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Audit of Proposed Budget Revenues Included in the Fiscal Year 2019-20 Proposed Annual Budget for the City of Dallas

September 13, 2019

Mark S. Swann
City Auditor

Objective and Scope

The audit objective was to determine whether the City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the City Manager's *Fiscal Year 2019-20 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2019-20 Proposed Annual Budget* and the associated supporting documentation.

What We Recommend

There are no audit recommendations associated with this report.

Background

Council Resolution 904027 directs the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2019-20 Proposed Annual Budget*.

What We Found

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2019-20 Proposed Annual Budget*. Further, the revenue forecast methodologies and material assumptions used in developing the proposed budget revenues are reasonable and adequately supported.

Audit Results

The Office of the City Auditor reviewed major revenue sources totaling \$2.54 billion or 78 percent of the \$3.27 billion of the proposed budget revenues included in the *Fiscal Year 2019-20 Proposed Annual Budget*. The remaining \$730 million, which are mainly derived from department reimbursements, and City of Dallas employee and retiree contributions for retirement and health benefits, were excluded from the review. The major revenue sources reviewed are identified in [Exhibit 1](#).

Exhibit 1:

Revenue Sources Included in the Office of the City Auditor's Review

Revenue Sources	Fiscal Year 2018-19 Amended Budget	Fiscal Year 2018-19 Forecast Revenues	Fiscal Year 2019-20 Proposed Revenues
General Fund			
Ad Valorem Taxes	\$727,886,279	\$728,961,732	\$792,080,970
Sales Tax	311,645,016	317,296,876	325,566,185
Franchise Fees	98,493,950	100,173,285	96,004,542
Enterprise Funds			
Water Utilities	665,005,577	612,013,026	670,485,708
Aviation - Concessions & Rentals	126,086,966	126,086,966	119,040,589
Sanitation Services	114,157,465	118,675,725	120,129,201
Convention and Event Services - Hotel Occupancy Tax	64,249,315	63,637,120	66,423,441
Storm Water Fees	58,436,837	58,465,982	60,921,458
Debt Service			
Ad Valorem Taxes	270,069,503	270,328,625	287,449,046
Revenue Sources Reviewed	2,436,030,908	2,395,639,337	2,538,101,140
Revenue Sources Not Included	694,660,108	702,469,109	730,310,155
Total Revenues	\$3,130,691,016	\$3,098,108,446	\$3,268,411,295

Source: Fiscal Year 2019-20 Proposed Annual Budget (Unaudited)

The City of Dallas has methodologies in place for forecasting revenues. The common methodologies used by the City of Dallas consist of regression analyses and/or historical trends, professional judgements, along with expertise from external consultants. [Exhibit 2](#) (on pages 3 and 4) shows the total General Fund variance between budgeted revenues compared to actual revenues for Fiscal Years 2016 through 2018 were 2 percent or less.

Exhibit 2:

**Fiscal Years 2016 Through 2018 General Fund Budgeted Revenues
Compared To Actual Revenues
(in thousands)**

General Fund	Fiscal Year 2015-16 Budgeted Revenue	Fiscal Year 2015-16 Actual Revenue	— Variance —	
			Dollar	Percent
Ad Valorem Taxes	\$559,636	\$560,307	\$671	0.1%
Sales Tax	281,272	283,918	2,646	0.9%
Franchise Fees and Other Tax	133,043	134,920	1,877	1.4%
License and Permits	6,067	6,523	456	7.5%
Intergovernmental	7,432	8,019	587	7.9%
Service to Others	87,873	85,252	-2,621	-3.0%
Fines and Forfeitures	33,462	37,551	4,089	12.2%
Investment Income	961	1,970	1,009	105.0%
Other Revenues	10,068	12,412	2,344	23.3%
Total Revenues	\$1,119,814	\$1,130,872	\$11,058	1.0%

General Fund	Fiscal Year 2016-17 Budgeted Revenue	Fiscal Year 2016-17 Actual Revenue	— Variance —	
			Dollar	Percent
Ad Valorem Taxes	\$610,219	\$610,958	\$739	0.1%
Sales Tax	292,188	293,610	1,422	0.5%
Franchise Fees and Other Tax	140,251	138,817	-1,434	-1.0%
License and Permits	4,891	5,475	584	11.9%
Intergovernmental	8,501	9,238	737	8.7%
Service to Others	93,941	103,175	9,234	9.8%
Fines and Forfeitures	38,760	35,923	-2,837	-7.3%
Investment Income	1,315	3,263	1,948	148.1%
Other Revenues	7,616	8,477	861	11.3%
Total Revenues	\$1,197,682	\$1,208,936	\$11,254	0.9%

(...continued on page 4)

General Fund	Fiscal Year 2017-18 Budgeted Revenue	Fiscal Year 2017-18 Actual Revenue	— Variance —	
			Dollar	Percent
Ad Valorem Taxes	\$652,068	\$652,462	\$394	0.1%
Sales Tax	303,349	305,398	2,049	0.7%
Franchise Fees and Other Tax	135,320	141,897	6,577	4.9%
License and Permits	4,669	4,824	155	3.3%
Intergovernmental	9,548	10,194	646	6.8%
Service to Others	116,117	126,963	10,846	9.3%
Fines and Forfeitures	36,515	35,171	-1,344	-3.7%
Investment Income	2,017	4,450	2,433	120.6%
Other Revenues	6,580	9,640	3,060	46.5%
Total Revenues	\$1,266,183	\$1,290,999	\$24,816	2.0%

Source: City of Dallas 2016-2018 Comprehensive Annual Financial Reports

In preparing the proposed budget revenues, City management develops revenue forecast methodologies, such as regression analyses and/or historical trends, and documents significant assumptions used to support the methodologies. The Office of the City Auditor’s assessment considers the reasonableness of these revenue forecast methodologies; however, neither City management nor the Office of the City Auditor guarantees the achievement of the Fiscal Year 2019-20 proposed budget revenues.

Methodology

We interviewed department personnel, reviewed revenue forecast methodologies and material assumptions for reasonableness, verified consistency of the budget documents, and performed various analyses.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Andrew Yates, CPA, CIA – Assistant City Auditor III
 Enrique J. Fuentes – Assistant City Auditor II
 Lee Chiang, CIA, CISA – Project Manager
 Rory Galter, CPA – Audit Manager

Management's Response

Memorandum

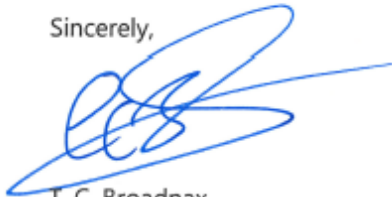


DATE: September 9, 2019
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Audit Report: Audit of Proposed Budget Revenues Included in the Fiscal Year 2019-20 Proposed Annual Budget

This letter acknowledges the City Manager's Office received and reviewed the *Audit Report: Audit of Proposed Budget Revenues Included in the Fiscal Year 2019-20 Proposed Annual Budget for the City of Dallas*.

We appreciate the professionalism and quality of work demonstrated by your staff throughout this engagement.

Sincerely,



T. C. Broadnax
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Jack Ireland, Director, Office of Budget
Sheri Kowalski, City Controller

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