



Audit of Proposed Budget Revenues Included in the Fiscal Year 2022-23 Proposed Annual Budget for the City of Dallas

September 2, 2022

Mark S. Swann, City Auditor

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Mayor Pro Tem

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Deputy Mayor Pro Tem

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Executive Summary

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 2022-23 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2022-23 Proposed Annual Budget* and the associated supporting documentation.

What We Recommend

There are no audit recommendations associated with this report.

Background

The City Council approved the *Fiscal Year 2022 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 2022-23 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 2022-23 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 \$2.998 billion, or 78 percent of the \$3.845 billion of the proposed budget revenues included in the *Fiscal Year 2022-23 Proposed Annual Budget*. The remaining \$847 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 2021-22 Amended Budget	Fiscal Year 2021-22 Forecast Revenues	Fiscal Year 2022-23 Proposed Revenues
General Fund			
Ad Valorem Taxes	\$876,483,968	\$878,183,053	\$961,430,663
Sales Tax	\$364,294,064	\$375,544,901	\$417,232,383
Franchise Fees	\$85,146,984	\$88,483,000	\$94,959,000
Enterprise Fund			
Water Utilities	\$713,732,650	\$728,366,934	\$755,226,160
Aviation - Concessions & Rentals	\$111,964,255	\$114,490,609	\$119,476,874
Sanitation Services	\$137,982,207	\$142,821,367	\$145,369,518
Convention and Event Services - Hotel Occupancy Tax	\$58,310,171	\$58,171,205	\$66,453,873
Storm Water Fees	\$69,314,586	\$69,314,586	\$72,433,742
Debt Service			
Ad Valorem Taxes	\$321,279,574	\$322,203,314	\$365,643,492
Revenue Sources Reviewed	\$2,738,508,459	\$2,777,578,969	\$2,998,225,705
Revenue Sources Not Included	\$777,283,348	\$804,469,241	\$847,580,241
Total Revenues	\$3,515,791,807	\$3,582,048,210	\$3,845,805,946

Source: Fiscal Year 2022-23 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 and actual revenues for Fiscal Years 2019 through 2021 were less than 6.5 percent each year.

While common methodologies were used to forecast revenues for Fiscal Year 2022-23 revenues, the methodologies were adjusted as appropriate to consider the effects the COVID-19 pandemic could have throughout the remainder of Fiscal Year 2021-22 and all of Fiscal Year 2022-23. A conservative approach was taken to forecast the revenues.

Exhibit 2:

Fiscal Years 2019 Through 2021 General Fund Budgeted Revenues
Compared To Actual Revenues
(in thousands)

General Fund	Fiscal Year	Fiscal Year	— Variance —	
	2018-19 Budgeted Revenue	2018-19 Actual Revenue	Dollar	Percent
Ad Valorem Taxes	\$727,886	\$729,596	\$1,710	0.2%
Sales Tax	\$311,645	\$313,461	\$1,816	0.6%
Franchise Fees and Other Tax	\$133,348	\$135,697	\$2,349	1.8%
License and Permits	\$5,671	\$6,349	\$678	12.0%
Intergovernmental	\$9,563	\$10,178	\$615	6.4%
Service to Others	\$122,048	\$114,016	\$-8,032	-6.6%
Fines and Forfeitures	\$34,245	\$35,823	\$1,578	4.6%
Investment Income	\$2,435	\$8,236	\$5,801	238.2%
Other Revenues	\$6,320	\$9,744	\$3,424	54.2%
Total Revenues	\$1,353,161	\$1,363,100	\$9,939	0.7%

General Fund	Fiscal Year	Fiscal Year	— Variance —	
	2019-20 Budgeted Revenue	2019-20 Actual Revenue	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	Fiscal Year	— Variance —	
	2020-21 Budgeted Revenue	2020-21 Actual Revenue	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%

Source: City of Dallas 2019-2021 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 2022-23 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. The five internal control components of the *Standards for Internal Control in the Federal Government* were considered in this engagement.

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 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

Carron Perry, CIA – In-Charge Auditor
Rory Galter, CPA – Engagement Manager
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Management's Response

Memorandum



CITY OF DALLAS

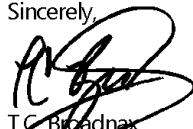
DATE: September 2, 2022
TO: Mark S. Swann – City Auditor
SUBJECT: Response to Audit of Proposed Budget Revenues Included in the Fiscal Year 2022-23 Proposed Annual Budget for the City of Dallas

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 2022-23 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 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

"Our Product is Service"
Empathy | Ethics | Excellence | Equity