

Memorandum



CITY OF DALLAS

DATE June 3, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Fiscal Year 2015 Budget versus Actual End of Year Report

Attached for your review is the Fiscal Year 2015 Budget versus Actual End of Year Report. It is an FYI item for the Budget, Finance, and Audit Committee on June 6, 2016.

The purpose of the End of Year Report is to communicate the final status of year-end total expenditures compared to appropriations, total revenues compared to budget, and significant expenditure and revenue variances (compared to budget) for all operating funds. This report is the conclusion of Financial Forecast Reports that were provided through FY 2014-15. In addition, the report provides a status of compliance with the Financial Management Performance Criteria (FMPC).

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c.: A.C. Gonzalez, City Manager
Christopher Bowers, Interim 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
Elsa Cantu, Assistant to the City Manager



Fiscal Year 2015

Budget versus Actual

End of Year Report

Information as of September 30, 2015



GENERAL FUND

As of September 30, 2015
(000s)

	AMENDED BUDGET¹	ACTUAL	OVER/(UNDER) BUDGET
Revenues	\$1,170,363	\$1,178,509	\$8,146
Expenditures	1,170,363	1,159,057	(11,306)
Net Excess of Revenues Over Expenditure/Transfers	<u>\$0</u>	<u>\$19,452</u>	<u>\$19,452</u>

GENERAL FUND REVENUES

As of September 30, 2015
(000s)

	AMENDED BUDGET¹	ACTUAL	OVER/(UNDER) BUDGET
TAXES			
Ad Valorem Tax	\$520,321	\$520,451	\$130
Sales Tax	268,666	273,499	4,834
TOTAL TAXES	788,987	793,950	4,963
FRANCHISE REVENUES			
Oncor Electric	50,014	51,377	1,364
AT&T	12,064	12,411	348
Atmos Energy ²	12,178	13,141	963
Time Warner Cable ³	5,768	6,093	325
Other	22,336	22,751	415
TOTAL FRANCHISE REVENUES	102,360	105,775	3,415
LICENSES AND PERMITS	9,857	9,607	(250)
INTEREST EARNED⁴	591	1,286	695
INTERGOVERNMENTAL⁵	6,638	7,518	880
FINES AND FORFEITURES			
Municipal Court ⁶	12,214	15,079	2,866
Vehicle Towing and Storage	6,978	7,132	155
Parking Fines ⁷	4,419	3,516	(903)
Red Light Camera Fines	7,335	7,569	234
Public Library ⁸	500	433	(67)
TOTAL FINES	31,446	33,730	2,285
CHARGES FOR SERVICE			
Sanitation Service	63,530	64,805	1,275
Parks ⁹	9,814	10,352	538
Private Disposal Fees ¹⁰	17,509	23,981	6,472
Emergency Ambulance	33,626	32,557	(1,069)
Security Alarm ¹¹	4,510	4,248	(262)
Street Lighting ¹²	743	641	(102)
Vital Statistics ¹³	1,470	1,626	156
Other	21,754	20,873	(881)
TOTAL CHARGES	152,954	159,082	6,128
INTERFUND REVENUE¹⁴	65,391	56,667	(8,724)
MISCELLANEOUS¹⁵	12,140	10,894	(1,246)
TOTAL REVENUES	\$1,170,363	\$1,178,509	\$8,146

GENERAL FUND

As of September 30, 2015

(000s)

DEPARTMENT	AMENDED BUDGET ¹	ACTUAL	OVER/(UNDER) BUDGET
Building Services	\$23,941	\$23,841	(\$100)
Business Dev/Procurement Svcs	2,855	2,752	(102)
City Attorney's Office	14,997	14,496	(500)
City Auditor's Office	2,784	2,731	(53)
City Controller's Office	5,253	5,139	(114)
City Manager's Office	1,829	1,825	(4)
City Secretary's Office ¹⁶	4,086	3,835	(251)
Civil Service ¹⁷	2,365	2,231	(133)
Code Compliance ¹⁸	35,193	32,996	(2,196)
Court Services	20,010	19,911	(99)
Fire	228,059	227,377	(682)
Housing/ Community Service ¹⁹	11,508	10,929	(579)
Human Resources ²⁰	4,638	4,258	(380)
Judiciary ²¹	3,695	3,142	(553)
Library	26,144	25,773	(371)
Management Services	6,112	6,108	(3)
Mayor and Council ²²	4,154	3,940	(214)
Non-Departmental ²³	49,192	46,189	(3,003)
Office of Cultural Affairs	17,288	17,287	(0)
Office of Economic Development	1,577	1,575	(1)
Office of Financial Services	3,468	3,458	(10)
Park and Recreation	82,477	82,398	(79)
Planning and Neighborhood Vitality ²⁴	2,877	2,375	(502)
Police	440,538	440,536	(2)
Public Works and Transportation	6,861	6,861	(1)
Sanitation Services	75,994	75,993	(1)
Street Lighting	17,923	17,893	(30)
Street Services	66,514	66,495	(19)
Sustainable Dev/Construction ²⁵	1,440	996	(444)
Trinity Watershed Management ²⁶	1,201	1,096	(105)
RERSERVES AND TRANSFERS			
Contingency Reserve	450	450	(0)
Liability/Claims Fund	4,170	4,170	(0)
Salary and Benefit Reserve	774	(0)	(774)
TOTAL EXPENDITURES	\$1,170,363	\$1,159,057	(\$11,306)

PROPRIETARY FUNDS

As of September 30, 2015
(000s)

DEPARTMENT	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
AVIATION			
REVENUES:			
Parking	\$25,033	\$26,824	\$1,790
Terminal Concessions	22,193	21,666	(527)
Landing Fees	17,784	14,739	(3,045)
Rental on Airport - Terminal	13,831	8,135	(5,696)
Rental on Airport - Field	8,864	8,261	(603)
Fuel Flow Fees	1,236	1,222	(14)
All Remaining Revenues	2,004	2,663	659
TOTAL REVENUES²⁷	90,945	83,509	(7,436)
TOTAL EXPENDITURES²⁷	90,945	88,692	(2,253)
Net Excess of Revenues Over Expenditures	\$0	(\$5,182)	(\$5,182)
CONVENTION CENTER			
REVENUES:			
Hotel Occupancy Tax	\$50,348	\$50,405	\$57
Alcoholic Beverage Tax	10,350	11,247	897
Contract Services	10,263	10,348	84
All Remaining Revenues	11,084	14,816	3,732
TOTAL REVENUES²⁸	82,045	86,815	4,770
TOTAL EXPENDITURES²⁸	82,045	80,623	(1,422)
Net Excess of Revenues Over Expenditures	\$0	\$6,192	\$6,192

PROPRIETARY FUNDS

As of September 30, 2015
(000s)

DEPARTMENT	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
SUSTAINABLE DEVELOPMENT & CONSTRUCTION			
REVENUES:			
Building Permits	\$16,973	\$18,335	\$1,362
Certificate of Occupancy	1,324	1,343	19
Plan Review	3,562	4,462	900
Registration/License	1,018	1,224	206
Special Plats	878	945	67
Private Development	998	1,479	481
Zoning	1,172	1,058	(114)
All Remaining Revenues	1,579	2,895	1,315
TOTAL REVENUES ²⁹	27,505	31,741	4,236
TOTAL EXPENDITURES	26,839	26,640	(198)
Net Excess of Revenues Over Expenditures	\$667	\$5,101	\$4,434
MUNICIPAL RADIO			
REVENUES:			
Local and National Sales	\$2,115	\$1,959	(\$156)
All Remaining Revenues	12	13	1
TOTAL REVENUES ³⁰	2,126	1,972	(154)
TOTAL EXPENDITURES ³⁰	2,062	1,967	(95)
Net Excess of Revenues Over Expenditures	\$65	\$5	(\$60)

PROPRIETARY FUNDS

As of September 30, 2015
(000s)

DEPARTMENT	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
WATER UTILITIES			
REVENUES:			
Treated Water - Retail	\$271,965	\$259,258	(\$12,707)
Treated Water - Wholesale	72,565	67,687	(4,878)
Wastewater- Retail	219,098	207,506	(11,591)
Wastewater- Wholesale	10,217	9,131	(1,086)
All Remaining Revenues	40,676	37,182	(3,494)
TOTAL REVENUES³¹	614,521	580,764	(33,757)
TOTAL EXPENDITURES³¹	614,521	569,005	(45,516)
Net Excess of Revenues Over Expenditures	\$0	\$11,760	\$11,760
COMMUNICATION & INFORMATION SERVICES			
REVENUES:			
Interdepartmental Charges	\$51,934	\$51,933	(\$1)
Telephones Charges	7,971	6,213	(1,757)
Circuits	1,501	929	(572)
Desktop Services	1,060	691	(369)
Interest	102	152	49
Equipment Rental	4,957	4,937	(21)
All Remaining Revenues	77	259	182
TOTAL REVENUES	67,603	65,114	(2,489)
TOTAL EXPENDITURES³²	70,446	65,184	(5,262)
Net Excess of Revenues Over Expenditures	(\$2,843)	(\$70)	\$2,773

PROPRIETARY FUNDS

As of September 30, 2015
(000s)

<u>DEPARTMENT</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
EQUIPMENT SERVICES			
REVENUES:			
Rental/Wreck	\$31,486	\$34,202	\$2,716
Fuel	22,597	17,610	(4,987)
Auto Auction	328	481	154
All Remaining Revenues	21	983	962
TOTAL REVENUES	54,432	53,275	(1,156)
TOTAL EXPENDITURES	54,432	52,666	(1,766)
Net Excess of Revenues Over Expenditures	<u>\$0</u>	<u>\$609</u>	<u>\$609</u>
EXPRESS BUSINESS CENTER			
REVENUES:			
Postage Sales	\$2,703	\$2,491	(\$213)
All Remaining Revenues	1,323	1,586	263
TOTAL REVENUES³³	4,026	4,076	50
TOTAL EXPENDITURES³³	4,857	4,757	(100)
Net Excess of Revenues Over Expenditures	<u>(\$830)</u>	<u>(\$681)</u>	<u>\$149</u>

OTHER FUNDS

As of September 30, 2015
(000s)

DEPARTMENT	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
EMPLOYEE BENEFITS³⁴	\$1,370	\$945	(\$425)
RISK MANAGEMENT³⁵	\$2,525	\$2,224	(\$301)
9-1-1 SYSTEM OPERATIONS			
REVENUES:			
9-1-1 Service Receipts - Wireless	\$5,968	\$6,294	\$325
9-1-1 Service Receipts - Wireline	6,909	6,962	53
All Remaining Revenues	41	80	39
TOTAL REVENUES	12,918	13,335	417
TOTAL EXPENDITURES³⁶	17,439	16,151	(1,289)
Net Excess of Revenues Over Expenditures	(\$4,521)	(\$2,815)	\$1,706
STORM WATER DRAINAGE MANAGEMENT			
REVENUES:			
Storm Water Fees	\$51,038	\$49,983	(\$1,055)
All Remaining Revenues	41	127	86
TOTAL REVENUES	51,079	50,110	(969)
TOTAL EXPENDITURES	53,599	51,878	(1,720)
Net Excess of Revenues Over Expenditures	(\$2,520)	(\$1,769)	\$751

DEBT SERVICE FUND

As of September 30, 2015
(000s)

DEPARTMENT	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
DEBT SERVICE FUND			
BEGINNING FUND BALANCE	\$2,012	\$3,052	\$1,040
REVENUES:			
Ad Valorem	214,354	214,434	80
Interest/Transfers/Other	20,842	21,614	771
TOTAL REVENUES	235,197	236,048	851
TOTAL EXPENDITURES	229,908	225,842	(4,067)
ENDING FUND BALANCE	\$7,300	\$13,258	\$5,958

NOTES

(Dollars in 000s)

1. The General Fund Budget was amended/increased based on Council's approved use of contingency reserve funds by \$129 on December 10, 2014 by CR# 14-2194 (Bridge Steps operational costs), by \$587 on March 25, 2015 by CR#15-0555 (Council election), by \$472 on May 20, 2015 by CR#15-0907 (Council runoff election), by \$62 on June 17 by CR#15-1153 (social media archiving and public information act request software), and by \$2,428 on June 17, 2015 by CR#15-1231 (squad car purchase).
2. Atmos Energy revenues are \$963 above budget primarily due to a cooler winter which resulted in higher natural gas consumption.
3. Time Warner revenues are \$325 above budget due to an increase in the number of subscribers.
4. Interest revenues are \$695 above budget due to higher interest allocation as a result of an increased General Fund cash balance.
5. Intergovernmental revenues are \$880 above budget due to higher than expected payments from Euless and Irving as part of the D/FW Airport revenue sharing agreement.
6. Municipal Court revenues are \$2,866 above budget due to a higher percentage of cases being disposed of before becoming delinquent and higher than anticipated collections per citation from new collection agency.
7. Parking Fines are \$903 below budget due in part to reduced ticket issuance as a result of increased compliance with the introduction of pay-by-phone meters.
8. Public Library revenues are \$67 below budget due to an increase in the usage of e-materials. Fines and late fees are not collected on e-materials as they are electronically recalled on the due date.
9. Park revenues are \$538 above budget primarily due to an increase in special events booked at Live Nation/Gexa Energy Pavilion and higher than anticipated demand for contract classes.
10. Private disposal fee revenues are \$6,472 above budget due to an increase in activity from cash customers and an increase in activity from credit customers due to temporary closure of the Lewisville Landfill as a result of flooding.
11. Security Alarm revenues are \$262 below budget primarily due to a reduction in the number of permits issued.
12. Street Lighting revenues are \$102 below budget due to a reduction in expenses that are reimbursable by TxDOT.
13. Vital Statistics revenues are \$156 above budget due to an increase in the sale of birth and death certificates.

NOTES

(Dollars in 000s)

14. Interfund Revenues are \$8,724 below budget primarily due to deferred transfers from internal City funds and a lower than anticipated Street Rental payment from Water Utilities due to a decline in water revenues.
15. Miscellaneous Revenues are \$1,246 below budget primarily due to lower than expected revenue related to the water/sewer line home warranty program, a reduction in revenue related to unclaimed property, and a reduction in paper and cardboard recycling.
16. City Secretary's Office is \$251 below budget primarily due to lower than expected costs related to the election contract.
17. Civil Service is \$133 below budget due to salary savings as a result of vacancies.
18. Code Compliance is \$2,196 below budget due to salary savings as a result of vacancies and fewer demolitions than planned due to a delay in finalizing the demolition contract.
19. Housing/Community Services is \$579 below budget primarily due to vacancies and unbudgeted reimbursements for General Fund staff working on grant related activities.
20. Human Resources is \$380 below budget primarily due to salary savings as a result of vacancies.
21. Judiciary is \$553 below budget due to salary savings as a result of vacancies and less than anticipated need for Associated Judges
22. Mayor and Council is \$214 below budget due to savings as a result of vacancies.
23. Non-Departmental is \$3,003 below budget primarily due to savings in the Master Lease program, lower than expected payment related to Tax Increment Financing, and savings in the City's contract wrecker services.
24. Planning and Neighborhood Vitality is \$502 below budget primarily due to vacancies.
25. Sustainable Development and Construction is \$444 below budget primarily due to salary savings as a result of vacancies as well as unbudgeted reimbursements related to an increase in property sales.
26. Trinity Watershed Management is \$105 below budget primarily due to salary savings as a result of vacancies.
27. The Aviation budget was increased by \$4,400 on August 26, 2015 by Ordinance No. 29841 which authorized amendments to the FY 2014-15 Adopted Budget. Aviation revenues are \$7,436 below budget primarily due to a refund to the airlines related to the rates and charges agreements.

NOTES

(Dollars in 000s)

28. The Convention and Event Services budget was increased by \$4,700 on August 26, 2015 by Ordinance No. 29841 which authorized amendments to the FY 2014-15 Adopted Budget. Convention and Event Services revenues are \$4,770 above budget due to higher than projected concession revenues resulting from additional events as well as parking fees and higher alcoholic beverage tax receipts.

29. Sustainable Development and Construction revenues are \$4,236 above budget primarily as a result of increased construction activity as a result of the robust economy.

30. Municipal Radio revenues are \$154 below budget due to the sale of commercials being less than planned. Expenses are \$95 below budget due to vacancies and a reduction in sales commissions.

31. Water Utilities revenues are \$33,757 below budget as a result of reduced water consumption resulting from increased rainfall. Expenses are \$45,516 below budget primarily due to a reduction in the transfer to fund capital projects, savings from revenue bond refunding, and salary savings.

32. Communication and Information Services expenses are \$5,262 below budget primarily due to vacancies and lower than expected debt service payments.

33. The Express Business Center budget was increased by \$45 on August 26, 2015 by Ordinance No. 29841 which authorized amendments to the FY 2014-15 Adopted Budget.

34. Employee Benefits administrative expenses are \$425 below budget primarily as a result of salary savings due to vacancies and lower than expected costs for outside legal consulting related to the Affordable Care Act.

35. Risk Management expenses are \$301 below budget primarily due to vacancies.

36. The 911 Systems Operations budget was increased by \$200 on August 26, 2015 by Ordinance No. 29841 which authorized amendments to the FY 2014-15 Adopted Budget. 9-1-1 System Operations expenses are \$1,289 below budget primarily due to a reduction in the reimbursement to the Police Department.



FINANCIAL MANAGEMENT PERFORMANCE CRITERIA



Year Ending September 30, 2015

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Operating Program Status

Status

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of undesignated fund balance accumulated through prior year surplus. Nonrecurring or one-time revenues should, to the extent possible, only be used for one-time expenditures (expenditures not expected to reoccur and requiring future appropriations) to avoid future shortfalls.

In Compliance

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

In Compliance

The % change in base revenue (from FY 2013-14 to FY 2014-15) was 6.18%

- 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.

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

Base revenues = FY 2013-14 actual revenues
from current tax roll (in 000's) \$ 678,229

FY 2014-15 Actual Ad-Valorem \$ 724,668
Tax Revenue

Less: Voter Mandated-Debt Service \$ (7,610)
Growth from Annexation \$ 0
Growth from New Construction \$ 12,157

Adjusted revenue recommendation: \$ 720,121
% Change from base revenues: 6.18%

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

In Compliance

4. All retirement systems will be financed in a manner to systematically fund liabilities. The City will assure sufficient funds are provided to pay current service plus interest on unfunded liabilities plus amortization of the unfunded liabilities over a programmed period. No less than annual reviews will be provided to Council by the pension funds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Operating Program Status (Continued)

Status

- | | |
|---|---|
| 5. Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits and contributions will be authorized only after meeting the test of actuarial soundness. All health plans should have actuarial reviews performed bi-annually to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims. | In Compliance |
| 6. Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the utility. In addition, each Enterprise Fund and Internal Service Fund should maintain at least 30 days of budgeted operations and maintenance expense in net working capital, and avoid cash deficits. | Not In Compliance
Aviation does not have sufficient fund balance to meet the 30 day guideline. |
| 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 Rese | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Operating Program Status (Continued)

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 proposed expenditure. Additionally, these funds would be used prior to use of the Emergency Reserve funds. Funds shall be allocated each year in the budget process to replace any use of the Contingency Reserve funds during the preceding fiscal year and to maintain the balance of the Contingency Reserve at a level ranging from ½% to 1% of budgeted departmental expenditures.

9. The unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained at a level not less than 30 days of the General Fund operating expenditures less debt service. (The Risk Reserve is not included in this calculation.)

Status

Not in Compliance

The Contingency Reserve ending balance was \$3,101,044 on 9/30/15. The Contingency Reserve will be replenished to \$5,800,000, or .5%, of the General Fund Budget on 10/1/16.

In Compliance

Emergency Reserve 9/30/15 (actual)	\$ 17.6M
Contingency Reserve 9/30/15 (actual)	\$ 3.1M
Fund Balance 9/30/15 (actual)	<u>\$ 113.8M</u>
Combined	\$ 134.5M

\$134.5M is 11.6%, or 42.3 days, of General Fund expenditures (actual)

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Operating Program Status (Continued)

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.

Status

In Compliance

The Risk Reserve was funded at \$1,250,000. The ending balance was \$1,250,000 on 9/30/15.

11. A General Fund liability fund shall be budgeted annually to provide for outstanding and anticipated claims expense and resulting liabilities during the budget year. An individual judgment settlement cap is set at \$5,000,000. The Emergency Reserve will be accessed should the cap be exceeded. An independent actuarial analysis shall be conducted every two years to determine the appropriate level of this fund.

In Compliance

12. Consider the establishment of a Landfill Closure / Post-Closure Reserve to provide for any future potential liabilities. Analysis will be performed periodically to determine appropriate timing and amount of funding needs. Funds could be allocated from an increase in user fees.

Establishment of reserve not recommended at this time.

13. Operating expenditures will be programmed to include current costs of fully maintaining City facilities, including parks, streets, levees, vehicles, buildings, and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term cost of any potential deferred maintenance cost. Normal maintenance will be funded through the operating budget.

Not In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Operating Program Status (Continued)

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.

Status

Not in Compliance

15. An annual review of selected fees and charges will be conducted to determine the extent to which the full cost of associated services is being recovered by revenues. All fees and charges will be reviewed at least once every four years.

In Compliance

A fees and charges study was completed for approximately 1/3 of all fees in FY 2014-15.

Capital and Debt Management

16. Any capital projects financed through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project. (Bonds issued for street resurfacing shall be financed for a period not to exceed 10 years.)

In Compliance

17. The net (non self-supporting) General Obligation (G.O.) Debt of Dallas will not exceed 4% of the true market valuation of the taxable property of Dallas.

In Compliance
1.6%

18. Total direct plus overlapping debt shall be managed so as to not exceed 8% of market valuation of taxable property of Dallas. All debt, which causes total direct plus overlapping debt to exceed 6% of market valuation, shall be carefully planned and coordinated with all overlapping jurisdictions.

In Compliance
4.7%

19. Interest expenses and other capital related expenses incurred prior to actual operation will be capitalized only for facilities of enterprise activities.

In Compliance

20. Average (weighted) General Obligation bond maturities (exclusive of Pension Obligation Bonds) shall be kept at or below 10 years.

In Compliance
6.3 Years

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

<p>21. Annual General Obligation debt service (contribution) including certificates of obligation debt for risk management funding shall not exceed 20% of the total governmental fund expenditures (comprised of general fund, special funds, debt service funds and capital project funds).</p>	<p>In Compliance 12.5%</p>
<p>22. Per Capita General Obligation Debt including Certificates of Obligation, Equipment Acquisition Notes and General Obligation Bonds will be managed to not exceed 10% of the latest authoritative computation of Dallas' per capita annual personal income.</p>	<p>In Compliance 2.7% - Total Debt 2.1% - GO Bond Debt</p>
<p>23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions:</p> <ul style="list-style-type: none"> • 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. 	<p>In Compliance</p>
<p>24. Interest earnings from G.O. Bonds shall be used solely to fund capital expenditures, debt service, or used to fund a reserve for capital contingencies.</p>	<p>In Compliance</p>
<p>25. Certificates of Obligation should be used only to fund tax-supported projects previously approved by the voters; or for risk management funding as authorized by the City Council; or non-tax revenue-supported projects approved by City Council.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

<p>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.</p> <ul style="list-style-type: none"> • All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt. 	<p>In Compliance 1.4%</p>
<p>27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.</p>	<p>In Compliance</p>
<p>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.</p>	<p>In Compliance</p>
<p>29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.</p>	<p>In Compliance</p>
<p>30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.</p>	<p>In Compliance</p>
<p>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.</p>	<p>In Compliance</p>
<p>32. No more than 10% of the property (i.e. parcels) in a Tax Increment Financing zone, excluding property dedicated for public use, may be used for residential purposes. "Residential purposes" includes property occupied by a house, which has less than five living units.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

33. Pursuant to the provisions of the Texas Tax Code, the City creates reinvestment zones both for tax increment financing (“TIF RZ”) and for the tax abatement (“TA RZ”). TA RZs are created for the purpose of granting tax abatement on real or business personal property or both located in the TA RZ. For the FMPC, TIF RZs and TA RZs shall be referred to as Reinvestment Zones (“RZ”).

In Compliance

No RZ can be created if the total property tax base of certain TIF RZs plus the total real property and business personal property tax base (if there is business personal property tax being abated) of TA RZs exceeds 10% of the total tax base (all real and business personal property) of the City. Reinvestment zones that are no longer collecting tax increment or abating taxes (i.e. now contributing 100% to the City of Dallas property tax revenues) will be excluded from the calculation.

34. All PID and TIF proposals, even “pay-as-you-go” projects, will be evaluated for service impact. A five-year fiscal note must accompany any request to establish a PID or TIF including repayment terms of any inter-fund borrowing.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

35. All adopted PID or TIF debt issuances supported by a district's revenues, are subject to the following criteria:

In Compliance

- Coverage Tests - The project should provide for revenues, net of overlapping taxes, of 1.25 times maximum annual debt service requirement. The issuance of TIF bonds may be considered prior to achieving coverage ratio of 1.25 if:
 - a developer or property owner provides a credit enhancement such as a letter of credit or bond insurance from an AAA-rated financial institution for the entire amount of the debt issue; and
 - in the event that there is insufficient TIF increment revenues to retire TIF bonds, which event consequently requires that the credit enhancement mechanism be called upon to service the TIF bonded indebtedness, contingent liability to reimburse a credit-enhancer would be the sole liability of the developer or its affiliates; and
 - in the event that there are changes in the rating of the financial institution providing credit enhancement, then that institution shall be replaced with an AAA-rated financial institution within 90 days; and
 - in the event that no replacement of an AAA-rated institution is provided, no further TIF bonds in advance of the 1.25 coverage ratio will be provided for any additional TIF projects undertaken by the developer or its affiliates.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

- Additional Bonds Test - the project should include an additional bonds test parallel to the coverage test.
- Reserve Fund - the project should include a debt service reserve fund equal to the maximum annual debt service requirements.
- Limitations on amount of PID/TIF Bonds- The total amount of PID/TIF indebtedness will be included and managed as part of the City's overlapping debt, and
- The total amount of PID/TIF debt outstanding should generally not exceed 20% of the City's outstanding general obligation indebtedness.
- PID/TIF bonds should be limited to projects consistent with the City's previously adopted Financial Management Performance Criteria for debt issuance.
- PID bonds should be limited to those projects, which can demonstrate the ability to support the debt either through its own revenues or another pledge source other than ad valorem taxes.
- PID/TIF bond authorizations should remain in effect for no more than five years from the date of City Council approval.

In Compliance

36. All adopted PID or TIF debt issuances must mature on or before the termination date of the respective PID or TIF district and, further, all bonds must also conform to the district's Financial Plan by maturing on or before the plan's projected date by which all district expenses would be paid, including repayment of bonds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Capital and Debt Management (Continued)

Status

- | | |
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| 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. | In Compliance |
| <ul style="list-style-type: none">• 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. | In Compliance |
| 39. Advance refunding 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%. | In Compliance |
| Current refunding transactions should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 3%. | |
| 40. Each Enterprise Fund (where applicable) will maintain fully funded debt service reserves. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2015

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.

Status

In Compliance

The basis of budgeting for all funds essentially follows the basis of accounting (modified accrual for government funds and full accrual for enterprise and internal service funds). The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than assigned, committed, or restricted fund balance (accounting basis); 2) compensated absences (accrued but unused leave) and other long-term liabilities are not reflected in the budget; 3) depreciation expense is not included in the budget; 4) change in fair value of investments is not recognized as income (expenditure) in the budget.

42. An annual audit will be performed by an independent public accounting firm, with the subsequent issue of an official Comprehensive Annual Financial Report (CAFR) within 120 days of the City's fiscal year end.

Not in Compliance

FY 2014-15 CAFR was issued April 28, 2016.

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

In Compliance

Budget

44. Revenues and expenditures will be projected annually for at least three years beyond the current budget projections.

In Compliance

45. Financial systems will be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.

In Compliance

46. Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Budget (Continued)

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.

Status

In Compliance

Cash Management

48. Investments will be made in conformance with the City's investment policy, with the primary objectives of preservation of capital, maintenance of sufficient liquidity and maximization of return on the portfolio.

In Compliance

49. The accounting system and cash forecasting system will provide regular information concerning cash position and investment.

In Compliance

50. Internal Service Funds and Enterprise Funds will maintain positive cash balances.

In Compliance

Grants and Trusts

51. All grants will be managed to comply with the laws, regulations and guidance of the grantor; and all gifts and donations will be managed and expended according to the wishes and instructions of the donor.

In Compliance

52. Prior to acceptance of proposed gifts and donations and governmental grants a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donation or grants meet the strategic goals of the City, and any potential impact of loss of funds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Dallas Water Utilities

Status

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|---|---------------|
| 1. Current revenues will be sufficient to support current expenses including debt service and other obligations of the system. | In Compliance |
| 2. Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses. | In Compliance |
| 3. Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects which result in capital improvements. The authorization of tax-exempt commercial paper will be limited to 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. | In Compliance |
| 4. Contingency reserves will be appropriated at a level sufficient to provide for unanticipated, nonrecurring expenditures. | In Compliance |
| 5. Debt financing for capital projects will not exceed the useful life of the asset, and in no case shall the term exceed 30 years. | In Compliance |
| 6. An unreserved cash balance will be maintained such that it provides a minimum quick ratio of 1.50 and at least 30 days of budgeted expenditures for operations and maintenance in net working capital. | In Compliance |
| 7. Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2015

Dallas Water Utilities (Continued)

Status

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|---|---------------|
| 8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes. | In Compliance |
| 9. Funds available from current rates in each fiscal year for system rehabilitation, replacement, and expansion will be appropriated equal to or more than financial statement depreciation expense reasonably estimated in the same year. | In Compliance |
| 10. Capital financing will be provided through a combination of revenue bonds, current revenues, contributed capital, and short-term debt. An equity to debt ratio of at least 20% should be maintained on all capital projects. | In Compliance |
| 11. Retail cost of service studies will be performed at least every two years and reviewed annually. Rate adjustments will be recommended when required, but, normally, no more frequently than annually. | In Compliance |
| 12. Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement 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 indicates a need therefore. | In Compliance |
| 13. Funds generated by Dallas Water Utilities will be used solely for the development, operation, and maintenance of the water and wastewater utility system. | In Compliance |