Memorandum

CITY OF DALLAS

DATE: September 22, 2026

TO: Honorable Members of the Finance Committee: Chad West (Chair), Kathy Stewart (Vice Chair), Zarin Gracey, Maxie Johnson, Jesse Moreno, Jaime Resendez, Gay Donnell Willis

SUBJECT: Audit Insight Report – August 24, 2026, to September 21, 2026

Attached for your review is the Audit of Proposed Budget Revenues for Fiscal Year 2026-2027 Proposed Annual Budget (August 31, 2026), the only audit report the Office of the City Auditor released from August 24, 2026, through September 21, 2026. There were no recommendations associated with this report. See the following pages for the full report.

The Office of the City Auditor continues to make progress on the fiscal year audit plan. **Twenty (20)** reports have been issued to date, with additional projects currently in planning, fieldwork, and reporting stages. **Exhibit 1** summarizes the status of ongoing audit work.

Exhibit 1: Fiscal Year Audit Plan Status Update

Fiscal Year Audit Plan Progress	Status
Total Planned Reports	20
Reports Issued	20
Audits in Planning	6
Audits in Fieldwork	3
Audits in Reporting	4
Reports Pending Management Response	1

Examples of Audits Currently in Progress
– Municipal Court Revenues
– Dallas Go Platform
– City Facility Leases
– Dallas 9-1-1

The Office of the City Auditor appreciates the continued support of the Finance Committee and looks forward to continuing to provide independent oversight to assist the Council in its governance responsibilities.

If you have any questions, please contact me at (214) 671-5047 or rory.galter@dallas.gov.

Sincerely,

Rory Galter

Rory Galter
Interim City Auditor

c:

Kimberly Bizor Tolbert, City Manager
Bert Vandenberg, City Attorney (I)
Bilierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Baron Eliason, Inspector General (I)
Dominique Artis, Chief of Public Safety
Robin Bentley, Assistant City Manager
Alina Ciocan, Assistant City Manager
Jack Ireland, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dev Rastogi, Assistant City Manager
Ahmad Goree, Chief of Staff
Directors and Assistant Directors

City of Dallas

Audit of Proposed Budget Revenues Included in the Fiscal Year 2026-27 Proposed Annual Budget for the City of Dallas

August 31, 2026

Rory Galter

Interim 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 2026-27 Proposed Annual Budget*.

The scope of the audit was the major revenue sources included in the *Fiscal Year 2026-27 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 2026 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 2026-27 Proposed Annual Budget.*

Observed Conditions

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2026-27 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 $3.51 billion, or 74 percent of the $4.74 billion of the proposed budget revenues included in the *Fiscal Year 2026-27 Proposed Annual Budget*. The remaining $1.23 billion, 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 2025-26 Amended Budget	Fiscal Year 2025-26 Forecast Revenues	Fiscal Year 2026-27 Revenues
General Fund			
Ad Valorem Taxes	$1,127,415,449	$1,123,874,550	$1,176,557,369
Sales Tax	474,300,480	464,907,479	472,840,688
Franchise Fees	50,476,868	52,796,000	50,239,000
Enterprise Fund			
Water Utilities	880,895,629	880,895,629	900,307,628
Aviation – Concessions & Rentals	110,090,292	108,658,545	109,520,594
Sanitation Services	165,548,703	172,829,313	171,543,046
Convention and Event Services – Hotel Occupancy Tax	89,706,029	89,316,494	86,005,000
Stormwater Fees	90,573,980	90,573,980	97,367,029
Debt Service			
Ad Valorem Taxes	424,621,609	423,717,077	441,800,171
Revenue Sources Reviewed	3,413,629,039	3,407,569,067	3,506,180,525
Revenue Sources Not Included	1,114,861,515	1,161,968,710	1,232,535,862
Total Revenues	**$4,528,490,554**	**$4,569,537,777**	**$4,738,716,387**

Source: Fiscal Year 2026-27 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 that the total General Fund variance in budgeted revenues for Fiscal Years 2023 through 2025 was less than 1.6 percent each year.

Common methodologies and a conservative approach were used to forecast revenues for Fiscal Year 2026-27 revenues.

Exhibit 2:

Fiscal Years 2023 Through 2025 General Fund Budgeted Revenues
Compared to Actual Revenues
(in thousands)

General Fund	Fiscal Year 2022-23 Budgeted Revenue	Fiscal Year 2022-23 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	$961,503	$957,934	$-3,569	-0.4%
Sales Tax	417,232	425,543	8,311	2.0%
Franchise Fees and Other Tax	127,866	132,888	5,022	3.9%
License and Permits	5,617	9,079	3,462	61.6%
Intergovernmental	13,162	19,242	6,080	46.2%
Service to Others	115,554	113,661	-1,893	-1.6%
Fines and Forfeitures	23,777	21,640	-2,137	-9.0%
Investment Income	5,950	14,866	8,916	149.8%
Other Revenues	7,967	11,337	3,370	42.3%
Total Revenues	**$1,678,628**	**$1,706,190**	**$27,562**	**1.6%**

General Fund	Fiscal Year 2023-24 Budgeted Revenue	Fiscal Year 2023-24 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	$1,047,596	$1,020,701	$-26,895	-2.6%
Sales Tax	451,746	439,666	-12,080	-2.7%
Franchise Fees and Other Tax	126,634	130,471	3,837	3.0%
License and Permits	6,101	11,834	5,733	94.0%
Intergovernmental	16,178	22,579	6,401	39.6%
Service to Others	117,235	111,276	-5,959	-5.1%
Fines and Forfeitures	20,118	19,520	-598	-3.0%
Investment Income	14,000	25,521	11,521	82.3%
Other Revenues	9,882	5,796	-4,086	-41.3%
Total Revenues	**$1,809,490**	**$1,787,364**	**-$22,126**	**-1.2%**

General Fund	Fiscal Year 2024-25 Budgeted Revenue	Fiscal Year 2024-25 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	$1,081,976	$1,077,593	$-4,383	-0.4%
Sales Tax	463,804	453,319	-10,485	-2.3%
Franchise Fees and Other Tax	129,225	132,464	3,239	2.5%
License and Permits	14,478	14,474	-4	0.0%
Intergovernmental	21,918	24,776	2,858	13.0%
Service to Others	110,305	119,285	8,980	8.1%
Fines and Forfeitures	19,435	19,660	225	1.2%
Investment Income	20,000	23,938	3,938	19.7%
Other Revenues	8,087	4,123	-3,964	-49.0%
Total Revenues	**$1,869,228**	**$1,869,632**	**$404**	**0.0%**

Source: City of Dallas 2023-2025 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 2026-27 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 the 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

Shino Knowles, Engagement Manager-CPA
Kenneth Elliott, Senior Auditor-CPA, CFE
Jonathan Goonan, Senior Auditor-CPA, CIA
Zachary Goebel, Auditor
Nadia Gonzalez, Auditor
William King, Auditor

Appendix A: Acknowledgement Letter

Management Audit Acknowledgement Letter begins on the next page.

Memorandum

CITY OF DALLAS

DATE: August 31, 2026

TO: Rory Galter – Interim City Auditor

SUBJECT: Response to Audit of Proposed Budget Revenues Included in the Fiscal Year 2026-27 Proposed Annual Budget for the City of Dallas

This letter acknowledges the City Manager's Office received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2026-27 Proposed Annual Budget for the City of Dallas* and submitted responses to the recommendations in consultation with the Office of Budget & Management Services.

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,

Kimberly Bizor Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
Janette Weedon, Director, Office of Budget & Management Services