
Storm Water	\$69.24	\$117.60	\$64.80	\$60.00	\$51.00
Sanitation	\$255.72	\$348.00	\$273.00	\$0	\$251.16
Water/Sewer	\$750.24	\$1,247.76	\$746.52	\$1,112.28	\$679.32
Parks Environmental Fee	\$0	\$0	\$0	\$0	\$12.00
Clean Community Fee	\$0	\$88.80	\$0	\$0	\$0
Transportation User Fee	\$0	\$99.00	\$0	\$0	\$0
Total	\$2,315.20	\$3,068.17	\$1,975.26	\$2,046.37	\$1,877.91

*Does not factor in impact of citizen payments made to City-owned electric/gas utilities which transfer funds to the General Fund



Observations and Takeaways

Observations

- Comparing budgets across cities, even in same state, is not apples-to-apples since every city categorizes budget items differently
- Total cost to citizens is result of much more than just property tax and includes fees for service such as sanitation and water/sewer charges

Observations

- Property tax bill is much more than tax rate; and includes value, exemptions, and rate
- Dallas homestead and over-65/disabled exemptions benefit home owners yet reduces revenue for City
- Sales tax dedicated to transit supports DART yet reduces revenue for City
- Transfers from City owned electric utilities and other non-tax revenues reduce reliance on property tax

Overview and Observations

- Dallas ranks below the average for general fund expenditures per capita
- Dallas has the highest percentage of budget devoted to police and fire services at 58%
- Dallas' debt service tax rate has fallen by 12.2% since FY11
- Dallas' percentage of budget dedicated to debt service has also decreased 5.3% since FY10



Questions?

Memorandum



CITY OF DALLAS

DATE November 26, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Water and Sewer System Commercial Paper Program - Credit Agreement Extension

The City Council agenda for December 10, 2014 includes a resolution for your consideration amending the ordinance authorizing the City of Dallas Water and Sewer System Commercial Paper Notes, Series D. These amendments extend \$300 million in lines of credit supporting the commercial paper program and create Sub-Series D-1 and D-2. The existing lines of credit expire in March 2015.

In 2009, City Council approved an ordinance establishing the \$300 million Series D commercial paper program for Dallas Water Utilities as interim financing for capital improvements. The program authorization expires in September 2019.

Commercial paper issuance is supported by lines of credit from highly rated banks. These lines of credit assure investors that the notes will be repaid in the unlikely event that a new note cannot be sold to another investor at maturity. The Series D program is currently supported by lines of credit from State Street Bank (\$175 million), California State Teachers' Retirement System, CalSTRS, (\$125 million), which were approved on February 8, 2012 for a three-year period expiring on March 16, 2015.

Pursuant to the existing Series D credit agreements, the City recently requested a three-year extension of the lines of credit from State Street Bank and CalSTRS. State Street Bank agreed to extend its line of credit for three years and to increase the amount of the line by \$50 million to \$225 million. Bank of America agreed to replace CalSTRS, which declined to renew its line of credit, by offering a \$75 million three-year line of credit to the City. State Street Bank is rated A-1+/P-1 by Standard and Poor's and Moody's. Bank of America ratings are A-1/P-1 by the same rating agencies. U.S. Bank continues to serve as the issuing and paying agent bank for the program. Merrill Lynch is the program's commercial paper dealer.

Commercial paper provides interim financing for capital projects. The use of commercial paper permits more cost efficient use of capital as short-term debt is issued to closely match the amount and timing of the award of capital project contracts. Commercial paper notes are normally sold at interest rates that are lower than rates available at the same time on longer-term debt. Outstanding commercial paper is periodically refinanced with long-term debt.

The extension of the credit agreements of the Series D, Sub-Series D-1 and D-2, programs includes a reduction of the fee to 35 basis points annually from 37 basis points annually, which will become effective at the same time as the new lines of credit. Attached is a schedule of the estimated costs associated with this extension.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Schedule I

Dallas Water Utilities Commercial Paper Program Series D

COST OF ISSUANCE/ CLOSING COSTS

Co-Bond Counsel

McCall, Parkhurst, and Horton	\$135,000
Escamilla & Poneck	60,000

Co-Financial Advisors

First Southwest Company	105,000
Estrada Hinojosa	70,000

Liquidity Facility Attorney Fees 45,000

Printing Fees 2,500

Attorney General Fee 19,000

Total Estimated Upfront Closing Costs \$436,500

ANNUAL FEES

Liquidity Facility

State Street Bank	\$845,753
Bank of America, N.A.	281,918

Total \$1,127,671

Issuing & Paying Agent Fee \$400

Credit Facility Agreement Amendment Fees (if needed) 5,000

CUSIP Numbers 1,000

Rating Agencies

Moody's Investors Service	25,200
Standard & Poor's	34,000

Total Estimated Annual Fees \$1,193,271

Total (Annual Fees plus Closing Cost) \$1,629,771

Grand Total (three year contract plus Closing Cost) \$4,016,313

Memorandum



CITY OF DALLAS

DATE November 26, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer Staubach Gates (Vice-Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Radio Frequency Identification System for McCommas Bluff Landfill

The December 10, 2014 Council Agenda includes an item to authorize a 36-month master agreement for the purchase and installation of a Radio Frequency Identification system (RFID) for McCommas Bluff Landfill with Nicol Scales and Measurement in an amount not to exceed \$306,010 financed with Current Funds subject to annual appropriations.

The majority of landfill commercial credit customers use a self-entry kiosk to process their landfill transactions. These kiosks require the manual entry of vehicle identification information which is subject to error. Vehicle identification numbers are important because they link transactions to a specific company, truck and truck weight. Incorrect entries can lead to inaccurate billing and tonnage information, which can cause either over or under-billing and incorrect reporting of the volume of waste processed (as was noted in a 2012 select audit of the landfill financial controls). Currently, Sanitation Services utilizes supplemental scale house staff to monitor approximately 96% of transactions daily and correct any entry errors identified.

This contract will allow the implementation of an RFID system that will further automate the self-entry kiosk by eliminating the need for drivers to enter truck identification numbers. This system will utilize RFID readers and RFID vehicle tags for vehicle identification (similar to a toll tag). With this solution, the vehicle information will automatically be recorded into the existing landfill waste tracking and billing system. As vehicles enter the landfill, RFID readers will read the RFID tag on the vehicle and the system will automatically identify the vehicle, the company associated with the vehicle and the vehicles stored tare weight (if applicable). Vehicles without stored tare weights will weigh in and weigh out to obtain the weight of the waste. This new system will allow weigh in and out transactions to be provided quickly and accurately. With the implementation of this system temporary scale house staff utilized for vehicle monitoring can be phased out.

Please contact me if you have any questions.

Jill Jordan, P.E.
Assistant City Manager

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
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Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council
William Finch, CIO/Director Communications & Information Systems
Kelly High, Director Sanitation Services