

GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT
DALLAS CITY COUNCIL COMMITTEE AGENDA

RECEIVED

2018 JAN 30 AM 11:19

CITY SECRETARY
DALLAS, TEXAS

MONDAY, FEBRUARY 5, 2018
CITY HALL
COUNCIL BRIEFING ROOM, 6ES
1500 MARILLA STREET
DALLAS, TEXAS 75201
2:00 P.M. – 3:30 P.M.

Chair, Councilmember Jennifer S. Gates
Vice-Chair, Councilmember Scott Griggs
Councilmember Sandy Greyson
Councilmember Lee M. Kleinman
Councilmember Philip T. Kingston
Councilmember Tennell Atkins
Councilmember Kevin Felder

Call to Order

1. Consideration of Minutes from the January 16, 2017 Government Performance & Financial Management Committee meeting
2. Consideration of Upcoming Agenda Items for February 14, 2018 City Council Meeting

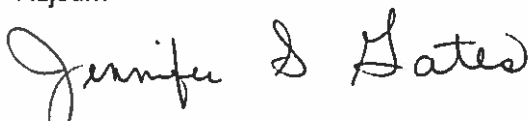
BRIEFINGS

3. Sabine River Authority Escrow Funds & Settlement Options Terry Lowery, Interim Director
Dallas Water Utilities
4. Water & Wastewater Retail Cost Of Service Rate Study Terry Lowery, Interim Director
Dallas Water Utilities
5. Second Quarter Update Craig Kinton, City Auditor

FYI

6. Dallas Love Field Food & Beverage Concessions Program Requests for Proposal

Adjourn



Jennifer S. Gates, Chair
Government Performance & Financial Management Committee

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

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex. Govt. Code §551.089]

Handgun Prohibition Notice for Meetings of Governmental Entities

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."

GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

Meeting Record

Meeting Date: January 16, 2017

Convened: 2:05 pm

Adjourned: 3:30pm

Committee Members Present:

Scott Griggs, Vice Chair
Sandy Greyson

Philip Kingston
Lee Kleinman

Kevin Felder
Tennell Atkins

Committee Members Absent:

Jennifer S. Gates, Chair

Other Council Members Present:

Dwaine Caraway

Staff Present:

Elizabeth Reich
Akilah McLaughlin
Jack Ireland
Janette Weedon
Edward Scott
Mike Frosch

Stephanie Cooper
Corinne Steeger
Filicia Hernandez
Adelia Gonzalez
Zarin Gracey
William Finch

Craig Kinton
Barbara McAninch
David Cossum
Errick Thompson
Obeng Opoku-Acheampong

Others Present:

N/A

AGENDA:

Call to Order

1. **Consideration of the December 4, 2017 Minutes**

Presenter(s): N/A

Information Only: _

Action Taken/Committee Recommendation(s): *Approved*

Motion was made to approve the December 4, 2017 minutes. Motion passed unanimously.

Motion made by: Lee Kleinman

Motion seconded by: Tennell Atkins

GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

Meeting Record

2. Consideration of Upcoming Agenda Items for January 24, 2018 City Council Meeting

Presenter(s): N/A

Information Only:

Action Taken/Committee Recommendation(s): *Approved*

Motion was made to move forward to the City Council on January 24, 2018 items. Motion passed with one opposed (inaudible).

Motion made by: Tennell Atkins

Motion seconded by: Sandy Greyson

Briefings

3. Financial Management Performance Criteria

Presenter(s): Jack Ireland, Director, Office of Budget

Information Only:

Action Taken/Committee Recommendation(s):

Motion was made to change the threshold in FMPC from 20 percent to 15 percent. Motion failed for lack of a second.

Motion made by: Lee Kleinman

Motion seconded by: None

4. Availability and Disparity Study, Scope of Services, and Timeline

Presenter(s): Zarin D. Gracey, Interim Managing Director, Office of Business Diversity

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

FYI

5. Financial Forecast Report (Information as of November 2017)

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

Adjourn

Jennifer S. Gates, Chair
Government Performance & Financial Management Committee

AGENDA ITEM # 23

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: February 14, 2018

COUNCIL DISTRICT(S): All

DEPARTMENT: Office of Procurement Services
Department of Sustainable Development and Construction

CMO: Elizabeth Reich, 670-7804
Majed Al-Ghafry, 670-3302

MAPSCO: N/A

SUBJECT

Authorize **(1)** an acquisition contract for the purchase and installation of two wide-format printers for the Department of Sustainable Development and Construction in the amount of \$36,000; and **(2)** a three-year service contract for maintenance and support of two wide-format printers in the amount of \$7,603 - Stewart Engineering Supply, Inc., lowest responsible bidder of eleven - Total not to exceed \$43,603 - Financing: Building Inspection Current Funds (subject to annual appropriations)

BACKGROUND

These contracts will allow for the purchase, installation, maintenance, and support for two wide-format printers for the Department of Sustainable Development and Construction. The Department of Sustainable Development and Construction operates a central filing office which acts as a library of records for the construction related documents. Citizens and businesses come to the central files office to obtain permits histories and copies of building plans for both commercial and residential properties. The purchase of these two wide-format printers will allow office staff to continue to provide requested print documents in a timely manner.

The purchase and maintenance of this equipment was included as part of a solicitation with other equipment. When evaluating the vendor responses, it was decided that the other equipment was critical and needed to be purchased, administratively. Additionally, the end users wanted more time to fully evaluate the most efficient use of the wide-format printers before purchasing. The purchase of these wide-format printers, the overall dollar amount exceeds the allowable amount that can be awarded administratively therefore, City Council approval is now required for this purchase.

BACKGROUND (continued)

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 1,210 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$10.37, by Resolution No. 15-2141; the selected vendor meets this requirement.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Government Performance & Financial Management Committee will receive this item for consideration on February 5, 2018.

FISCAL INFORMATION

Building Inspection Current Funds - \$43,602.43 (subject to annual appropriations)

M/WBE INFORMATION

- 160 - Vendors contacted
- 160 - No response
 - 0 - Response (Bid)
 - 0 - Response (No Bid)
 - 0 - Successful

The awardee has fulfilled the good faith effort requirements set forth in the Business Inclusion and Development Plan (BID) adopted on October 22, 2008, by Resolution No. 08-2826, as amended.

BID INFORMATION

The Office of Procurement Services received the following bids from solicitation number BU1721. We opened them on July 28, 2017. We recommend the City Council award these contracts to the lowest responsive and responsible bidder by line.

*Denotes successful bidder

BID INFORMATION (continued)

<u>Bidders</u>	<u>Address</u>	<u>Amount</u>
*Stewart Engineering Supply, Inc.	3221 E. Pioneer Pkwy. Arlington, TX 76010	Line 3 - \$43,602.43
Metro-Repro, Inc.	8906 Chancellor Row Dallas, TX 75247	Line 3 - \$49,354.00
Stewart Engineering Supply, Inc. Alternate 2	3221 E. Pioneer Pkwy. Arlington, TX 76010	Line 3 - \$54,851.84
Archive Supplies, Inc.	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$58,498.00
Archive Supplies, Inc. Alternate 3	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$58,498.00
Archive Supplies, Inc. Alternate 5	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$58,498.00
NovaCopy, Inc.	4251 W. Carpenter Fwy. Irving, TX 75063	Line 3 - \$68,334.00
Archive Supplies, Inc. Alternate 2	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$80,498.00
Archive Supplies, Inc. Alternate 4	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$80,498.00
Archive Supplies, Inc. Alternate 6	8925 Sterling St. Suite 150 Irving, TX 75063	Line 3 - \$80,498.00
Databank	1421 Patton Place Suite 200 Carrollton, TX 75007	Line 3 - no bid

OWNER

Stewart Engineering Supply, Inc.

Jeff Stewart, President

Kathleen Stewart, Vice President

AGENDA ITEM # 24

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: February 14, 2018

COUNCIL DISTRICT(S): All

DEPARTMENT: Office of Procurement Services
Department of Communication and Information Services

CMO: Elizabeth Reich, 670-7804
Jody Puckett, 670-3390

MAPSCO: N/A

SUBJECT

Authorize a three-year acquisition contract for the purchase of enterprise software licenses and maintenance for Geographic Information System software - ESRI, Inc., sole source - Not to exceed \$1,770,300 - Financing: Communication and Information Services Current Funds (subject to annual appropriations)

BACKGROUND

This action does not encumber funds; the purpose of a service contract is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This acquisition contract will provide for the purchase of enterprise software licenses and maintenance for Geographic Information System (GIS) software to support the management, development, and distribution of GIS data. GIS software enables the City to store, edit, analyze, publish (both internally and externally) geographic data. The enterprise license agreement will consolidate current individual GIS software licenses into a single city-wide agreement. This single city-wide agreement will provide efficiencies in managing City owned licenses at a lower cost than the current GIS software arrangement. Maintenance and support includes software upgrades to current releases of software, service packs, patches, and technical support.

The City will have access to consulting services, premium technical support, and training, which can be leveraged to perform a variety of activities such as:

BACKGROUND (continued)

- Conduct a review of the current GIS environment, capabilities, and targeted objectives
- Provide recommendations for implementation, potential growth, or expansion of GIS enabled workflows across operations and technology environments
- Engaging with subject matter experts to discuss, plan, and/or demonstrate key concepts and capabilities
- Technical support to assist with mission critical workflows and applications

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

PRIOR ACTION/REVIEW (COUNCIL BOARDS, COMMISSIONS)

On February 25, 2015, City Council authorized a five-year service contract for Geographic Information System software maintenance with Environmental Systems Research Institute, Inc. by Resolution No. 15-0338.

The Government Performance & Financial Management Committee will receive this item for consideration on February 5, 2018.

FISCAL INFORMATION

Communication and Information Services Current Funds - \$1,770,300 (subject to annual appropriations)

M/WBE INFORMATION

The Office of Procurement Services did not contact any M/WBE or other vendors for this item because the recommended awardee has the exclusive licensing rights and is the sole source provider.

The awardee has fulfilled the good faith effort requirements set forth in the Business Inclusion and Development Plan (BID) adopted on October 22, 2008, by Resolution No. 08-2826, as amended.

BID INFORMATION

<u>Bidder</u>	<u>Address</u>	<u>Amount</u>
ESRI, Inc.	380 New York Street Redland, CA 92373	\$1,770,300

Note: The Office of Procurement Services conducted a sole source review and found no exceptions.

OWNER

ESRI, Inc.

Jack Dangermond, President
Laura Dangermond, Vice President

AGENDA ITEM # 25

**STRATEGIC
PRIORITY:**

Government Performance and Financial Management

AGENDA DATE:

February 14, 2018

COUNCIL DISTRICT(S):

1, 2, 6, 14

DEPARTMENT:

Office of Procurement Services
Department of Convention and Event Services
Department of Equipment and Building Services

CMO:

Elizabeth Reich, 670-7804
Joey Zapata, 670-3009
Jody Puckett, 670-3390

MAPSCO:

44 S 45 L 45 P 45 Q 45 U 46 J 54 H

SUBJECT

Authorize two four-year concession contracts, with two one-year renewal options, for the installation, operation, and maintenance of automated teller machines at various City facilities - Metro Games, Inc. minimum annual guarantee \$13,830 and Choice ATM Enterprises, Inc. minimum annual guarantee \$14,000, highest responsible bidders of three - Total Minimum Annual Guarantee: \$27,830

BACKGROUND

These concession contracts will allow for the continuance of installation, operation, and maintenance services of automated teller machines (ATM's) for the use of City employees and patrons who visit City facilities. Continuing ATM services at strategic locations provides a convenient way for patrons to access cash for the payment of fees and fines. These facilities include:

- City Hall
- Oak Cliff Municipal Center
- Jack Evans Police Headquarters
- Police Auto Pound
- Central Library
- Municipal Court
- Marshal's Office
- Majestic Theater

BACKGROUND (continued)

ATM's will also be located at the Kay Bailey Hutchison Convention Center Dallas. These ATM's will be provided for the convenience of visitors attending events such as conferences, meetings, exhibitions, and sporting events. Additional ATM's may be requested on an as-needed basis to cover larger events.

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 287 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 26, 2010, City Council authorized a four-year concession contract, with three one-year renewal options, for automated teller machines at City Hall, Oak Cliff Municipal Center, and Jack Evans Police Headquarters with Choice ATM Enterprises, Inc. by Resolution No. 10-2731.

On October 24, 2012, City Council authorized a five-year concession contract for the installation, operation, and maintenance of automated teller machines at the Police Auto Pound, Farmers Market, Municipal Court, and Central Library with Metro Route Services by Resolution No. 12-2656.

The Government Performance & Financial Management Committee will receive this item for consideration on February 5, 2018.

FISCAL INFORMATION

Minimum Annual Guarantee - \$27,830

M/WBE INFORMATION

287 - Vendors contacted
287 - No response
0 - Response (Bid)
0 - Response (No Bid)
0 - Successful

The awardees have fulfilled the good faith requirements set forth in the Business Inclusion and Development Plan adopted by Resolution No. 08-2826, as amended.

BID INFORMATION

The Office of Procurement Services received the following bids from solicitation number BKZ1717. We opened them on November 3, 2017. We recommend the City Council award these concession contracts to the highest responsible bidders to the City by group.

*Denotes successful bidders

<u>Bidders</u>	<u>Address</u>	<u>Amount</u>
*Metro Games, Inc.	3419 Royalty Row Irving, TX 75062	Group 1 - \$13,830 Group 2 - \$10,000
*Choice ATM Enterprises, Inc.	2000 E. Lamar Blvd. Suite 750 Arlington, TX 76006	Group 1 - \$11,950 Group 2 - \$14,000
U.S. Bank	7206 N. Terra Vista Dr. Peoria, IL 61614	Group 1 - No Bid Group 2 - \$1,800

OWNERS

Metro Games, Inc.

Ron Adams, President

Choice ATM Enterprises, Inc.

John Di Palma, President

AGENDA ITEM # 26

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: February 14, 2018

COUNCIL DISTRICT(S): 2

DEPARTMENT: Office of Procurement Services
Department of Aviation

CMO: Elizabeth Reich, 670-7804
Jody Puckett, 670-3390

MAPSCO: 34 E

SUBJECT

Authorize the purchase of one regenerative air sweeper with Tymco International through the Houston-Galveston Area Council of Governments - Not to exceed \$120,580 - Financing: Aviation Current Funds

BACKGROUND

This item will allow for the purchase of one regenerative air sweeper to be used by Aviation.

The regenerative air sweeper will be used at Dallas Love Field to eliminate debris on paved surfaces, within the aircraft operations area, which could be ingested by aircraft engine turbines and cause mechanical failure.

The Houston-Galveston Area Council of Governments agreements are authorized by Chapter 791 of the Texas Government Code and Subchapter F, Chapter 271, Texas Local Government Code. Section 271.102 of the Texas Local Government Code authorizes a local government to participate in a Cooperative Purchasing Program with another local government or a local cooperative organization.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Government Performance & Financial Management Committee will receive this item for consideration on February 5, 2018.

FISCAL INFORMATION

Aviation Current Funds - \$120,580

OWNER

Tymco International

Kenneth J. Young, President
Gary B. Young, Vice President

AGENDA ITEM # 27

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: February 14, 2018

COUNCIL DISTRICT(S): N/A

DEPARTMENT: Office of Procurement Services
Police Department

CMO: Elizabeth Reich, 670-7804
Jon Fortune, 670-1204

MAPSCO: N/A

SUBJECT

Authorize the sale of one 2016 GMC Sierra pickup through a public auction on January 17, 2018, to Monica Acosta, highest bidder - Revenue: \$20,250

BACKGROUND

This action seeks approval to sell one 2016 GMC Sierra pickup which was publicly auctioned on January 17, 2018. The vehicle was part of a normal auction of impounded vehicles from the Police Department auto pound.

The City used its current contract auctioneer, Lone Star Auctioneers, Inc., to auction this equipment. The auctioneer charges a buyer's premium instead of the City paying a fee.

Dallas City Code 2-37.4 requires that when the highest bid for property is more than \$20,000.00, the sale to the highest bidder must be confirmed by City Council.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Government Performance & Financial Management Committee will receive this item for consideration on February 5, 2018.

FISCAL INFORMATION

Revenue - \$20,250

BID INFORMATION

The following bid was received at public auction on January 17, 2018.

*Denotes successful bidder

<u>Bidder</u>	<u>Address</u>	<u>Amount</u>
*Monica Acosta	2333 Dyson Dallas, TX 75215	\$20,250

OWNER

Monica Acosta, Individual

Memorandum



CITY OF DALLAS

DATE January 29, 2018

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Sabine River Authority Escrow Funds and Settlement Options**

On Monday, February 5, 2018, Dallas Water Utilities will brief the Government Performance & Financial Management Committee on the Sabine River Authority Escrow Funds and Settlement Options. I have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Sabine River Authority Escrow Funds and Settlement Options

**Government Performance
and Financial Management
Committee**

February 5, 2018

**Terry S. Lowery
Director (Interim)
Dallas Water Utilities**



City of Dallas

Purpose

- Provide information on the Sabine River Authority Lake Fork Rate Dispute Settlement Agreement and the disposition of the escrow fund
- Provide recommendations for:
 - Smoothing future rate increase impacts for retail customers
 - Resolution of settle-up with wholesale customers

Background

- Lake Fork is owned and operated by the Sabine River Authority (SRA)
- A 1981 Water Supply Contract entitled Dallas to 74% of the dependable yield of the lake
- Contract language for 2014 renewal included “mutually agreed upon” compensation to the SRA in addition to the current annual O&M payments
- Despite extensive negotiations, agreement was not reached between the SRA and the City of Dallas



Background (continued)

- The SRA Board of Directors set an arbitrary rate in October 2014, increasing costs by \$24.1M per year
- The City filed a case at the Public Utilities Commission
 - Lawsuits were also filed in Travis County and Orange County
- The administrative law judge set an interim rate and entered the order to establish an escrow fund
- A settlement agreement was approved by the Dallas City Council on Oct. 11, 2017 and by the SRA Board of Directors on Oct. 12, 2017

Highlights of the Settlement Agreement

- Annual payment to SRA
 - SRA in-basin rate on 120,000 acre-feet/year
 - SRA out-of-basin rate on a minimum use or on actual use if higher than minimum
 - Rates adjusted annually based on average municipal bond rate capped at 5.5%
- Transfer rights to 11,860 acre-feet to SRA
 - Water cannot leave Sabine River Basin
 - This transfer results in a reduction of about \$300,000 in the annual service charge

Highlights (continued)

- Transport SRA's Lake Fork water to Lake Tawakoni using Dallas Water Utilities' pipeline
 - SRA will pay electric costs for pumping water
- Amend contract section 6.02
- Release escrow money to SRA for pre-settlement expenses with the balance to be held as a credit against future annual payments

Escrow Fund Status

- As of Sept. 30, 2017, the escrow fund had a balance of \$68,686,362.53 with a final payment of \$2,009,768 made in October 2017
- Pre-settlement amount of \$23,374,885.08 was payable to SRA
- Balance of approximately \$47.3M and any accrued interest will be used for payments in the following fiscal years until depleted

Who Funded the Escrow Account?

- Escrow fund expenses were paid in FY15-17 and included in the current year's budget
- Retail customers paid their share of the costs in FY16, FY17 and the current 2018 rates
- Wholesale customers paid their contractual share of those costs in FY16 and FY17 and the current 2018 rates

Escrow Fund Settlement Impacts

- FY18 operating budget expenses will be reduced by \$24.1M due to the settlement
 - Reduction in expenses will be used to smooth future rate increase needs
- Beginning in FY18, costs for SRA's additional compensation will average \$9.2M through FY22
- Payment will be made from the remaining escrow fund until depleted
- Balance projected to cover payments for an additional 5-6 years

Impacts to Retail Customers

- Payments from remaining escrow fund will reduce annual revenue needs by \$8-10M until depleted
- Wholesale customers' continued payment of post-settlement costs through rates will reduce the retail revenue requirement by approximately \$3.7M annually
- Smooths proposed retail rate increases

	FY19	FY20	FY21	FY22	Average
August 2017 Outlook	2.8%	3.1%	3.2%	1.5%	2.7%
Post-Settlement Revised Outlook	0%	0%	2.6%	2.4%	1.3%

Impacts to Wholesale Customers

- Wholesale rates have included their contractual share of the escrow payments, an annual amount of about \$10M
- The annual cost difference between wholesale rates with full escrow and with settlement is about \$6.3M
- Wholesale customers will continue to pay their share of post-settlement costs through cost of service studies, approximately \$3.7M annually
- Individual wholesale customers will receive a credit in FY19-21 based on their actual payments
 - Total annual credits are about \$6.3M

Next Steps and Timing

- Finalize accounting steps to track this process with City Controller's Office
- Include in budget proposal for FY19 Operating Budget
- Notify wholesale customers of the recommended process in February 2018

Sabine River Authority Escrow Funds and Settlement Options

**Government Performance
and Financial Management
Committee**

February 5, 2018

**Terry S. Lowery
Director (Interim)
Dallas Water Utilities**



City of Dallas

Memorandum



CITY OF DALLAS

DATE January 29, 2018

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Water and Wastewater Retail Cost of Service Rate Study**

On Monday, February 5, 2018, Dallas Water Utilities will brief the Government Performance & Financial Management Committee on the Water and Wastewater Retail Cost of Service Rate Study. I have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
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Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Water and Wastewater Retail Cost of Service Rate Study

Government Performance
and Financial Management
Committee

February 5, 2018

Terry S. Lowery
Director (Interim)
Dallas Water Utilities

Rick Giardina, CPA
Executive Vice President
Raftelis Financial
Consultants, Inc.



City of Dallas

Purpose

- Provide background on the comprehensive retail cost of service study and rate model
- Provide results of the study, recommended cost allocations and alternative residential rate structure
- Receive Committee input on recommendations for updated cost of service and rate structure

Background

- A comprehensive water and wastewater retail cost of service study has not been performed since 2002
- The success of the City of Dallas Water Conservation Program has resulted in changes in water consumption patterns and customer demands
- A new initiative for the 2016 Water Conservation Work Plan included the need for an update to the retail cost of service and rate model including:
 - An evaluation of current cost allocations between customer classes
 - An examination of rate structure, including additional tiers for some or all customer classes

3



Cost of Service Study Scope of Work

Perform a comprehensive water and wastewater retail cost of service study to evaluate the following for appropriateness and provide alternatives:

- Allocation of fixed and variable costs (customer charge/volume charge)
- Allocation of costs between retail classes to reflect current system usage
- Existing rate structures including:
 - Number of water rate tiers and current volumetric thresholds
 - Wastewater rate structure, including an overall unit rate for all classes
- Current customer classes to include consolidation or addition of one or more classes

4

Scope of Work, continued

- Calculate impacts to customers and revenue recovery from alternative rate structures to ensure equitable recovery of costs from different customer classes
- Benchmarking as a basis of comparison for selected metrics
- Develop a cost of service and rate model compatible with DWU's existing wholesale cost of service model
- Implement rates in the City's billing system if applicable

5

Study Conducted by Raftelis Team

- Consulting team hired in 2017 and led by Raftelis Financial Consultants, Inc.



IN ASSOCIATION WITH



- Leaders in the industry



AWWA



WEF



EPA

Raftelis Financial Consultants, Inc.

we wrote
THE BOOK



with
70 + **UTILITY FINANCIAL/RATE CONSULTANTS,**
RAFTELIS HAS THE **LARGEST PRACTICE IN THE NATION.**

Identifying Rate Study Objectives

The rate structure should account for:

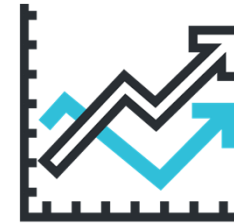
- **Equity:** Recover costs from users in proportion to their use of the system
- **Revenue Stability:** Provide for a steady and predictable stream of revenues
- **Rate Stability:** Minimize adverse rate impacts on and within each customer class
- **Conservation/Demand Management:** Encourage efficient water use; assist in managing system demand

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Achieving Rate Study Objectives



Update and analyze cost of service for water and wastewater retail services and consider alternative rate structure to address changes in cost of service



Develop new water and wastewater retail cost of service rate model for DWU's future use

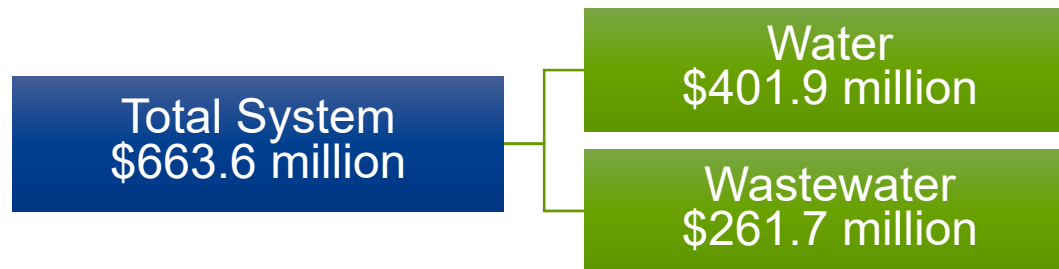
History of DWU Rate-Setting Practice

- Previous rate model developed in 2002
- Cost of service consistent with AWWA Manual M-1 and industry practices
- Rates reflect system characteristics and DWU objectives
- Annually updated by DWU staff
- Used to determine annual rate increases with COS outputs

10

FY 2019 Revenue Requirements

- Total system revenue requirements
 - Proposed FY 2019 budget
 - Incorporates recent reduction in raw water costs as a result of SRA settlement
 - Results in overall reduction of revenue needs
- Allocation of gross revenue requirements:



11

Net Retail Rate Revenue Requirements

(in millions)

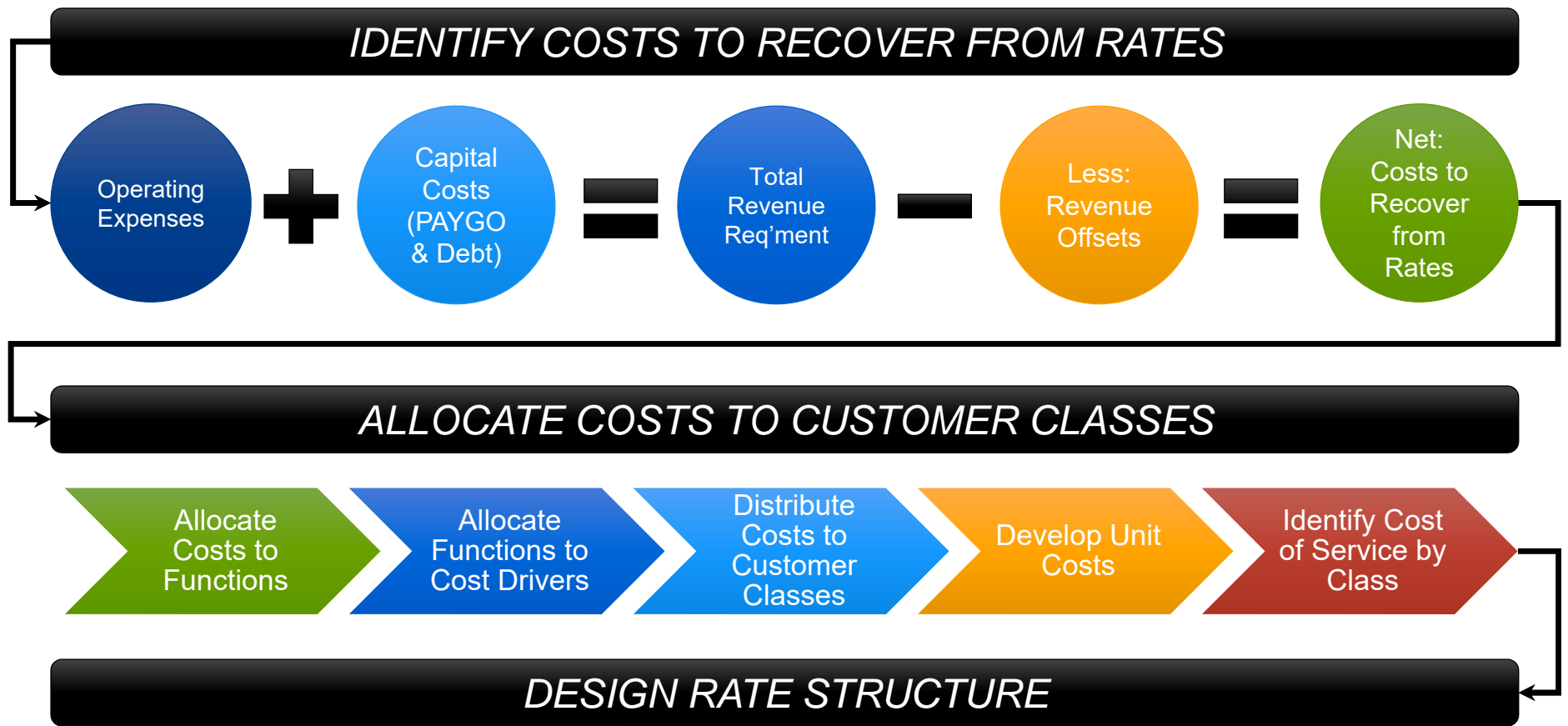
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Total Gross Revenue Requirements	\$401.9	\$261.7	\$663.6
Less:			
Wholesale	\$92.0	\$12.0	\$104.0
All Other Revenue	12.3	15.3	27.5
Net Retail Rate Revenue Requirements	\$297.6	\$234.4	\$532.0

Conduct Customer Class Cost of Service Analysis

By Customer Class

Residential	?	?	?
General Services	?	?	?
Optional General Services	?	?	?
Total of Net Rate Revenue Requirement:	\$297.6	\$234.4	\$532.0

Cost of Service Process



Net Retail Rate Revenue Requirements

(in millions)

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Total Gross Revenue Requirements	\$401.9	\$261.7	\$663.6
Less:			
Wholesale	\$92.0	\$12.0	\$104.0
All Other Revenue	12.3	15.3	27.5
Net Retail Rate Revenue Requirements	\$297.6	\$234.4	\$532.0

Results of Customer Class Cost of Service Analysis

By Customer Class

Residential	\$130.9	\$96.7	\$227.6
General Services	150.2	133.3	283.5
Optional General Services	16.5	4.4	20.9
Total of Net Rate Revenue Requirement:	\$297.6	\$234.4	\$532.0

Revenue Comparison at Existing Rates

By Customer Class	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Residential			
Revenue at Existing Rates (FY 2018)	\$133.6	\$97.0	\$230.6
Net Adjusted Revenue Requirements	130.9	96.7	227.6
<i>Rate Revenue Increase/(Decrease)</i>	<i>-2.0%</i>	<i>-0.3%</i>	<i>-1.3%</i>
General Services			
Revenue at Existing Rates (FY 2018)	\$151.1	\$133.8	\$284.9
Net Adjusted Revenue Requirements	150.2	133.3	283.5
Increase/(Decrease)	-0.6%	-0.4%	-0.5%
Optional General Services			
Revenue at Existing Rates (FY 2018)	\$16.1	\$4.3	\$20.4
Net Adjusted Revenue Requirements	16.5	4.4	20.9
Increase/(Decrease)	2.5%	2.6%	2.5%
Combined Retail Classes			
Revenue at Existing Rates (FY 2018)	\$300.8	\$235.1	\$535.9
Net Adjusted Revenue Requirements	\$297.6	\$234.4	\$532.0
Increase/(Decrease)	-1.0%	-0.3%	-0.7%

Why Do Some Customers Pay More for Water Service than Others?

Customer classes with higher peaking profiles responsible for larger portion of peak use facilities costs

- Residential
- General Services
- Optional General Services



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Why Do Some Customers Pay More for Wastewater Service than Others?

- A small subset of customers with higher strength effluent pay a surcharge rate
- For customer classes, inflow and infiltration (I&I) is the primary differentiator
 - $\frac{1}{2}$ of I&I costs allocated by connection (account)
 - $\frac{1}{2}$ of I&I costs allocated by flow



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Rate Design

- Allows the utility to recover the revenue required from each customer class to achieve specific policy objectives
 - Broad latitude to implement desired rate designs
-

- Water rate structure
 - Alternatives were considered for the residential class
 - No change in rate structures for other classes
- Wastewater rate structure
 - No change

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Existing Customer Charges

Customer Charge			
Meter Size	Water	Sewer	Total
5/8"*	\$5.33	\$4.78	\$10.11
3/4"	\$7.40	\$6.55	\$13.95
1"	\$10.78	\$9.45	\$20.23
1 1/2"	\$20.00	\$18.30	\$38.30
2"	\$32.54	\$28.50	\$61.04
3"	\$77.00	\$69.50	\$146.50
4"	\$126.62	\$111.42	\$238.04
6"	\$251.45	\$219.31	\$470.76
8"	\$418.53	\$366.09	\$784.62
10" or larger	\$642.66	\$575.21	\$1,217.87

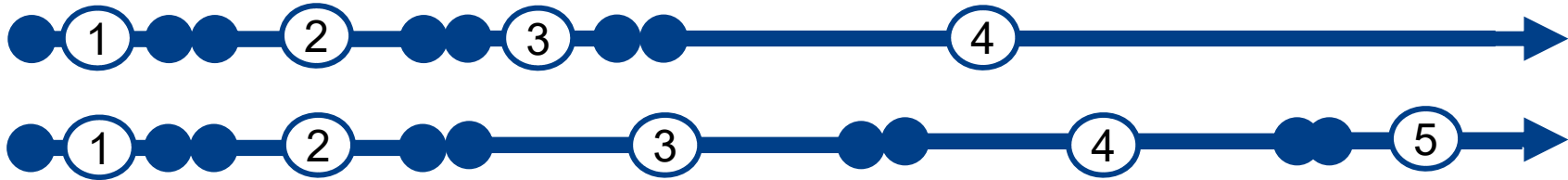
* 5/8 is the typical residential customer size

Existing Volumetric Rates

	Water	Sewer
Residential	(User Rate per 1,000 gallons)	
Up to 4,000 gallons	\$1.92	\$5.38
4,001 to 10,000 gallons	\$4.34	\$5.38
10,001 to 15,000 gallons	\$6.20	\$5.38
Above 15,000 gallons	\$8.75	\$5.38
General Services		
Up to 10,000 gallons	\$3.76	\$4.17
Above 10,000 gallons	\$4.08	\$4.17
Above 10,000 gallons & 1.4x annual average monthly usage	\$6.20	\$4.17
Optional General Services		
1st million gallons or less (minimum)	\$2,231.50	\$3.75
Above 1 million gals. (per 1,000 gals.)	\$3.15	\$3.75
Sewer metered separately		\$3.80

Proposed Residential Rate Structure

Existing Rate Structure Tiers



Proposed Rate Structure Tiers

EXISTING RATE STRUCTURE

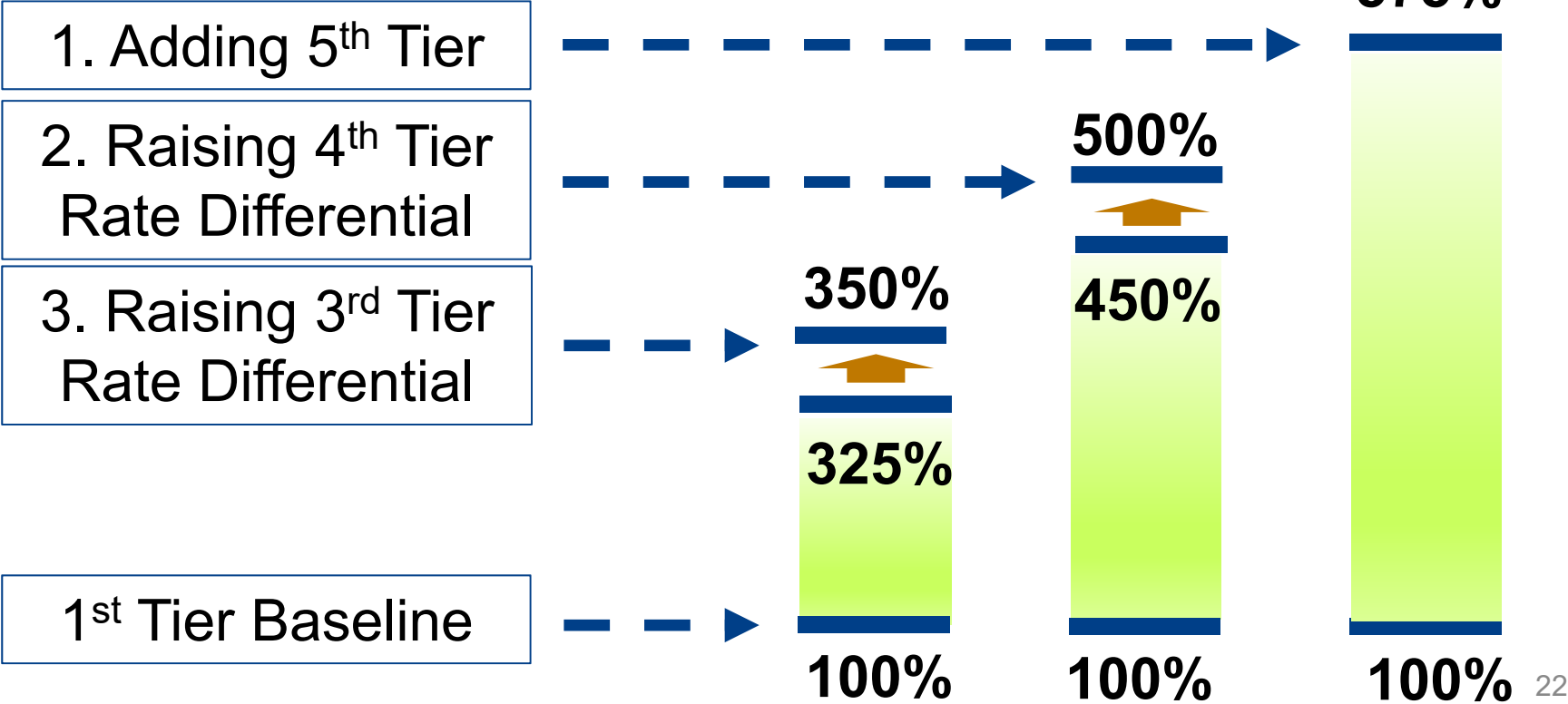
- Tier 1: 0 – 4,000 gallons
- Tier 2: 4,001 – 10,000 gallons
- Tier 3: 10,001 – 15,000 gallons
- Tier 4: Above 15,000 gallons

PROPOSED RATE STRUCTURE

- Tier 1: 0 – 4,000 gallons
- Tier 2: 4,001 – 10,000 gallons
- Tier 3: 10,001 – 20,000 gallons
- Tier 4: 20,001 – 30,000 gallons
- Tier 5: Above 30,000 gallons

Tier 5 Rate – 575% of Tier 1

Rate Differentials Used to Calculate Rates

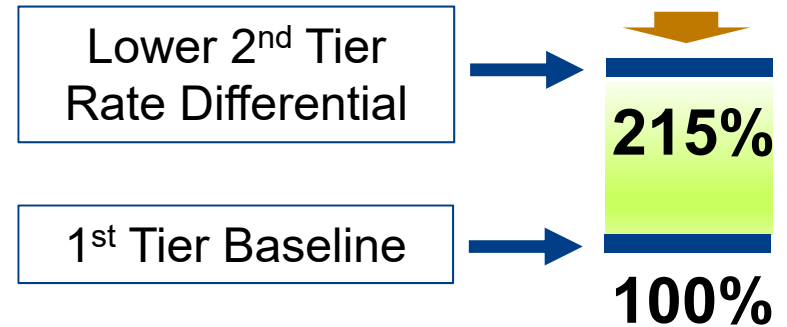


Areas to Balance Conservation Pricing

1. Tier 1 Rate

Tier 1 rate is lower to assist with affordability.

2. Tier 2 Rate



3. Expanding Tier 3 Volumetrically

Existing Rate Structure



Tier 3: 10,001 – 15,000 gallons
to
Tier 3: 10,001 – 20,000 gallons

Proposed Rate Structure



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Proposed Customer Charges – No Change from Existing

Customer Charge			
Meter Size	Water	Sewer	Total
5/8"*	\$5.33	\$4.78	\$10.11
3/4"	\$7.40	\$6.55	\$13.95
1"	\$10.78	\$9.45	\$20.23
1 1/2"	\$20.00	\$18.30	\$38.30
2"	\$32.54	\$28.50	\$61.04
3"	\$77.00	\$69.50	\$146.50
4"	\$126.62	\$111.42	\$238.04
6"	\$251.45	\$219.31	\$470.76
8"	\$418.53	\$366.09	\$784.62
10" or larger	\$642.66	\$575.21	\$1,217.87

* 5/8 is the typical residential customer size

Proposed Water Volumetric Rates

		Water Rates (User Rate per 1,000 gallons)			
Residential		<i>Existing</i>	<i>Proposed</i>	Proposed Residential	
Up to 4,000 gallons		\$1.92	\$1.86	Up to 4,000 gallons	
4,001 to 10,000 gallons		\$4.34	\$4.00	4,001 to 10,000 gallons	
10,001 to 15,000 gallons		\$6.20	\$6.50	10,001 to 20,000 gallons	
Above 15,000 gallons		\$8.75	\$9.30	20,001 to 30,000 gallons	
			\$10.70	Above 30,000 gallons	
General Services					
Up to 10,000 gallons		\$3.76	\$3.73		
Above 10,000 gallons		\$4.08	\$4.05		
Above 10,000 gallons & 1.4x annual average monthly usage		\$6.20	\$6.16		
Optional General Services					
1st million gallons or less (minimum)		\$2,231.50	\$2,287.29		
Above 1 million gals. (per 1,000 gals.)		\$3.15	\$3.24		
Sewer metered separately		N/A	N/A		

Proposed Sewer Volumetric Rates

		Sewer Rates (User Rate per 1,000 gallons)			
Residential		<i>Existing</i>	<i>Proposed</i>	Proposed Residential	
Up to 4,000 gallons	\$5.38	\$5.36	Up to 4,000 gallons		
4,001 to 10,000 gallons	\$5.38	\$5.36	4,001 to 10,000 gallons		
10,001 to 15,000 gallons	\$5.38	\$5.36	10,001 to 20,000 gallons		
Above 15,000 gallons	\$5.38	\$5.36	20,001 to 30,000 gallons		
		\$5.36	Above 30,000 gallons		
General Services					
Up to 10,000 gallons	\$4.17	\$4.15			
Above 10,000 gallons	\$4.17	\$4.15			
Above 10,000 gallons & 1.4x annual average monthly usage	\$4.17	\$4.15			
Optional General Services					
1st million gallons or less (minimum)	\$3.75	\$3.86			
Above 1 million gals. (per 1,000 gals.)	\$3.75	\$3.86			
Sewer Metered Separately	\$3.80	\$3.91			

Customer Impact Analysis – Residential

Residential Tier	Monthly Usage (gallons)	Monthly Bill (FY 2018 Rates)	Monthly Bill (FY 2019 Rates)	\$ Change	% Change	% of Customers in Tier
0 to 4,000 gallons	2,300	\$26.90	\$26.72	-\$0.18 ^a	-0.7%	36.4%
4,001 to 10,000 gallons	6,400	\$58.87	\$57.70	-\$1.17 ^b	-2.0%	40.4%
10,001 to 20,000 gallons	13,700	\$97.44	\$96.16	-\$1.28 ^c	-1.3%	15.4%
20,001 to 30,000 gallons	23,800	\$182.50	\$172.47	-\$10.03 ^d	-5.5%	4.3%
Above 30,000 gallons	51,800	\$427.50	\$463.39	\$35.89 ^e	8.4%	3.5%

Data based on January 2016 through December 2016 usage

^a Average water and sewer use: 2,300 gallons

^b Average water use 6,400 gallons and sewer use: 5,700 gallons

^c Average water use 13,700 gallons and sewer use: 5,700 gallons

^d Average water use 23,800 gallons and sewer use: 5,700 gallons

^e Average water use 51,800 gallons and sewer use: 5,700 gallons

Revenue Stability Considerations

- Measured based on fixed revenue from customer charges
 - With overall revenue reduction, no change in customer charge revenue – remains at current FY 2018 levels of 12.2% of total retail rate revenue
- 10% volumetric elasticity for new Tier 5 volume is included in rate determination

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thank
YOU

CONTACT

Rick Giardina, CPA: 303.305.1136 / rgiardina@raftelis.com

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Next Steps

- Council Committee
 - Consideration of alternative residential water rate structure
 - Provide feedback and direction for DWU staff and consulting team
- Consulting team
 - Finalize analysis based on feedback
 - Train DWU staff on new COS Rate Model for future use
- Final recommendations to be included in FY 2018-19 Operating Budget to be effective October 1, 2018

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Water and Wastewater Retail Cost of Service Rate Study

**Government Performance
and Financial Management
Committee**

February 5, 2018

**Terry S. Lowery
Director (Interim)
Dallas Water Utilities**

**Rick Giardina, CPA
Executive Vice President
Raftelis Financial
Consultants, Inc.**



City of Dallas

Memorandum



CITY OF DALLAS

DATE: January 29, 2018

TO: Honorable Members of the Government Performance and Financial Management Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT: Office of the City Auditor Fiscal Year 2018 – Second Quarter Update

I will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, February 5, 2018 regarding:

- Office of the City Auditor Fiscal Year 2018 – Second Quarter Update

Sincerely,

A handwritten signature in black ink that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
M. Elizabeth Reich, Chief Financial Officer
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Office of the City Auditor – Fiscal Year 2018 Second Quarter Update

**Government Performance and
Financial Management Committee
February 5, 2018**

**Craig D. Kinton, City Auditor
Office of the City Auditor
City of Dallas**



Audit and Attestation Services Reports Issued

(First Quarter Fiscal Year 2018 through January 26, 2018)

- **Performance Audits**

- Construction-Related Procurements
- MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees
- Follow-up of Line-of-Duty Death Report Recommendations
- Homeless Response System Effectiveness
- Special Audit of the Accounts of Four Former City Council Members

- **Attestation Engagement**

- Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$206,700,000

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Construction-Related Procurements

Release Date: October 20, 2017

Objective: Determine the effectiveness of internal controls for construction-related procurements

Scope: Fiscal Year (FY) 2014 through FY 2015

Conclusion: The Department of Dallas Water Utilities (DWU), one of six City of Dallas (City) departments with construction procurement authority, had well documented internal controls in place and supporting documentation to demonstrate Administrative Directive 4-05, *Contracting Policy (AD 4-05)* was consistently followed. The City, however, does not have sufficient internal controls to ensure that all departments consistently follow AD 4-05.

Construction-Related Procurements

Conclusion (continued)

Specifically:

- The remaining five departments with construction procurement authority either: (1) had no formal policies and procedures; (2) the existing policies and procedures were inaccurate, inconsistent, incomplete or out of date; or, (3) did not have sufficient documentation to demonstrate appropriate procurement steps were followed
- The practices of the Department of Public Works (PBW), Department of Trinity Watershed Management (TWM), and the Department of Park and Recreation (PKR) resulted in the distribution of professional services contracts among multiple firms that were not transparent, consistent, documented nor compliant with AD 4-05
- The PBW, TWM, and PKR did not adequately document the department Directors' reasoning for selecting firms when the professional services procurement selection process resulted in a tie or when the firm selected was not the most highly qualified firm recommended by the selection committee



Construction-Related Procurements

We recommended the City:

- Requires all departments involved in construction-related procurements adopt uniform internal control best practices, such as those used by DWU, to ensure compliance with State of Texas laws and AD 4-05
- Ensures the City departments authorized to conduct construction-related procurements have formal policies and procedures
- Ensures the Director of the Office of Procurement Services (OPS) develops formal policies and procedures that describe OPS' responsibilities for facilitating construction-related procurements
- Ensures City departments authorized to conduct construction-related procurements and OPS implement internal controls needed to ensure AD 4-05 is uniformly followed
- Ensures City departments, in collaboration with the City Attorney's Office, develop internal controls to ensure distributing the work practices are transparent, consistent, documented and comply with AD 4-05
- Ensures policies and procedures are developed to require department Directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) the firm selected is not the most highly qualified firm recommended by the selection committee

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MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts

Release Date: November 3, 2017

Objective: Determine whether the fees associated with MuniServices, LLC's identification of incorrectly remitted sales / use tax for FY 2017 were accurate and supported by the Texas State Comptroller of Public Accounts

Scope: October 1, 2016 to September 30, 2017

Conclusions: Verified \$814,270 in sales tax receipts collections that MuniServices, LLC identified as owed to the City from businesses operating in the City and verified the accuracy of \$241,244 in MuniServices, LLC invoices received for the period

Recommendations: (None)

Follow-up of Line-of-Duty Death Report Recommendations

- Release Date:** December 8, 2017
- Objective:** Determine implementation status of recommendations resulting from line-of-duty death reports
- Scope:** May 2013 to December 2017
- Conclusions:** Implementation of recommendations produced significant improvements in Department of Dallas Fire-Rescue's (DFR): (1) Departmental procedures; (2) Training program; and, (3) Post-incident analysis. The sustainability of improvements depends, however, upon DFR's Training program and DFR's ability to identify Officer, Member, and Command Technician training needs, monitor participation, analyze the benefits, and adjust training accordingly



Follow-up of Line-of-Duty Death Report Recommendations

We recommended the City:

- Improves DFR's capabilities for monitoring training attendance and assessment of the training curriculum
- Requires documentation of attendance at every training exercise
- Revises the language used in all DFR communications to ensure consistent use of terminology
- Continues consideration of implementation of the recommendation to monitor fireground tactical channel

Homeless Response System Effectiveness

Release Date: December 8, 2017

Objective: Assess the efficiency and effectiveness of City's homeless response system, including contracting procedures for homeless services

Scope: FY 2015 and 2016

Conclusions: The City cannot tell how well the homeless response system is performing and needs to improve: (1) oversight of the Metro Dallas Homeless Alliance (MDHA) and The Bridge; and, (2) how the City evaluates, coordinates, and monitors homeless services

Homeless Response System Effectiveness

We recommended the City:

- Prioritizes increasing participation in HMIS and incentivize HMIS participation by providing resources such as, grants, software licenses or other assistance
- Works with MDHA to improve planning, coordination, and implementation of HMIS
- Provides additional oversight to ensure MDHA is administering HMIS to meet Federal procurement requirements and has processes for document retention
- Ensures appropriate and effective oversight of MDHA which could include increasing representation on the Board of Directors, improving contract oversight, requesting increased reporting on MDHA performance and initiatives
- Ensures The Bridge remains able to provide services through timely contract execution, continued Bridge compliance with HMIS participation requirements
- Monitors The Bridge's financial viability more closely

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Homeless Response System Effectiveness

Recommendations: (continued)

- Implements procedures to ensure both the City's and The Bridge's compliance with the management services contract; develops measurable performance expectations / requirements to hold The Bridge accountable; strengthens payment processing procedures
- Works with The Bridge to minimize risk of loss of bank funds above Federal Deposit Insurance Corporation limits
- Adopts a strategic review process that aligns with City-wide objectives and clearly defines success / progress for each key objective of reducing homelessness and increasing housing placement opportunities
- Assesses coordination and fragmentation between City operating units; improves coordination and communication between units; aligns performance measures with City priorities; assesses demand for homeless prevention resources; determines cost of homeless services across City government
- Assesses the effectiveness of the Gateway to Permanent Housing and Rapid Rehousing / My Residence programs; ensures Community of Care grant funds are spent within the appropriate grant period

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Homeless Response System Effectiveness

Recommendations: (continued)

- Designs a feedback process to receive timely input from clients as they are receiving services
- Adopts and documents policies and procedures to mitigate risks of fraud and document controls



Special Audit of the Accounts of Four Former City Council Members

Release Date: January 26, 2018

Objective: Assess whether the City and / or former City Council Members properly: (1) controlled and accounted for any City assets assigned to and / or purchased with City funds; (2) removed the former City Council Members as authorized agents of the City; (3) ensured the former City Council Members did not have any outstanding debts owed to the City

In addition, we evaluated the adequacy of employee processing controls related to the termination of the former City officials.

Scope: FY 2016 and FY 2017

Conclusions: The City continues to have difficulties consistently following appropriate procedures to meet these objectives. Certain City policies and procedures were not always followed, an outstanding debt was owed to the City, and compliance exceptions reported in prior Special Audits still exist. **Note:** The outstanding debt owed to the City was subsequently paid as of January 16, 2018



Special Audit of the Accounts of Four Former City Council Members

We recommended the City improves compliance with City policies and procedures by:

- Ensuring the Mayor and City Council (MCC) staff consistently follow City Code, Vol. 1, Chapter 15A, Article 1-b *City-Funded Officeholder Accounts*, (Effective July 1, 2017) prohibiting the use of city-funded officeholder accounts for gifts or transfer of public funds to individuals or entities
- Ensuring MCC staff consistently follow Administrative Directive 4-15 *Purchasing Card Policy and Procedure* (AD 4-15)
- Continuing to identify and formally inform City Council Members prior to their departure of any indebtedness to the City

Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$206,700,000

Release Date: January 18, 2018

Objective: Perform agreed-upon procedures to assist the Dallas City Council and City management in evaluating management's compliance with State of Texas purchasing and contracting requirements and AD 4-05

Results: Exceptions were noted for seven of eighteen procedures performed. Management took subsequent actions to address most of the exceptions or provided explanations to support its position



Anticipated Report Releases

Second Quarter FY 2018

- Special Audit – Former City Secretary
- Environmental Compliance
- Special Collections Operations
- Miscellaneous Permit Fee Revenues
- Prior Audit Recommendations Follow-up Fiscal Year 2016

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Audit and Attestation Services

Projects In Progress

Second Quarter, Fiscal Year 2018

- Business Partner Oversight
- Continuity of Operations Audit Follow-Up
- Dallas Convention & Visitors Bureau (VisitDallas)
- Off-Duty Employment Administration – Dallas Police Department
- Prior Audit Recommendations Follow-Up Fiscal Year 2018
- Records Management System
- Surveillance Camera Oversight
- Water Quality and Safety, Testing, and Monitoring
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales / Use Tax Compliance Review through Third Party Vendor (*Ongoing*)

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Audit and Attestation Services

Anticipated Project Starts

Second Quarter, Fiscal Year 2018

- Economic Development Programs and Incentives
- Management of the City's Surplus Real Properties
- Open Records Request Process

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Appendix – Report Links

Audit Reports

- [Audit of Construction-Related Procurements](#)
- [Audit of MuniServices Contract Related to Verification of Sales / Use Tax Receipts](#)
- [Audit Follow-Up of Line-of-Duty Death Report Recommendations](#)
- [Audit of Homeless Response System Effectiveness](#)
- [Special Audit of the Accounts of Four Former City Council Members](#)
- [Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \\$206,700,000](#)



Office of the City Auditor – Fiscal Year 2018 Second Quarter Update

**Government Performance and
Financial Management Committee
February 5, 2018**

**Craig D. Kinton, City Auditor
Office of the City Auditor
City of Dallas**



Memorandum



CITY OF DALLAS

DATE January 29, 2018

Honorable Members of the Government Performance & Financial Management
TO Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee
M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Dallas Love Field Food & Beverage Concessions Program – Request for Proposal**

This memo serves to inform you of the Department of Aviation's intent to proceed with issuing a Request for Proposal (RFP) for Food and Beverage concessions space at Dallas Love Field. In an effort to provide the highest quality products and services to our customers, the Love Field Concessions Program is undergoing some additional modifications. One of these efforts is the expansion of the Food and Beverage offerings in the terminal. Given the success of Love Field and the dramatic increase in passengers, the airport plans to advertise an RFP in March 2018 and to finalize the process by summer 2018.

In 2015, Aviation department staff provided an update to the City Council on the Love Field Concessions program. The briefing included a review of the RFP process and selection criteria used to evaluate proposals submitted for the program, a performance update, an overview of the impact on operations due to the Wright Amendment repeal, and a review of the concessionaire's request for Street plus 10% pricing.

During the presentation Council indicated a desire for the evaluation criteria for any future RFP's to focus more on brand quality over financial return to the city. As instructed, Staff adjusted the weight of the RFP evaluation criteria. A comparison of the 2011 solicitation versus the 2018 solicitation follows.

Food & Beverage Concessions RFP Evaluation Criteria	2011 RFP Point Value	2018 RFP Point Value
Brands	26	35
Airport Concessions Disadvantaged Business Enterprise Participation	15	15
Operations Plan	12	13
Financial Capability	12	13
Economics/Financial Return to the City	23	12
Experience	12	12
	100	100

DATE January 29, 2018
SUBJECT Dallas Love Field Food & Beverage Concessions Program – Request for Proposal

The locations to be advertised and a proposed project timeline in the RFP include:

- 1) One casual dining/bar located in the stem of the terminal building - approximately 1,716 sf - the branded location is intended for a full service, sit-down restaurant and full bar that offers a variety of food items and serving all day parts with carry out and grab and go components.
- 2) Two beverage stations to be located at the ends of the terminal building primarily serving the cluster of gates at each wing - approximately 50 sf – the stations are intended to offer beer and wine, soft drinks, water and assorted drinks, along with a small selection of pre-packaged snacks. Each unit will be required to obtain an alcohol license through the TABC.

Proposed Schedule (To be finalized by the Procurement Services Department)

Issue RFP	March 2018
Proposal Due Date	April 2018
Presentations	May 2018
RFP Reviews/scoring/recommendation	May/June 2018
Brief Council Committee	June 2018
Council Award (pending schedule)	June 2018
Opening	December 2018

Please feel free to contact me or Mark Duebner, Director of Aviation at 214-670-6075 or via email at mark.duebner@dallascityhall.com if you have any questions or concerns.



Jo M. (Jody) Puckett
Assistant City Manager (Interim)

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors