

# Memorandum



CITY OF DALLAS

DATE July 6, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **Taking Care of Business – July 3, 2018**

## Update Items

### [Dallas Five 2<sup>nd</sup> Anniversary Remembrance](#)

As previously communicated, on July 6, 2018 from 10:30 am-11:00 am, Dallas Police Department (DPD) will hold a department observance for the fallen officers of July 7, 2016. This event will be hosted by the City and DPD Command Staff at DPD Headquarters Main Entrance, 1400 S. Lamar Street, Dallas, Texas 75215. For your convenience, I have attached a list of additional events honoring our fallen officers and the flyers associated with the events with further information. Should you have any questions or concerns, please contact Dallas Police Chief Hall.

### [Encampment Resolution Schedule - July 3 & July 10, 2018](#)

The Office of Homeless Solutions (OHS) has scheduled the following sites for homeless encampment resolution on Tuesday, July 3, 2018 and July 10, 2018:

July 3, 2018 –	July 10, 2018
<ul style="list-style-type: none"><li>• I-35 Interstate at Royal Lane (District 6)</li><li>• I-35 Interstate at Walnut Hill Lane (District 6)</li><li>• I-35 Interstate at Manana Drive (District 6)</li><li>• I-35 Interstate at Empire Central Drive (District 6)</li><li>• I-35 Interstate at Mockingbird Lane (District 6)</li><li>• John W. Carpenter Freeway at Mockingbird Lane (District 6)</li><li>• I-35 Interstate at Stemmons Freeway (District 6)</li></ul>	<ul style="list-style-type: none"><li>• 1800 South Blvd (District 7)</li><li>• 2300 Al Lipscomb Way (District 7)</li><li>• Good Latimer Freeway at Coombs Street (District 7)</li><li>• Marvin D Love Service Road at Polk Street (District 4)</li><li>• I-30 Interstate at Hampton Road (District 6)</li><li>• 2188 S Malcolm X at Oaks Blvd (District 7)</li></ul>

OHS Street Outreach team will continue to engage with homeless individuals to provide notice of clean-up and connect to resources and shelter. OHS Community Mobilization staff are meeting with stakeholders to determine long-term sustainability of encampment sites and will provide periodic updates. Should you have any questions or concerns, please contact Nadia Chandler Hardy, Chief of Community Services and Monica Hardman, Managing Director of Office of Homeless Solutions.

## New Items

### [Impacts of NTMWD discharge to White Rock Creek](#)

Last week and over the weekend, City staff continued to work and monitor areas potentially affected by the North Texas Municipal Water District (NTMWD) discharge to White Rock Creek that occurred Wednesday, June 27. Daily, staff have been testing water quality along White Rock Creek from White Rock Lake north to the location of the source of the discharge around

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the President George Bush Turnpike (PGBT) and White Rock Creek. Water quality testing data and field observations indicate the discharge was confined to White Rock Creek generally just north of Frankford Road. This is approximately 10 miles north of White Rock Lake.

Over the weekend, at various locations near Frankford and the PGBT, NTMWD and DWU teams pumped contaminated creek water to the waste water collection system. Although fish kills were found on Thursday in the creek at Frankford and PGBT, no additional fish kills or other impacts to wildlife were observed over the weekend. Water quality in the affected areas of the creek is returning to normal for this time of year. City staff is currently investigating a separate, and unrelated fish kill in the vicinity of William Blair, Jr. Park which is also along White Rock Creek. This fish kill is unrelated to the NTMWD discharge. Should you have any questions or concerns, please contact Sarah Standifer, Director of Trinity Watershed Management.

#### [DPD Partnership with UNT Dallas and DISD](#)

The Dallas Police Department is currently working with the Dallas Independent School District (DISD) and University of North Texas Dallas (UNT Dallas) to effectively collaborate in responding and assisting to calls for service. Last week, the Operational Technology Unit worked with DISD and UNT Dallas to program and test radio interoperability. DPD officers can now communicate with DISD officers via car and portable radios. While UNT Dallas continues to use a third-party radio service, DPD is continually working with the university to respond to calls. For implementation, a training bulletin was distributed to ensure DPD officers are aware of interoperability and proper protocol. The Dallas Police Department will continue to prioritize school safety measures, by working with Richardson Independent School District, Charter Schools, and other local independent school districts. Should you have any questions or concerns, please contact Dallas Police Chief Renee Hall.

#### [Narcotics Search Warrant Arrest](#)

This past weekend, the City of Dallas had multiple shootings, as a result of narcotic and gang violence. On Thursday, June 28, 2018, the Narcotics Squad executed three search warrants at three different locations, which led to a total of 5 arrest, and seizure of drugs and weapons. In an effort to combat crime, the Dallas Police Department will continue to monitor narcotic activity in high crime areas and use preventative policing strategies to reduce crime. Should you have any questions or concerns, please contact Dallas Police Chief Renee Hall.

#### [Distinguished Budget Presentation Award](#)

On July 2, 2018, the Government Finance Officers Association (GFOA) presented a Distinguished Budget Presentation Award to the City of Dallas for our budget document for the fiscal year beginning October 1, 2017. In order to receive this award, we published a budget document that meets program criteria as (1) a policy document, (2) a financial plan, (3) an operations guide, and (4) a communications device and in the fourteen mandatory criteria within the four categories. FY 2017-18 represents the 19th consecutive year that we have received this recognition. Should you have any questions or concerns, please contact Elizabeth Reich, Chief Financial Officer.

#### [Media Inquiries](#)

As of July 2<sup>nd</sup>, the City has received media requests from various news outlets regarding the following topics:

- Dallas Animal Services Amendments to Chapter 7
- Sewage Spill at White Rock Creek
- Fire Protection in Cypress Waters (DFR)

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- **Illegal Fireworks (DFR)**

Please see the attached document compiling information provided to the media outlets for the week of June 26<sup>th</sup> – July 2<sup>nd</sup> for your reference and in the event you are contacted by the press. Should you have any questions or concerns, please contact Kimberly Bizer Tolbert, Chief of Staff.

## **Look Ahead**

### [City Council Briefings](#)

August 1, 2018

- Bond Program Update
- Homeless Solutions Proposed Strategy
- Resilient Dallas Strategy and Equity Indicators

August 14, 2018

- City Managers Recommended Budget for FY 18-19 and FY 19-20 Biennial Budget
- Truth in Taxation
- FY 18-19 and FY 19-20 Budget for Public Safety Strategic Priority

### [Senior Listening Sessions](#)

Senior Affairs staff is currently working with Senior Affairs Commissioners to plan and implement Round 2 of senior listening sessions. Commissioners are identifying dates, locations and speakers and partners for the events in their respective districts, with staff supporting their efforts and assisting with logistics as needed. Efforts are being made to focus on 2-4 districts each month in order to individualize the sessions to the community's needs. In response to feedback from City Council and from previous listening sessions, Office of Community Care staff is working to ensure that sessions are offered at varied times, at accessible community locations, and that each session agenda focuses primarily on hearing from the community.

Staff will also include information about available community services, which was one of the items most frequently requested. Additionally, staff will offer some of the sessions fully in Spanish to reduce language-based participation barriers. Should you have any questions or concerns, please contact Nadia Chandler Hardy, Chief of Community Services or Jessica Galleshaw, Managing Director of the Office of Community Care, or your Senior Affairs Commissioner.

Schedule of Confirmed Listening Sessions:

<b>Date</b>	<b>Council District</b>	<b>Location</b>	<b>Status</b>
August 7, 2018 10:30-12:00 pm	14	Lakewood Branch Library 6121 Worth Street Dallas, TX 75214	Confirmed

### [Homeless Solutions Strategy Public Outreach Meetings](#)

The Office of Homeless Solutions (OHS) will be launching its Public Outreach efforts to engage City of Dallas residents, business, and stakeholders related to the proposed Homeless Solutions Strategy Plan. Pending approval from City Council in August 2018, OHS proposes a comprehensive four-track strategy to address homelessness in the City of Dallas:

- **Track I: Increase Shelter Capacity** - Expand capacity of existing providers through contracted pay-to-stay shelter beds.

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- **Track II: Temporary Homeless Centers** - Provide shelter and support services for up to 90 days in the 4 quadrants of the city simultaneously.
- **Track III: Master Lease/Landlord Incentive Programs** - Provide security deposits, rent, utilities, and incentives to tenants as well as incentives and risk mitigation services to participating landlords.
- **Track IV: New Developments** - Leverage the \$20M Proposition J (Homeless Assistance Facilities) of the 2017 Dallas Bond Program to develop new and innovative permanent, supportive, and transitional housing facilities for the homeless.

These four tracks concurrently meet the immediate need by providing habitable living environments for the unsheltered while developing the infrastructure for sustainability by increasing the supply of affordable housing. The first round of public outreach meetings will be conducted from July 9, 2018 through July 31, 2018 with a second phase scheduled in August. For your convenience, I have attached the public outreach meeting schedule. Should you have any questions or concerns, please contact Nadia Chandler Hardy, Chief of Community Services or Monica Hardman, Managing Director for additional information.



T. C. Broadnax  
City Manager

c: Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billerae Johnson, City Secretary  
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



City of Dallas

**Public Affairs & Outreach  
Media Requests  
June 26 – July 2**

**June 26, 2018; Robbie Owens, CBS DFW Reporter:** Hello-- could someone provide the details of the ordinance that will come before the council tomorrow? What's changing? I've been trying to access the agenda online; but, it's not loading for me.

**City Response:** Department of Dallas Animal Services 9. An ordinance amending Chapter 7, "Animals," of the Dallas City Code by amending Sections 7-2.5 and 7-2.6; (1) amending the rules on the impoundment of animals; (2) amending redemption fees; (3) amending redemption periods; (4) clarifying redemption period for dogs deemed dangerous; (5) providing a presumption of abandonment and transfer of ownership; (6) providing a penalty not to exceed \$500; (7) providing a saving clause; (8) providing a severability clause; and (9) providing an effective date - Financing: No cost consideration to the City

**June 26, 2018; Robbie Owens, CBS DFW Reporter:** Thank you. I understand that the head of DAS has declined to speak until tomorrow. But, is there anyone that can that tell me (even over the phone) or send me some layman's language that says exactly what this presumably "tougher" ordinance will do?

As I am reading this, a owner of a dangerous dog(s) that attacks someone can be fined \$500 if the ordinance passes. Am I understanding this correctly?

**City Response:**

The attached document is item 9 pulled from the agenda. It should have the language you seek within it.

**June 27, 2018; Mike Pool, WFAA:** With Mexico playing in the World Cup this morning, is the water department anticipating an increase/decrease in water pressure during half-time? Is there a place where we could watch and record the water pressure readings?

**City Response:** Dallas Water Utilities does not forecast or anticipate water pressure changes during events like the World Cup. In fact, today is a watering day, so there will already be more usage than normal – but the system is designed to handle an increase in volume. The DWU system has over 4,000 miles of pipes, 22 pumps and 21 elevated and ground storage tanks to provide water to the City. DWU also provides water to several customer cities throughout the region.

A venue like an arena or stadium would need to take into consideration increased water usage during a halftime, but a system as big as DWU will not be affected by this event.



City of Dallas

**June 28, 2018; All:** PAO distributed the following statement to media outlets that requested information on the City's response to the sewage spill at White Rock Creek.

**City Response:** The City of Dallas is monitoring a sewage leak that began in Plano along the White Rock Creek. On Tuesday, June 27 at about 3:45 p.m., a contractor bored into a wastewater pipe controlled by the North Texas Municipal Water District (NTMWD). NTMWD has reported to the Texas Commission Environmental Quality that an estimated 1,069,000 gallons of sanitary sewage overflowed from that incident into White Rock Creek, about 12 miles from where it enters White Rock Lake.

The public should be aware that there is no danger to drinking water. Dallas Water Utilities does not use White Rock Lake as a source of potable water. Officials from NTMWD and Trinity Watershed Management are conducting environmental assessments and sampling water quality along White Rock Creek. Residents along White Rock Creek who notice anything unusual, such as dead fish, should report it to 3-1-1.

At this time, Dallas Park and Recreation staff have directed Lake partners and organizations to cease all water recreation activities until further notice. Swimming in White Rock Lake is prohibited by city ordinance; out of an abundance of caution, fishing is also discouraged at this time.

**June 29, 2018; Jack Fink CBS DFW:** Good morning, just checking in for an update about White Rock Lake activities and to see if the city has determined when it will be safe to reopen to the public?

**City Response:** The water quality is still being monitored along White Rock Creek by multiple agencies. Once it is deemed that the problem has been contained normal operations will resume.



City of Dallas  
Dallas Fire-Rescue Department  
Media Requests: June 25, 2018 – July 1, 2018.

**June 25, 2018: (Ken Kalthoff, NBC5)** – I'm trying to find out what the arrangement of fire protection is in Cypress Waters, considering a proposed City of Dallas economic development project to lure business to the location.

**City Response:** DFR has resources on-site (Fire Station 58 (housing Engine 58)) to serve as the primary means of emergency service to anyone living in the Cypress Waters community that may be in need of them. While we can request mutual aid from the immediately surrounding cities, DFW Airport is our primary means of back-up in the event that we need support. However, we are working with the City of Irving, in regards to Mutual Aid and Automatic Assistance Agreements, so they can play a more prominent role as our primary back-up.

**June 26, 2018: (Lexi Brinkley, One Life Radio, 1190 AM)** – Made a request for someone from DFR to do an in-studio radio interview on Friday, June 29<sup>th</sup>, about illegal fireworks use and celebratory gunfire, amongst other relative topics.

**City Response:** Arranged for DFR Fire Prevention Officer, Daisy Castaneda, to speak on the subject at the requested date, at 12:15 p.m.

**June 27, 2018: Facebook Live Segment**

**Details:** Worked with DPD's Public Information Officer to do a Facebook Live segment, at 11:00 a.m., on fireworks and celebratory gunfire, as well as the consequences and dangers of engaging in their use; among other related topics of discussion based upon questions from Facebook viewers.

**June 29, 2018: News Conference for All local media**

**Details:** Held a news conference for all the local media with DFR Fire Marshal, Deputy Chief, Christopher Martinez, and a representative of DPD, to talk about all matters related to the 4<sup>th</sup> of July and the measures each agency was taking to combat the illegal use of fireworks and celebratory gunfire.

**June 29, 2018: (Lori Brown, Fox 4)** - Can you please tell me how many DFR trucks/engines are out of service right now, and how many trucks are in the fleet? How are response time being impacted by the trucks that are out of service? Why are so many out right now?

**City Response:** As of Friday, June 29<sup>th</sup>, at 11:00 a.m., five of the Department's 22 front-line trucks were out-of-service while undergoing repairs for reasons ranging from having been involved in accidents to varying mechanical and electrical issues. Four of the stations from which those trucks respond were using reserve trucks. By 7:00 p.m. two of the front-line trucks were repaired and placed back into service; bringing the



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department back to full operating capacity with one reserve unit available if needed. Thankfully, there were no developments over the weekend to cause a change in these figures.

At the time of your request (@ 10:12 a.m.) the department had been down one truck, from fire station 43, since June 23<sup>rd</sup>. As a contingency, Truck 41 was placed at Fire Station 35 to fill the need for a truck in that particular fire district. In the meantime, personnel assigned to Truck 43 were dispersed across the City to fill vacancies at various fire stations.

During this time, there was minimal impact on the overall response times of first responders primarily because trucks are rarely assigned to incidents as the sole emergency response unit.

The Department holds the safety and well-being of its men and women in the highest regard. While we understand the frustration these types of issues can cause, everyone involved in addressing them has worked tirelessly throughout the process to make sure that our men and women are not only placed back in their trucks in a timely manner; but that those trucks serve the Citizens of Dallas in as safe and effective a manner as possible.

### **June 30, 2018: Fire Station 41 Back in Service**

**Background:** On Tuesday, February 20<sup>th</sup>, firefighters from Fire Station 41 (located at 5920 Royal Lane) experienced significant sewage back-up into the station, resulting from a partially collapsed pipe near the intersection of Royal Lane and Preston Road. After work was done to repair the pipe, it was discovered that the station suffered significant damage and would need a massive overhaul to be brought back up to livable conditions. Subsequently, resources were relocated as follows:

- Truck 41 responded from Fire Station 27 (located at 8401 Douglas Ave.)
- Engine 41 responded from Fire Station 2 (located at 4211 Northaven Rd.)

After 4 and a half months of work and a final walk through by all pertinent parties, Fire Station 41 was put back into service on the morning of Saturday, June 30<sup>th</sup>.

**July 2, 2018: (Moninca Hernandez, WFAA 8)** - I'm following up on the robbery at a Costco at 8055 Churchill Way in Dallas yesterday – Sunday 7/1.

Multiple people who were inside at the time say the emergency exit doors weren't working, and everyone was forced to go out a single door in the back that had merchandise and pallets in front of it.

Hoping you can point me in the right direction on this.

- Has the fire marshal received any complaints about this, and if so, how many?



### City of Dallas

- Is there an investigation? If so, what are the steps you'll take in that investigation, and have any inspectors/investigators from the office gone to inspect the location yet? If so, what did they find? If not, when will that happen? What is the status of the investigation? Were the emergency exit doors, in fact, not working?
- What are the protocols on working emergency exits?
- When is the last time the state fire marshal inspected emergency exits at that location?
- Could Costco receive a citation?
- Is there any opportunity for sound today on this?

My story will run at 5 pm tonight.

**City Response:** Our inspector stopped by the location to investigate the complaint. He determined that the exit doors had an allowable delay of 15 seconds before release. This is actually a Building Code allowance that can be granted upon request. The request takes into consideration that other life safety measures must be in place before approval. In this case, the facility requested the 15 delay from Building Inspection in an effort to minimize theft. Our inspector checked the doors and confirmed the delay was set at 15 seconds. He checked all other exits and did not note any other hazards while on location today.



**City of Dallas  
Dallas Police Department  
Media Inquiries**

**July 1; Fox 4, NBC 5, WFAA, CBS 11, DMN;** inquiries related to a traffic fatality on Webb Chapel Extension

**City Response:** On July 1, 2018 at approximately 12:43 a.m. the victim, Pedro Almendarez-Chavez L/M 58 was travelling eastbound 9500 Timberline Dr. through the intersection at 3100 Webb Chapel Ext. The arrestee, Josue Rodriguez-Cruz L/M 22 was travelling northbound Webb Chapel Ext. at a high rate of speed and struck the victim on the right passenger side. The victim's vehicle was forced into a clockwise rotation and struck the east curb of Webb Chapel Ext. and rolled onto its left side. The victim was pronounced deceased at the scene. The arrestee was transported to Parkland Hospital and was found to be under the influence of alcohol. The arrestee was placed under arrest for Intoxication Manslaughter and remains at Parkland Hospital undergoing treatment for injuries sustained in the accident.

**July 1; Fox 4, NBC 5, WFAA, CBS 11, DMN;** inquiries related to a shooting at 5100 Parkland Ave

**City Response:** On July 1, 2018, at 5:35 a.m., officers were dispatched to the 5100 block of Parkland Avenue regarding a disturbance active shooter. Upon arrival, officers spoke with the reporting person who stated he heard gunfire outside of his residence. The reporting person checked outside from his window and saw an abandoned vehicle. The reporting person checked his security camera and revealed two vehicles driving westbound in the 2700 block of Crestview, one of the vehicles involved was the abandoned black Mercury Sable the reporting person observed. The unknown driver of the second vehicle appeared to be shooting at the Mercury Sable, who returned fire before abandoning the Sable in the 5200 block of Parkland Avenue. The Unknown driver fled northbound on Parkland Avenue. During the investigation, it was discovered that bullet holes were visible on the front window of the reporting persons residence and through a window that leads to the bedroom where a juvenile resident was asleep at the time of the incident. Crime scene and detectives responded to the scene, and collected evidence. Officers also checked local hospitals for any possible victims related to this incident with negative results. There were no reported injuries. This offense is documented as a Deadly Conduct on case number 142678-2018. There are no arrests at this time. Detectives are aware of the video and are actively following up on leads. If we receive any further updates they will be distributed accordingly.

**July 1; Fox 4, NBC 5, WFAA, CBS 11, DMN;** inquiries related to a robbery at 8000 Churchill Way

**City Response:** On July 1, 2018 at about 3:00 p.m., officers responded to a robbery call in the 8000 block of Churchill way. Upon arrival, officers met with the victim that stated four unknown black males entered the Costco and one suspect had a pick axe and another had a handgun. The suspects smashed the glass jewelry counters and took an undetermined amount of jewelry. Suspects fled the location in an unknown direction. There were no injuries reported. This is an on-going investigation and it will be documented on case number 142956-2018.

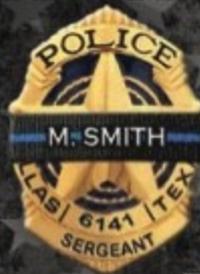


## City of Dallas

Date and Time	Event	Location	Host
Friday, 7/6 at 10:30am – 11am	DPD – Department Observance	DPD Headquarters Main Entrance 1400 S. Lamar Street Dallas, Texas 75215	Hosted by City of Dallas/DPD Command Staff
Saturday, 7/7 at 8am-12pm	Dallas 5k & 1Mile Run/Walk at Trinity Groves Register at <a href="http://www.runfortheblue.com">www.runfortheblue.com</a>	Trinity Groves 3011 Gulden Lane Dallas, Texas 75212	National Latino Law Enforcement Officer (NLLEO) Association
Saturday, 7/7 at 8am -12pm	CrossFit Heat & Dallas Police Association Competition <a href="http://www.dpa.org">www.dpa.org</a>	1412 Griffin Street, Dallas, Texas 75215	Dallas Police Association (DPA)
Saturday, 7/7 at 9am – 2pm	Officer Down Foundation – Motorcycle Bike Ride from Dallas City Hall Plaza to Studio Movie Grill Northwest Hwy. <a href="http://www.odfevents.org">www.odfevents.org</a>	Dallas City Hall 1500 Marilla Street Dallas, Texas 75201  Motorcycle Bike Ride from Dallas City Hall Plaza to Studio Movie Grill Northwest Hwy.	Officer Down Foundation
Saturday, 7/7 at 7pm-12am Candlelight Memorial at 8:45am	Dallas Five Ceremony – 2 <sup>nd</sup> Anniversary Remembrance <a href="http://www.brotherhooddallastx.org">www.brotherhooddallastx.org</a>	Ferris Wheelers Backyard and BBQ 1950 Market Center Blvd. Dallas, Texas 75207	Brotherhood for the Fallen

# DALLAS FIVE

2ND ANNIVERSARY REMEMBRANCE



JULY 7TH, 2018 • 7PM-12AM • CEREMONY AT 8:45PM

FERRIS WHEELERS BACKYARD AND BBQ  
1950 MARKET CENTER BLVD • DALLAS, TX 75207



PROCEEDS BENEFITING BROTHERHOOD FOR THE FALLEN-DALLAS



**Email:** [roy@BrotherhoodDallasTX.org](mailto:roy@BrotherhoodDallasTX.org)

**Web:** [BrotherhoodDallasTX.org](http://BrotherhoodDallasTX.org)

Find us on 

**Brotherhood for the Fallen-Dallas, Texas**

Follow us on 

**@BFTF\_Dallas**

# CrossFit Heat & Dallas Police Association

Proudly Presents:

2nd Annual Memorial Fundraiser

# SATURDAY, JULY 7, 2018



CrossFit Competition begins at 8:00am

Music, Food, and More starts at 12:00pm

**DALLAS POLICE ASSOCIATION**

**1412 GRIFFIN STREET EAST**

**DALLAS, TEXAS 75215**



CROSSFITHEAT



Money raised will be benefiting the HALOS FUND (Helping and Loving Our Survivors), which is part of the Dallas Police Cycling Team a 501c3 nonprofit organization.

**RUN FOR THE  
BLUE**

**DALLAS 5K & 1MILE RUN/WALK**

**SATURDAY JULY 7, 2018 • 8:00 AM – 11:00 AM**

REGISTER AT  
[WWW.RUNFORTHEBLUE.COM](http://WWW.RUNFORTHEBLUE.COM)

# JOIN US JULY 7, 2018

## ● REGISTER TO RIDE!

Dallas Police will escort riders on a 35 mile route, ending at Studio Movie Grill Northwest Highway for a private movie & food.

## ● OR REGISTER FOR THE MOVIE ALONE!

Friends and family can also register to attend the private movie. A great option for those who don't ride.

# Memorandum



CITY OF DALLAS

DATE July 6, 2018

TO Honorable Mayor and Councilmembers

SUBJECT **Fitch Ratings Affirmed 'AA' Rating and Stable Outlook for City of Dallas  
Outstanding General Obligation - INFORMATION**

On Tuesday, Fitch Ratings (Fitch) affirmed the City's 'AA' credit rating and stable outlook for General Obligation debt. This is a positive reinforcement to Standard & Poor's Global Ratings' actions Monday that further demonstrates the financial strength of the City of Dallas and bolsters investor confidence.

Fitch states the affirmed rating and outlook for the General Obligation debt reflects the City's "positive operating performance enabled by strong economic and revenue growth prospects, conservative budgeting, solid reserve levels, and long-term liabilities that Fitch expects to remain a moderate burden on resources given recent pension reforms." According to Fitch, the City has "demonstrated positive budget management practices historically, including programmed expenditure reductions that have enabled the city to maintain a strong financial cushion," and further expects "Dallas to demonstrate strong financial resilience during economic downturns, as demonstrated by a history of strong gap-closing capacity enabled by solid expenditure management and sizable reserves."

As we prepare for future bond issues, I look forward to the opportunity to continue to promote the City of Dallas, with its strong and diverse economy, prudent financial policies and practices, and commitment to Service First excellence.

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: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billierae Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizzor 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  
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



## Fitch Rates Dallas, TX \$55MM GO Ref Bds 'AA'; Outlook Stable

Fitch Ratings-Austin-03 July 2018: Fitch Ratings has assigned an 'AA' rating to the following City of Dallas, TX obligations:

--\$55.3 Million General Obligation (GO) Refunding Bonds, Series 2018.

The bonds are scheduled for a competitive sale on July 17. Proceeds will pay a legal settlement.

Fitch also has affirmed the following ratings:

--Issuer Default Rating (IDR) at 'AA';

--\$1.76 billion of outstanding limited tax debt at 'AA'.

The Rating Outlook is Stable.

### SECURITY

GO bonds are payable from the city's ad valorem tax levy, limited to \$2.50 per \$100 of taxable assessed valuation (TAV).

### ANALYTICAL CONCLUSION

The city's 'AA' rating and Stable Rating Outlook reflect positive operating performance enabled by strong economic and revenue growth prospects, conservative budgeting, solid reserve levels and long-term liabilities that Fitch expects to remain a moderate burden on resources given recent pension reforms. These reforms, in the form of voter-approved changes to the Dallas Employees Retirement Fund (ERF) and legislative changes to the Dallas Police and Fire Pension System (DPFP) are projected to stabilize the city's obligation to both plans and support long-term plan viability. Recent settlement of several public safety back-pay disputes and expected resolution of other outstanding disputes appears to bring these long running issues to a close with substantially lower financial impacts to the city than previously feared.

### Economic Resource Base

Dallas is the anchor of the large and diverse Dallas-Fort Worth regional economy. The

city is a center for technology, trade, finance and healthcare; it also ranks among the top visitor and leisure destinations in the state.

## KEY RATING DRIVERS

### Revenue Framework: 'aaa'

Strong revenue growth prospects are based on expectations for continued gains in taxable value and sales tax revenues due to ongoing economic expansion. The assessment also reflects the city's ample independent revenue-raising capacity.

### Expenditure Framework: 'a'

The city's pace of spending is expected to be generally in line with revenue growth given its mature residential base. The assessment considers the city's expenditure flexibility that derives from workforce cost controls and conservative budgeting practices. However, increasing pension contributions-primarily to the DFPF-will put additional upward pressure on what are already elevated carrying costs. The city's debt amortization rate is rapid.

### Long-Term Liability Burden: 'aa'

Long-term liabilities are comprised of unfunded pension obligations (about 60% of the fiscal 2017 total, based on Fitch-adjusted data) and debt (about 40%). The long-term liability burden currently represents a moderate 19% of personal income. The assessment assumes that recently approved pension reforms to both the civilian and uniform plans, in conjunction with continued economic growth, will keep the long-term liability burden within the current range.

### Operating Performance: 'aaa'

The city of Dallas' gap-closing capabilities and healthy reserves position it to maintain financial resilience through a typical economic downturn, although increasing pension outlays will challenge the city's budget management practices.

## RATING SENSITIVITIES

Maintenance of Operating Flexibility: Materially larger pension contributions beginning in fiscal 2018, combined with gradual increases in public safety personnel costs, will challenge management's operating and budget flexibility for the near to medium term. Any prolonged weakening of economic activity that cools recent solid gains in taxable values and sales tax receipts would exacerbate this pressure. The city's budgeting practices, including a new biennial budget adoption process, should assist management's efforts to incorporate these additional expenses and maintain the current level of overall budgetary flexibility; inability to do so likely would place

downward pressure on the rating.

## CREDIT PROFILE

Dallas is located in northcentral Texas and, with a population of 1.3 million, ranks among the top 10 U.S. cities by population. The city serves as corporate headquarters for AT&T, Southwest Airlines, Texas Instruments, 7-Eleven, Inc., HollyFrontier Corp., Pizza Hut, Inc. and other large corporate concerns. Large employers in the education, government and health services sectors lend stability to the city's employment base.

The city's role as a wholesale and retail trade center is enabled by a strong transportation network of airports, rail and interstate highways. Dallas Area Rapid Transit (DART) provides major employers easy access to a highly skilled work force to support growing technology, finance, business and medical service sectors. Driven by professional service, construction, mining and trade sector growth, the city's employment base continues its post-recession expansion. Top taxpayers represent utility, air transportation, developers, real estate, manufacturing and retail industries, and the tax base has no significant concentration.

### Revenue Framework

General fund operations are supported by a diverse mix of revenues led by ad valorem tax revenues (48% of the fiscal 2017 total), sales tax revenues (25%) and franchise fees (12%). General fund revenue growth has exceeded inflation but has been somewhat below GDP growth over the past decade.

Medium-term revenue growth prospects are strong based on the overall strength of the local and regional economies, including expansion in the trade/transportation, professional business services and leisure/hospitality sectors. New development continues as indicated by ongoing growth in the city's residential and commercial building permit activity, including \$4.26 billion in permits issued in fiscal 2017. This activity is also reflected in recent tax base gains. Taxable assessed valuation (TAV) climbed by 10% in fiscal 2017 and 7% in fiscal 2018 to \$118 billion. Another 9% gain in TAV is expected for fiscal 2019.

The city's fiscal 2018 total tax rate of \$0.7804 per \$100 of TAV provides ample legal revenue-raising capacity below the constitutional and city charter caps of \$2.50. If a proposed tax rate results in an 8% year-over-year levy increase (based on the prior year's values), the rate increase may be subject to election if petitioned by voters.

## Expenditure Framework

As is typical with U.S. cities, public safety is Dallas' largest operating spending category (61% of fiscal 2017 general fund outlays), followed by culture and recreation (12%), and general government (10%). General fund spending growth has generally kept pace with revenue gains in recent years.

Fitch expects the pace of spending growth to generally track what is projected to be a positive trajectory in revenues, as future service demands from a relatively mature residential base and increasing public safety and pension outlays should align with increasing operating receipts over the near to medium term.

The 'a' assessment is informed by the city's elevated carrying costs that exceeded 30% of fiscal 2017 governmental spending. Actuarially required pension contributions comprised 52% of carrying costs, while debt service comprised 46%; retiree health insurance outlays made up the remainder. Fitch expects actual carrying costs to remain high, the result primarily of increasing pension contributions to the police and fire plan mandated by reforms approved by the Texas Legislature and signed into law in 2017. Fitch's supplemental pension metric, which estimates the annual pension cost based on a level dollar payment for 20 years with a 5% interest rate, indicates that carrying costs are vulnerable to future increases (although the magnitude will be revised when the DFPF reforms are included in the calculation). For more information, see Fitch's "Revised Pension Risk Measurements (Enhancing Pension Analysis in U.S. Public Finance Tax-Supported Rating Criteria)," dated May 31, 2017.

A \$1.05 billion GO bond authorization approved by voters in November 2017 will contribute to elevated carrying costs for some time; the new bond program is heavily weighted toward streets (53%) and parks and recreation (26%). The current carrying costs do reflect a rapid 68% amortization rate over the next 10 years, which will lessen somewhat the burden associated with new debt. The city's ability to control headcount and salary costs is strong, providing a measure of operational flexibility.

## Long-Term Liability Burden

Dallas' long-term liability burden is moderate at 19% of personal income, with roughly 60% of the Dec. 31, 2016 total attributable to unfunded pension liabilities. The \$1.05 billion GO bond authorization discussed above likely will not materially change the liability burden calculation given the current rapid rate of debt repayment and expected additional growth in personal income over the life of a new bond authorization program; the city currently has roughly \$1.8 billion in GO debt outstanding, about 13% of the total long-term liability burden.

Dallas participates in three single-employer defined benefit pension plans. The ERF covers non-uniformed employees. The DPFP (combined plan) and Supplemental Police and Fire Pension Plan of the city of Dallas (supplemental plan) cover police and firefighters.

Under GASB Statement 68, the ERF plan at Dec. 31, 2016 reported a NPL of nearly \$940 million, with fiduciary assets covering 78% of total pension liabilities at the plan's 7.75% investment return assumption. The Dallas ERF board approved changes to the benefit plan in May 2016, which were subsequently approved by the city council and by nearly 70% of voters. The changes apply to employees hired on or after Jan. 1, 2017 and include an increase in the normal retirement age from 60 to 65, an increase in service retirement from 30 years to 40 years, elimination of the health benefit supplement and a reduction in the benefit multiplier from 2.75% to 2.5%. The city estimates these changes will reduce normal costs by 36% and boost to the long-term viability of the plan.

Under GASB Statement 68, the DPFP plan reported a net pension liability (NPL) for the combined and supplemental plans of \$6.3 billion and \$23 million, respectively, as of Dec. 31, 2016. Fiduciary assets of the combined plan covered a low 26% of liabilities based on a blended discount rate of 4.12% (the 7.25% actuarial rate of return during the period through 2028 that the plan was projected to have a fiduciary net position, and a 3.78% municipal bond rate thereafter). Fiduciary assets covered 44% of the liabilities of the supplemental plan using a blended rate of 7.10%.

In response to a steady weakening of the DPFP plan--attributable primarily to issues associated with the deferred retirement option program (DROP) feature--the Texas Legislature in its 2017 regular session approved legislation (HB 3158) that made a number of noteworthy changes to the DPFP plan. The modifications included increases in retirement ages for the various tiers of employees, a reduction in the benefit multiplier for most employees and elimination of the current COLA benefit. The legislation also made changes to the troubled DROP, including a 10-year limitation on participation, elimination of interest on DROP accounts after Sept. 1, 2017 and modifications to DROP account distribution options. The legislation also called for increased plan contributions from both the city and employees.

The city received an actuarial analysis of the DPFP plan performed by Deloitte Consulting LLP. The analysis incorporated the changes included in HB 3158 and also relied upon certain actuarial assumptions and methods employed to make projections regarding plan liability, contributions and amortization period. The analysis also relied on plan participant and asset information provided by DPFP and projected salary and

hiring information from the city. Deloitte's analysis showed a nearly 25% reduction in the plan liability and an improved ratio of assets to liabilities to 50%, up from the plan's 38% level before reforms. This calculation also used the plan's 7.25% investment return assumption. These reforms should stabilize the city's obligations to the plan and reduce the risks presented by the DROP feature of the retirement plan, and should enhance the plan's long-term viability.

The city has made notable progress recently on another potential financial liability, namely several back pay disputes with city public safety employees. The Dallas city council in November 2017 approved a settlement of four suits (the Collin County lawsuits) for \$61.7 million, and the court approved a final judgement on June 8, 2018. Negotiations continue with the remaining two class-action back-pay lawsuits (the Rockwall County suits), and the city council authorized a settlement on June 27th. The reported settlement amount in the Rockwall suits is \$173.3 million, bringing the total amount to be paid by the city to \$235 million. This figure, while not immaterial, is substantially less than potential figures previously mentioned. These series 2018 refunding bonds will finance the Collin County suits' payment. A future tax-supported borrowing likely will be the vehicle for financing the Rockwall County suits' liability, assuming all parties agree to a settlement.

### Operating Performance

Fitch expects Dallas to demonstrate strong financial resilience during economic downturns, as demonstrated by a history of strong gap-closing capacity enabled by solid expenditure management and sizable reserves. The city completed fiscal 2017 with a net surplus after transfers of \$44 million and unrestricted general fund reserves of \$212 million (18% of spending), as both revenues and expenditures outperformed budget.

The city has demonstrated positive budget management practices historically, including programmed expenditure reductions that have enabled the city to maintain a strong financial cushion. However, the increasing annual pension contributions that are mandated by the reforms to the DFPF plan will challenge the city's budget management practices for the foreseeable future. Any slowdown in TAV and economically sensitive revenue trends, combined with expected increases in public safety personnel costs, will add to this challenge.

The fiscal 2018 budget-year one of a biennial budget adopted by the city for the first time-is operationally balanced despite materially larger DFPF pension contributions. Fiscal 2018 DFPF contributions from the city are scheduled at roughly \$152 million, which is approximately \$41 million more than if the reforms had not been approved.

The projected contribution includes a \$13 million supplemental contribution that is scheduled to occur annually until 2024.

This additional expense is offset to a large extent by reduced public safety personnel costs. The fiscal 2018 budget included funding for 3,094 police officers, down from 3,613 budgeted positions in fiscal 2017; police staffing is currently projected to end fiscal 2018 at about 3,044, as attrition losses will more than offset the number of new hires. Management plans to address this attrition, which likely reflects both rank and file departures during the pension crisis and police recruiting challenges nationwide, through continued enhanced recruitment efforts. The current projection for fiscal 2018 general fund results suggest another operating surplus of roughly \$11 million, indicating sufficient budgetary adjustments to initially absorb the additional pension expenditures (and also a boost from revenues again outperforming budget).

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### **Applicable Criteria**

U.S. Public Finance Tax-Supported Rating Criteria (pub. 03 Apr 2018)

(<https://www.fitchratings.com/site/re/10024656>)

### **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form

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# Memorandum



CITY OF DALLAS

DATE July 2, 2018

TO Honorable Mayor and Council Members

SUBJECT **Standard and Poor's Global Ratings Affirmed Rating and Outlook for City of Dallas Outstanding General Obligation and Raised Convention Center Hotel Development Corporation Debt Rating and Downtown Dallas Development Authority Rating - INFORMATION**

I am pleased to report that today, Standard and Poor's Global Ratings (S&P) affirmed the City's AA- credit rating and stable outlook for General Obligation debt. At the same time, S&P upgraded both the Dallas Convention Center Hotel Development Corporation's rating to 'A' from 'A-' and the Downtown Dallas Development Authority (DDDA) to 'A+' from 'A.' Both outlooks are stable. These are positive actions that continue to contribute to investor confidence in the City of Dallas.

S&P states the affirmed rating and outlook for the General Obligation debt reflects the agency's view of the City's "very strong management, with 'strong' financial policies and practices," and a "strong economy, with access to a broad and diverse metropolitan statistical area." As a major economic hub, the City continues to benefit from new developments, solid growth trends, and a prudently forecast growth assumption.

S&P also raised the Dallas Convention Center Hotel Development Corporation's moral obligation rating, "based on the strength of the moral obligation of the City of Dallas, given Dallas' city council-adopted grant program resolution, in which council will consider making grants or loans from the city's general fund to the issuer, should the pledged revenues be insufficient to service the corporation's debt," and the DDDA's moral obligation rating based on "continued positive growth and strength within the reinvestment zone and tax increments collected within," as well as "improved debt service coverage by pledged revenues as well as a declining volatility ratio."

The City of Dallas is economically strong, fiscally stable, and a good investment. I look forward to continuing to work with all ratings agencies on future ratings actions, and am confident that we have a positive story to share.

DATE July 2, 2018

SUBJECT Standard and Poor's Global Ratings Affirmed Rating and Outlook for City of Dallas Outstanding General Obligation and Raised Convention Center Hotel Development Corp. Debt Rating and Downtown Dallas Development Authority Rating - INFORMATION

Please let me know if you need additional information.



M. Elizabeth Reich  
Chief Financial Officer

[Attachment]

C: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billieae Johnson, City Secretary  
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  
Nadia Chandler Hardy, Chief of Community Services  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Theresa O'Donnell, Chief of Resilience  
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# RatingsDirect®

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# Dallas, Texas; General Obligation

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## Summary:

# Dallas, Texas; General Obligation

### Credit Profile

US\$55.275 mil GO rfdg bnds ser 2018 due 02/15/2038

<i>Long Term Rating</i>	AA-/Stable	New
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Dallas GO

<i>Long Term Rating</i>	AA-/Stable	Affirmed
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## Rationale

S&P Global Ratings assigned its 'AA-' rating to the City of Dallas' series 2018 general obligation (GO) refunding bonds. At the same time, S&P Global Ratings affirmed its 'AA-' long-term and underlying ratings on Dallas' GO bonds. The outlook is stable.

The series 2018 bonds are secured by a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the city in an amount sufficient to provide for payment of principal and interest on the bonds. Dallas' ad valorem tax pledge, within the limits prescribed by law, secures the GO bonds. The Texas maximum for city tax rates is \$2.50 per \$100 of assessed value (AV); the city is currently levying 78.04 cents per \$100 of AV, which is well under the state cap. Given the remaining tax flexibility coupled with the city's rating level, we are rating the limited-tax GO debt on par with our rating on the city's GO debt.

Proceeds from the series 2018 bonds will finance payments to plaintiffs under the terms of a written settlement agreement as incorporated in judgments entered by the 199th Judicial District Court in Collin County.

The 'AA-' ratings reflect our view of the city's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with an operating surplus in the general fund but an operating deficit at the total governmental fund level in fiscal 2017 that was heavily influenced by underfunding of the actuarially determined contribution for pensions;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 18% of operating expenditures;
- Very strong liquidity, with total government available cash at 48.4% of total governmental fund expenditures and 3.2x governmental debt service, and access to external liquidity we consider exceptional;
- Very weak debt and contingent liability profile, with debt service carrying charges at 15.1% of expenditures and net direct debt that is 174.5% of total governmental fund revenue, as well as a large pension and other postemployment benefit (OPEB) obligation; and
- Strong institutional framework score.

### **Strong economy**

We consider Dallas' economy strong. The city, with an estimated population of 1.3 million, is located in Collin, Dallas, Denton, and Rockwall counties in the Dallas-Fort Worth-Arlington, MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 97.2% of the national level and per capita market value of \$89,673. Overall, the city's market value grew by 6.6% over the past year to \$117.9 billion in 2018. The weight-averaged unemployment rate of the counties was 3.8% in 2017.

Dallas is a major economic hub in the southern and central part of the country. The city benefits from its status as the center of the Dallas-Fort Worth MSA and the broad and diverse economy that surrounds it. Dallas and the greater metropolitan area continue to be a desirable location for new business as well as recent relocations of corporate headquarters. The strong economy is represented in solid annual growth in market value since 2011. Dallas is home to 22 Fortune 500 companies, 3,489 company headquarters, and 242 Class A office buildings. Twenty-seven percent of all hotel rooms in the metroplex are in the city, as it is one of the nation's top convention destinations. It also benefits from two major airports (Dallas-Fort Worth International Airport and Dallas Love Field) that are home to two large carriers, American Airlines and Southwest Airlines.

Recent new developments in the city include a \$50 million investment from Vistaprint, which will build a logistics facility in southern Dallas with an estimated 600 new jobs. Smoothie King and JetSuite recently moved their headquarters to Dallas. Also, RedBird Mall, a largely vacant shopping mall in southern Dallas, is being renovated into a mixed-use facility with hotel, apartment, office, entertainment, retail, and park uses.

Despite solid growth trends, the city prudently forecast a growth assumption of 7.22% for fiscal 2019 in the second year of the biennial budget. The city estimates market value growth of about 9% for fiscal 2019. It updated its growth projections for use in the next budget recommendation to the city council. Dallas conservatively plans to use a modestly declining annual market value growth assumption over the next five years. New development and solid market value growth should help sustain financial stability in the near term, which contributes to the outlook.

### **Very strong management**

We view the city's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Dallas uses multi-year trends of certified property tax values, historical sales tax revenue trends, and other revenue stream data, as well as outside sources to formulate the budget. Management provides monthly reports to city council and produces a year-end report that reflects expenditures concurrently with publishing a comprehensive annual financial report. City council can amend the budget at any time. City staff prepares and presents long-range financial forecasts for both the general and debt service funds, and presents them to council during the budget development process or during bond program development. Council does not formally adopt these forecasts, but uses them as a financial planning tool in policy deliberations. The city maintains an inventory of capital needs that is updated annually. A formal facility condition assessment was conducted and presented to council in 2016. The assessment is being used to better plan for long-term maintenance and replacement needs. Dallas has historically used a multi-year capital bond program to fund infrastructure improvements. Management also reports investment results quarterly to council, and it reviews the investment policy annually. The city's financial management performance criteria (FMPC)

establishes guidelines and targets for operating programs and cash-and-debt management, including minimum reserves, debt ratios, and restrictions on debt use and issuance. The FMPC is part of the budget development process, at year-end, and is part of GO bond program development. The city has also developed Dallas 365, which is composed of 35 performance measures organized by six key strategic priorities.

### **Weak budgetary performance**

Dallas' budgetary performance is weak, in our opinion. The city had surplus operating results in the general fund of 3.3% of expenditures, but a deficit result across all governmental funds of 2.6% in fiscal 2017. Our weakening view of Dallas' budgetary performance is significantly impacted by the analytical adjustment related to the city's underfunding of the actuarially determined contribution (ADC) for its pension plans (roughly \$112 million in 2017). Net of the adjustment the city's budgetary performance would significantly improve. Given the recent changes to the city's pension plans and contributions to the plans, we anticipate that contributions will improve and the underfunding of the ADC will not have as negative of an impact on the budgetary performance going forward.

Stable budgetary performance in 2017 was aided by growing general fund revenues, including property taxes at \$578 million (or 48% of total general fund revenues) and sales taxes at \$295 million (25%). General fund expenditures at \$1.16 billion included \$712 million for public safety. At fiscal year-end (Sept. 30), general fund revenues exceeded budget by \$1.5 million while general fund expenditures fell below budget by \$14.6 million, resulting in a net excess of revenues over expenditures of \$16.1 million prior to our adjustments for transfers.

Budgetary performance in 2018 has remained relatively stable. Year-to-date revenues are trending \$8.4 million above budget while expenditures are favorably trending \$3 million below budget. Property and sales tax collections are both expected to exceed budget modestly. In February, Dallas Fire Rescue expenditures were forecast to be \$4.2 million over budget, primarily caused by increased overtime because of higher-than-expected attrition. The fiscal 2018 budget was amended by city council ordinance on April 25, 2018 by \$3.7 million from excess revenue to account for the increase in expenditures. Taken into consideration in the city's performance was the full cost of its actuarially determined contribution (ADC) for pension costs. Historically the city has not contributed 100% of the ADC to the employee retirement plan as well as the police and fire plan. As a result, to better reflect ongoing budgetary performance, we added back the deferred amount of the ADC to the total governmental fund expenditures, which was \$30.5 million and \$81.8 million, respectively, for fiscal 2017. We anticipate with recent plan changes and increases in contributions that the city will move significantly closer to the ADC with regard to contributions for the fiscal 2018 year.

Dallas' total tax rate was reduced slightly when compared with previous years. The current rate of 78.04 cents per \$100 of AV is a modest decline from fiscal 2016. The city's total tax rate is well below the state maximum for cities of more than 5,000, at \$2.50 per \$100 of AV. City council could elect to reduce the city's total tax rate in the near term based on solid market value growth. If a reduction is realized, we expect that it will be modest. Stable market value growth and forecast growth in revenues will support the city's 2019 budget, which is expected to be adopted Sept. 19. There are no significant one-time expenditures expected in the budget or draw-down of reserves. Given historical modest positive budget variances, we anticipate stable budgetary performance in the near term.

### **Very strong budgetary flexibility**

Dallas' budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 18% of operating expenditures, or \$210.7 million.

The city's fiscal 2017 year-end available reserve balance exceeds its financial policy requirement of 40 days of general fund operating expenditures. Dallas' available reserve position continues to grow, which is a credit positive. Based on current financial trends, we anticipate the city's available reserve will remain stable in the near term.

### **Very strong liquidity**

In our opinion, Dallas' liquidity is very strong, with total government available cash at 48.4% of total governmental fund expenditures and 3.2x governmental debt service in 2017. In our view, the city has exceptional access to external liquidity if necessary.

The city's liquid and non-restricted investments are available in less than a year and are in highly rated investment pools such as the Local Government Investment Cooperative and Texas Local Government Investment Pool, and TexSTAR. While the city has pledged moral obligation support for the convention center hotel bonds (series 2009A, 2009B, and 2009C), Downtown Dallas Development Authority tax-increment financing bonds (series 2006 and 2007), and civic center operational insufficiencies, we do not view it as likely that it will need to support these in the near-to-medium term. The fiscal 2017 debt service costs of these obligations amount to about 2.5% of Dallas' operating revenues for fiscal 2017. Supporting our view is the city's exceptional access to external liquidity based on frequent bond issuances, secured by various revenue streams, over the past 15 years.

### **Very weak debt and contingent liability profile**

In our view, Dallas' debt and contingent liability profile is very weak. Total governmental fund debt service is 15.1% of total governmental fund expenditures, and net direct debt is 174.5% of total governmental fund revenue.

The current debt issue is to address settlements of four lawsuits by former police officers and firefighters in Collin County over the language of a 1979 pay referendum. In addition, on June 27, the City Council approved \$173.3 million to settle two class-action lawsuits in Rockwall County related to the same 1979 pay referendum. . These settlements, while not finalized, will end a dispute that has been ongoing for more than 20 years. It is anticipated the city's payments will likely be addressed through a long-term obligation.

We expect Dallas will continue to issue bonds for general infrastructure improvements should AV growth support such issuances. In November 2017, voters approved a \$1.05 billion bond authorization package that included 10 different propositions for various projects and upgrades throughout the city, including over \$500 million for streets and transportation, over \$260 million for parks and recreation, and the remainder for Fair Park, flood control, public safety facilities, city facilities, and cultural arts.

The city has a contingent liability to make up any shortfalls in debt service coverage for both the Dallas Convention Center Hotel revenue bonds and the Downtown Dallas tax increment revenue bonds. However, based on revenue trends and coverage for both bonds, general fund support is not expected in the near term. Management does not foresee a need to support the operations for the convention center in the near term. The city also maintains a commercial paper program through JPMorgan Chase Bank N.A. The notes have a total program authorization of \$350

million. Liquidity support is provided by JPMorgan Chase Bank N.A. through a revolving credit agreement, which extends to Dec. 2, 2020. The term of the notes shall not exceed 270 days after issuance, with a maximum maturity date of Dec. 2, 2020. The city has no commercial paper outstanding.

In our opinion, a credit weakness is Dallas' large pension and OPEB obligation. We also note a significant amount of positive changes have taken place in the recent past with regards to the funding of the city's pension plans. Dallas' combined required pension and actual OPEB contributions totaled 17.9% of total governmental fund expenditures in 2017. Of that amount, 17.0% represented required contributions to pension obligations, and 0.9% represented OPEB payments. The city made 62% of its annual required pension contribution in 2017. The funded ratio of the largest pension plan is 25.5%.

Dallas provides pension benefits to its employees via three separate retirement plans: the Employees Retirement System, the Dallas Police and Fire Pension System (DPFP), and the Supplemental Police and Fire Pension Plan of the City of Dallas. The ERF is for all eligible employees, excluding firefighters and police officers. For fiscal 2017, the ERF was 78% funded and the city contributed \$58 million, or 65.5%, of its ADC. The plan's funded status improved in 2017 when compared with a 60% funded status in fiscal 2016. The DPFP was 25% funded for fiscal 2017 and the city paid \$120.3 million or 100% of the statutorily required contribution amount. Weakness in the plan's affordability between 2015 and 2016 was caused by continued negative investment returns as well as actuarial assumption and methodology changes following a five-year experience study. Most recently in late 2016, the plan's assets fell sharply because of more than \$500 million in deferred retirement funds that were withdrawn through a deferred retirement option plan (DROP), exacerbating the plan's weakness. The supplemental plan in 2017 was 43% funded and the city paid 100% of its ADC, which was a relatively small \$2 million.

In the summer of 2017, the state legislature passed House Bill (HB) 3158, which fundamentally changed the contribution to and benefits provided by the DPFP.

Key features of HB 3158 include:

- A change in the benefit multiplier to 2.5% for service accrued after the effective date;
- Modification of normal retirement age, early retirement age, and early retirement reduction;
- Vesting after five years of service;
- Cost of living adjustments may be provided but only after certain financial benchmarks are met, prospective elimination of supplemental benefits, modifications around the DROP program;
- Employee contribution rate of 13.5% of computation pay for all active participants; and
- Employer contribution rate of 34.5% of computation pay with a floor for seven years, plus \$13 million per year until 2024.

According to the city's actuary, Deloitte, HB 3158 raised the funded status of the plan to 50.3% upon passage. While we expect the plan's funded status will likely not improve further in the near term, the recent changes have stabilized it for the long term. In addition, part of the plan's revisions is that an actuarial study will be conducted in seven years and if certain key funding benchmarks are not being met, additional changes will be made.

Aside from its pension benefits, Dallas provides certain OPEB for retired employees. As of Sept. 30, 2017, the plan was not funded. The city contributed 56% of the annual OPEB cost, which amounted to \$15.4 million. The city discontinued offering subsidized retiree health care for employees hired after Jan. 1, 2010.

Dallas' combined total pension and OPEB contributions were \$193.8 million, or 17.9% of fiscal 2017 governmental expenditures.

### Strong institutional framework

The institutional framework score for Texas municipalities is strong.

## Outlook

The stable outlook reflects strength in Dallas' local economy that we anticipate will continue to grow in the near term, stable financial metrics, as well as recent changes to the city's pension plans that counteract any further deterioration in funded status.

### Upside scenario

Should the debt and contingent liabilities profile improve significantly, and the large and growing pension liabilities moderate, we could raise the rating.

### Downside scenario

Any deterioration over the next two years in the city's budgetary flexibility, performance, or liquidity could result in a downgrade. Additionally, if the city's debt service, pension, and OPEB carrying charges rise to a level we view as very high and large pension liabilities continue to grow and funded status of the plans deteriorate further, we could lower the rating multiple notches.

## Related Research

- 2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of July 2, 2018)		
Dallas GO (AGM) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

**Ratings Detail (As Of July 2, 2018) (cont.)**

Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Dallas GO (BAM) (SEC MKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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**Summary:**

## Dallas Convention Center Hotel Development Corp., Texas; Moral Obligation

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## Summary:

# Dallas Convention Center Hotel Development Corp., Texas; Moral Obligation

### Credit Profile

#### Dallas Convention Center Hotel Development Corp, Texas

Dallas, Texas

Dallas Convtn Ctr Hotel Dev Corp (Dallas)

*Long Term Rating*

A/Stable

Upgraded

Dallas Convtn Ctr Hotel Dev Corp (Dallas)

*Long Term Rating*

A/Stable

Upgraded

## Rationale

S&P Global Ratings has raised its rating on the Dallas Convention Center Hotel Development Corp., Texas' series 2009A and B hotel revenue bonds, issued on behalf of the City of Dallas, to 'A' from 'A-'. The outlook is stable.

The rating is based on the application of our criteria, titled "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" ("ratings linked criteria"; published Jan. 22, 2018, on RatingsDirect). The upgrade is based on the strength of the moral obligation of the City of Dallas, given Dallas' city council-adopted grant program resolution, in which council will consider making grants or loans from the city's general fund to the issuer, should the pledged revenues be insufficient to service the corporation's debt. The strength of the city's moral obligation outweighs the strength of the pledged revenue base. This resolution is a revision to the public-private partnership program and guidelines that allow for a local government grant program and general fund appropriations of Chapter 380 grants to the corporation. Loans or grants are subject to annual appropriation by city council.

Obligor involvement is considered weak given the nature of the projects funded do not have a clear linkage with the basic functions of the city. While intended payment source (the hotel taxes) is a narrow and reliable revenue stream, the source of payment ultimately supporting the issue is from the making grants or loans from the city's general fund to the issuer, should the pledged revenues be insufficient to service the corporation's debt. Finally, there has been no evidence of political or community resistance to the city's support of the debt, nor are there any unusual administrative risks that could disrupt timely debt service payments.

The intended payment source is the hotel project's net operating income, 6% state hotel occupancy tax (HOT) revenue collected on the qualified hotel project (limited to the initial 10 years of operation), 6.25% state sales and use tax collected on the qualified hotel project (limited to the initial 10 years of operation), and the citywide 7% local HOT revenues collected and dedicated to debt service. The state hotel occupancy and sales-use tax pledge is limited to 10 years subsequent to the initial opening of the hotel, but the local citywide HOT is pledged as a security for the life of the bonds.

The corporation issued the series 2009B hotel revenue bonds as federally taxable Build America Bonds (BABs), in which the corporation receives a subsidy from the U.S. Treasury equal to 35% of the stated interest paid. The U.S. Treasury subsidy for BABs, if issued, is paid directly to the corporation, and does not constitute security for the payment of principal or interest on the series 2009B revenue bonds.

The 1,016-room Omni hotel, which opened in 2011, has at least 80,000 square feet of meeting-room and function space, and 720 structured parking spots. During the past five years, HOT revenues have continued to rise, with relatively stable trends from year to year. In addition, the hotel occupancy rate has steadily increased.

The debt service schedule indicates principal repayment on the series 2009A bonds beginning in 2018, and principal repayment of the series 2009B bonds beginning in 2026. The debt service requirement steadily increases to about \$40.9 million in 2026. Should hotel tax revenues be insufficient to cover the annual debt service requirement, the trustee will be able to access a debt service reserve fund, funded at the maximum annual debt service (MADS) payment (about \$41 million). Fiscal 2017 pledged collections of \$38.8 million provided 1x coverage of annual debt service, but did not incorporate BAB direct payments. When calculating direct payments, debt service coverage increases. Fiscal 2017 pledged revenues still provided weak 0.95x MADS coverage (when not taking into consideration direct payment subsidies).

The primary credit factor, however, remains the city council-adopted resolution, in which general fund appropriations will be considered to cover any deficiencies. The repayment of any loans made to the corporation by Dallas is subordinate to the corporation's annual debt service requirement.

## **Outlook**

The stable outlook reflects the moral obligation of the City of Dallas. The outlook also takes into consideration the strength in the local economy that we anticipate will continue to grow in the near term, and stable financial metrics.

### **Upside scenario**

Should the corporation's debt and contingent liabilities profile decline significantly and the large and growing pension liabilities of the city moderate, we could raise the rating.

### **Downside scenario**

Any deterioration over the next two years in Dallas' budgetary flexibility, performance, or liquidity could result in a downgrade. In addition, we could lower the rating multiple notches if the city's debt service, pension, and other postemployment benefits carrying charges elevate to levels that we consider very high, large pension liabilities continue to grow, and the plans' funded status further deteriorates.

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## Summary:

# Downtown Dallas Development Authority, Texas; Moral Obligation

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# Downtown Dallas Development Authority, Texas; Moral Obligation

### Credit Profile

#### Downtown Dallas Dev Auth, Texas

Dallas, Texas

Downtown Dallas Dev Auth (Dallas) (MBIA) (National

*Unenhanced Rating*

A+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

## Rationale

S&P Global Ratings has raised its ratings on the Downtown Dallas Development Authority's (DDDA) tax increment contract revenue bonds, issued on behalf of the City of Dallas to 'A+' from 'A'. The outlook is stable.

The upgrade reflects continued positive growth and strength within the reinvestment zone and tax increments collected within. The upgrade also reflects improved debt service coverage by pledged revenues as well as a declining volatility ratio.

The bonds are secured by tax increments collected within the boundaries of the authority. The amount of a participant's tax increment for a year is calculated based on the amount of property taxes levied by the participant for that year on the captured appraised value of real property in Reinvestment Zone No. 11 taxable by the participant. The captured appraised value equals: the total appraised value of the real property in Reinvestment Zone No. 11 taxable by the participant for a year less the tax increment base, which is the adjusted total appraised value as of Jan. 1, 2005, of all real property located within the boundaries of the zone. No additional debt issuance is expected in the near-to-medium term. Also incorporated in the review is the strength of the moral obligation of the City of Dallas, given Dallas' city council-adopted grant program resolution, in which council will consider making grants or loans from the city's general fund to the issuer, should the pledged revenues be insufficient to service the corporation's debt.

The strength of the tax increments collected within the boundaries of the authority, legal provisions for the bonds, and general creditworthiness outweigh the city's moral obligation. The rating is based on the application of our criteria, titled "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" ("ratings linked criteria"; published Jan. 22, 2018, on RatingsDirect).

Obligor involvement is considered moderate given the obligation provides funding of projects serving an auxiliary function of the city. While the intended payment source (tax increment revenues) is a narrow and reliable revenue stream, the source of payment ultimately supporting the issue is from the making of grants or loans from the city's general fund to the issuer, should the pledged revenues be insufficient to service the corporation's debt. Finally, there has been no evidence of political or community resistance to the city's support of the debt, nor are there any unusual

administrative risks that could disrupt timely debt service payments.

The rating reflects our view of the DDDA's:

- Historically strong growth in property values;
- Low volatility ratio at 0.18%; and
- Strong legal provisions for bonds.

Partly offsetting the above strengths, in our opinion, are the authority's:

- Moderately concentrated tax base; and
- Steady increases in debt service requirements to 2036.

Dallas created Reinvestment Zone No. 11, which spans a significant portion of its central business district, to improve the physical connection between its uptown and downtown areas. The base value was set in 2006 at \$562 million and then revised to \$564.9 million during fiscal 2009 to reflect the addition of acreage within the zone. The current taxable value in the zone is \$2.99 billion (city portion), reflecting continued growth in the zone. Both Dallas and Dallas County are participants in the zone and have agreed to transfer incremental tax revenues to the project fund. The city will be participating through 2035 at a 90% participation level, while the county will be participating through 2025 at a 55% participation level. The debt service requirement steadily increases from \$6.3 million in 2016 to about \$9.9 million in 2036. The fiscal 2017 incremental tax revenues of about \$20.9 million provide maximum annual debt service (\$9.9 million in 2034) coverage of 2.12x, based on the most recent year's pledged revenues, which is a modest improvement from the previous year. The volatility ratio (which incorporates the participation levels of 90% and 55% of the city and county, respectively) given current pledged revenues is a low 0.18%, indicating that total assessed value (AV) would need to fall by 82% before there would be no more tax increment revenues.

We consider Dallas' economy strong. The city, with an estimated population of 1.3 million, is located in Collin, Dallas, and Denton counties in the Dallas-Fort Worth-Arlington metropolitan statistical area (MSA), which we consider to be broad and diverse. The city has a projected per capita effective buying income of 97.2% of the national level and per capita market value of \$89,673. Overall, the city's market value grew by 6.6% over the past year to \$117.9 billion in 2018. The weight-averaged unemployment rate of the counties was 3.8% in 2017.

Dallas is a major economic hub in the southern and central part of the country. The city benefits from its status as the center of the Dallas-Fort Worth MSA and the broad and diverse economy that surrounds it. Dallas and the greater metro area continue to be a desirable location for new business as well as recent relocations of corporate headquarters to the area. The strong economic growth is represented in solid annual growth in market value growth since 2011. Dallas is home to 22 Fortune 500 companies, 3,489 company headquarters, and 242 Class A office buildings. Twenty-seven percent of all hotel rooms in the metroplex are in the city, as it is one of the nation's top convention destinations. It also benefits from two major airports (Dallas-Fort Worth International Airport and Dallas Love Field) in the area that are home to two large carriers in American Airlines and Southwest Airlines.

Recent new develops in the city include a \$50 million investment from Vistaprint, which will build a logistics facility in

southern Dallas with an estimated 600 new jobs. Smoothie King and JetSuite recently moved their headquarters to Dallas. Also, RedBird Mall, a largely vacant shopping mall in southern Dallas, is being renovated into a mixed-use facility with hotel, apartment, office, entertainment, retail, and park uses. New development and solid market value growth should help sustain the city's financial stability in the near term, which contributes to the outlook.

Legal provisions for the bonds are strong, in our opinion. Should tax increments be insufficient to cover the annual debt service requirement, two reserve funds are accessible by the trustee. The first is the typical debt service reserve fund, funded at the lesser of the standard three-prong test. The second reserve fund available to the trustee is a fund with an ultimate deposit of \$10 million, which has been funded with excess increment revenues. Ideally, any shortfalls are drawn from this reserve first. A debt service reserve is established at the lesser of the standard three-prong test. An additional bonds test is also established at 150% of the maximum annual requirements, after giving effect of the additional bonds.

## **Outlook**

The stable outlook reflects our expectation AV will remain stable and experience modest growth in the near term, and that debt service coverage will remain stable with no near-term debt plans in the next two years. We do not expect the rating to change over the two-year outlook.

### **Upside scenario**

We could raise the rating if coverage increases substantially and diversification among the top 10 taxpayers improves to a level comparable with that of higher rated peers. Additional strengthening of legal provisions for the bonds could also have a positive effect on the rating. We could also raise the rating if the city's credit profile improves and if Dallas' large and growing pension liabilities moderate.

### **Downside scenario**

We could lower the rating if debt service coverage were to materially weaken or there were significant deterioration in AV.

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# Memorandum



DATE July 6, 2018  
TO Honorable Mayor and Members of the City Council  
SUBJECT **City License Applications**

Attached is a list of the most recent Dance Hall and/or Sexual Oriented Business applications received for the week of June 28 - July 4, 2018 by the Strategic Deployment Bureau Licensing Squad of the Dallas Police Department.

Please have your staff contact Sergeant Lisette Rivera, #7947 at (214) 670-4811 and/or by email at [lisette.rivera@dpd.ci.dallas.tx.us](mailto:lisette.rivera@dpd.ci.dallas.tx.us) should you need further information.



**Jon Fortune**  
Assistant City Manager

[Attachment]

cc: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billerae Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizar Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, 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

# ***Weekly License Application Report***

*June 28, 2018 - July 04, 2018*

<b><i>BEAT</i></b>	<b><i>DIST.</i></b>	<b><i>NAME OF BUSINESS</i></b>	<b><i>ADDRESS</i></b>	<b><i>LICENSE</i></b>	<b><i>STATUS</i></b>	<b><i>LATE HOUR</i></b>	<b><i>DATE</i></b>	<b><i>APPLICANT</i></b>
154	14	LIZARD LOUNGE	2424 SWISS AVE	DH-CLASS A	RENEWAL	YES	6/29/2018	DONALD NEDLER
551	6	AMAZING.NET	11311 HARRY HINES	SOB-BOOKST	RENEWAL	NO	6/29/2018	DENNIS LESIEUR

***License Definitions:***

- DH - Class "A" -Dance Hall - Dancing Permitted 3 Days Or More A Week***
- DH - Class "B" Dance Hall - Dancing Permitted Less Than Three Days a Week***
- DH - Class "C" Dance Hall - Dancing Scheduled One Day At A Time***
- DH - Class "E" Dance Hall - Dancing Permitted Seven Days A Week for Persons Age 14 through Age 18 Only***
- LH - Late Hours Permit - Can Operate A Dance Hall Until 4:00 A.M.***
- BH - Billiard Hall - Billiards Are Played***
- SOB - Sexually Oriented Business - Adult Arcade / Adult Book/Video Store / Adult Cabaret / Adult Motel  
Adult Theater / Escort Agency / Nude Model Studio***