



Audit of Proposed Budget Revenues Included in the Fiscal Year 2023-24 Proposed Annual Budget for the City of Dallas

August 31, 2023

Mark S. Swann, City Auditor

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Executive Summary

Objective and Scope

The objective of this audit 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 2023-24 Proposed Annual Budget*.

The scope of the audit was the major revenue sources included in the *Fiscal Year 2023-24 Proposed Annual Budget* and the associated supporting documentation.

Recommendations

There are no audit recommendations associated with this report.

Background

The City Council approved the *Fiscal Year 2023 Audit Work Plan* which prescribed the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2023-24 Proposed Annual Budget*.

Observed Conditions

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2023-24 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 \$3.24 billion, or 77 percent of the \$4.18 billion of the proposed budget revenues included in the *Fiscal Year 2023-24 Proposed Annual Budget*. The remaining \$943.6 million, which is mainly derived from department reimbursements, and City of Dallas employee and retiree contributions for retirement and health benefits, was 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 2022-23 Amended Budget	Fiscal Year 2022-23 Forecast Revenues	Fiscal Year 2023-24 Revenues
General Fund			
Ad Valorem Taxes	\$961,502,880	\$959,659,397	\$1,054,604,850
Sales Tax	432,750,269	432,750,269	451,745,839
Franchise Fees	94,959,000	94,979,000	91,230,000
Enterprise Fund			
Water Utilities	755,226,160	763,450,514	791,276,133
Aviation – Concessions & Rentals	118,621,148	129,398,354	137,368,557
Sanitation Services	145,369,518	147,534,865	152,709,535
Convention and Event Services – Hotel Occupancy Tax	66,453,873	66,357,055	78,290,269
Stormwater Fees	72,433,742	72,433,742	80,093,972
Debt Service			
Ad Valorem Taxes	365,670,959	364,764,284	401,665,941
Revenue Sources Reviewed	3,012,987,549	3,031,327,480	3,238,985,096
Revenue Sources Not Included	855,038,446	877,656,616	943,595,154
Total Revenues	\$3,868,025,995	\$3,908,984,096	\$4,182,580,250

Source: Fiscal Year 2023-24 Proposed 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 below shows the total General Fund variance budgeted revenues for Fiscal Years 2020 through 2022 were less than 6.5 percent each year.

Common methodologies and a conservative approach were used to forecast revenues for Fiscal Year 2023-24 revenues.

Exhibit 2:

Fiscal Years 2020 Through 2022 General Fund Budgeted Revenues
Compared to Actual Revenues
(in thousands)

General Fund	Fiscal Year 2019-20 Budgeted Revenue	Fiscal Year 2019-20 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$787,420	\$789,114	\$1,694	0.2%
Sales Tax	325,566	310,737	-14,829	-4.6%
Franchise Fees and Other Tax	129,340	120,944	-8,396	-6.5%
License and Permits	5,154	4,486	-668	-13.0%
Intergovernmental	11,383	15,670	4,287	37.7%
Service to Others	127,077	104,353	-22,724	-17.9%
Fines and Forfeitures	27,222	24,313	-2,909	-10.7%
Investment Income	4,664	5,544	880	18.9%
Other Revenues	6,685	7,530	845	12.6%
Total Revenues	\$1,424,511	\$1,382,691	-\$41,820	-2.9%

General Fund	Fiscal Year 2020-21 Budgeted Revenue	Fiscal Year 2020-21 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$825,007	\$844,970	\$19,963	2.4%
Sales Tax	296,324	354,288	57,964	19.6%
Franchise Fees and Other Tax	115,907	120,445	4,538	3.9%
License and Permits	5,024	5,007	-17	-0.3%
Intergovernmental	12,112	12,291	179	1.5%
Service to Others	117,518	121,730	4,212	3.6%
Fines and Forfeitures	23,555	25,074	1,519	6.4%
Investment Income	4,483	1,376	-3,107	-69.3%
Other Revenues	6,716	11,788	5,072	75.5%
Total Revenues	\$1,406,646	\$1,496,969	\$90,323	6.4%

General Fund	Fiscal Year 2021-22 Budgeted Revenue	Fiscal Year 2021-22 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$876,484	\$880,484	\$4,000	0.5%
Sales Tax	344,283	407,309	63,026	18.3%
Franchise Fees and Other Tax	117,600	132,060	14,460	12.3%
License and Permits	5,844	11,522	5,678	97.2%
Intergovernmental	13,102	18,182	5,080	38.8%
Service to Others	120,569	119,255	-1,314	-1.1%
Fines and Forfeitures	26,391	24,083	-2,308	-8.7%
Investment Income	967	2,683	1,716	177.5%
Other Revenues	8,877	12,431	3,554	40.0%
Total Revenues	\$1,514,117	\$1,608,009	\$93,892	6.2%

Source: City of Dallas 2020-2022 Comprehensive Annual Financial Reports

In preparing the proposed budget revenues, City management develops revenue forecast methodologies, such as regression analyses and/or historical trends, 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 2023-24 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. In addition, all five components of *Standards for Internal Control in Federal Government* were considered.

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

Carron J. Perry, CIA – In-Charge Auditor
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Appendix A: Management's Response

Memorandum



DATE: August 31, 2023

TO: Mark S. Swann – City Auditor

SUBJECT: Response to the Audit of Proposed Budget Revenues Included in the Fiscal Year 2023-24 Proposed Annual Budget for the City of Dallas

This letter acknowledges the City Manager's Office and the Office of Budget & Management Services received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2023-24 Proposed Annual Budget for the City of Dallas*.

The City has strong internal controls in place to ensure reasonable proposed budget revenues are included in the proposed annual budgets. We are pleased, but not surprised, that the City Auditor concluded that the City's revenue forecast methodologies and material assumptions are reasonable and adequately supported.

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

Sincerely,



T.C. Broadnax
City Manager

C: Genesis D. Gavino, Chief of Staff
Jack Ireland, Chief Financial Officer
Janette Weedon, Director, Office of Budget & Management Services