



Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas

September 10, 2021

Mark S. Swann, City Auditor

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Mayor Pro Tem

Chad West

Deputy Mayor Pro Tem

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Executive Summary

Objective and Scope

The audit objective was to determine whether the City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the City Manager's *Fiscal Year 2021-22 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2021-22 Proposed Annual Budget* and the associated supporting documentation.

What We Recommend

There are no audit recommendations associated with this report.

Background

The City Council approved *Fiscal Year 2021 Audit Work Plan* prescribed the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2021-22 Proposed Annual Budget*. The \$282.5 million budgeted from the American Rescue Plan Act of 2021 for the *Fiscal Year 2021-22 Proposed Annual Budget* was not part of the review since the funds have been granted and are not estimated.

What We Found

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2021-22 Proposed Annual Budget*. Further, the revenue forecast methodologies and material assumptions used in developing the proposed budget revenues are reasonable and adequately supported.

Audit Results

The Office of the City Auditor reviewed major revenue sources totaling \$2.72 billion, or 78 percent of the \$3.49 billion of the proposed budget revenues included in the *Fiscal Year 2021-22 Proposed Annual Budget*. The remaining \$772 million, which are mainly derived from department reimbursements, and City of Dallas employee and retiree contributions for retirement and health benefits, were excluded from the review. The major revenue sources reviewed are identified in [Exhibit 1](#).

Exhibit 1:

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

Revenue Sources	Fiscal Year 2020-21 Amended Budget	Fiscal Year 2020-21 Forecast Revenues	Fiscal Year 2021-22 Proposed Revenues
General Fund			
Ad Valorem Taxes	\$825,006,993	\$842,253,328	\$876,483,968
Sales Tax	305,073,041	336,011,501	344,283,066
Franchise Fees	83,444,095	85,412,871	85,146,984
Enterprise Fund			
Water Utilities	692,146,200	672,903,109	713,732,650
Aviation - Concessions & Rentals	94,234,713	92,427,523	111,964,255
Sanitation Services	127,062,910	125,943,184	137,982,207
Convention and Event Services - Hotel Occupancy Tax	36,500,000	36,438,189	58,310,171
Storm Water Fees	66,355,747	66,332,748	69,314,586
Debt Service			
Ad Valorem Taxes	301,028,221	306,222,303	\$321,279,574
Revenue Sources Reviewed	\$2,530,851,920	\$2,563,944,756	\$2,718,497,461
Revenue Sources Not Included	750,799,171	729,777,705	772,268,150
Total Revenues	\$3,281,651,091	\$3,293,722,461	\$3,490,765,611

Source: Fiscal Year 2021-22 Proposed Annual Budget (Unaudited)

The City of Dallas has methodologies in place for forecasting revenues. The common methodologies used by the City of Dallas consist of regression analyses and/or historical trends, professional judgements, along with expertise from external consultants. [Exhibit 2](#) (on pages 3 and 4) shows the total General Fund variance between budgeted revenues compared to actual revenues for Fiscal Years 2018 through 2020 were less than 3 percent for all three years.

While common methodologies were used to forecast revenues for Fiscal Year 2021-22 revenues, the methodologies were adjusted as appropriate to consider the effects the COVID-19 pandemic could have throughout the remainder of Fiscal Year 2020-21 and all of Fiscal Year 2021-22. A conservative approach was taken to forecast the revenues.

Exhibit 2:

Fiscal Years 2018 Through 2020 General Fund Budgeted Revenues
Compared To Actual Revenues
(in thousands)

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

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

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

Source: City of Dallas 2018-2020 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 2021-22 proposed budget revenues.

Methodology

We interviewed department personnel, reviewed revenue forecast methodologies and material assumptions for reasonableness, verified consistency of the budget documents, and performed various analyses. The five internal control components of the *Standards for Internal Control in the Federal Government* were considered in this engagement.

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

Major Contributors to the Report

Lee Chiang, CIA, CISA, ACDA – In-Charge Auditor

Rory Galter, CPA – Engagement Manager

Enrique J. Fuentes, CFE

Carron Perry, CIA

Mamatha Sparks, CIA, CISA, CRISC

Management's Response

Memorandum



CITY OF DALLAS

DATE: September 2, 2021
TO: Mark S. Swann – City Auditor
SUBJECT: Response to Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas

This letter acknowledges the City Manager's Office and the Office of Budget & Management Services received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas*.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax'.

T.C. Broadnax
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Jack Ireland, Director, Office of Budget & Management Services

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