



Audit of Proposed Budget Revenues Included in the Fiscal Year 2020-21 Proposed Annual Budget for the City of Dallas

September 11, 2020

Mark S. Swann, City Auditor

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Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



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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 2020-21 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2020-21 Proposed Annual Budget* and the associated supporting documentation.

What We Recommend

There are no audit recommendations associated with this report.

Background

Council Resolution 904027 directs the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2020-21 Proposed Annual Budget*.

What We Found

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2020-21 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 \$2.52 billion or 78 percent of the \$3.25 billion of the proposed budget revenues included in the *Fiscal Year 2020-21 Proposed Annual Budget*. The remaining \$727 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 2019-20 Amended Budget	Fiscal Year 2019-20 Forecast Revenues	Fiscal Year 2020-21 Proposed Revenues
General Fund			
Ad Valorem Taxes	\$787,420,172	\$786,890,377	\$826,559,364
Sales Tax	325,566,185	309,284,972	296,324,365
Franchise Fees	96,004,542	86,818,502	82,546,443
Enterprise Fund			
Water Utilities	670,485,708	633,499,067	692,146,200
Aviation - Concessions & Rentals	119,040,589	90,924,788	88,761,734
Sanitation Services	120,129,201	120,936,053	127,068,910
Convention and Event Services - Hotel Occupancy Tax	66,423,441	30,103,397	36,500,000
Storm Water Fees	60,936,837	60,540,795	66,355,747
Debt Service			
Ad Valorem Taxes	287,449,046	287,429,612	\$301,675,062
Revenue Sources Reviewed	\$2,533,455,721	\$2,406,427,563	\$2,517,937,825
Revenue Sources Not Included	722,362,398	668,869,693	727,240,219
Total Revenues	\$3,255,818,119	\$3,075,297,256	\$3,245,178,044

Source: Fiscal Year 2020-21 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 2017 through 2019 were less than 1 percent for two of the three years, and less than 2 percent for the third year.

While the common methodologies were used to forecast revenues for Fiscal Year 2020-21 revenues, the methodologies were adjusted as appropriate to consider the affects the COVID-19 pandemic could have throughout the remainder of Fiscal Year 2019-20 and all of Fiscal Year 2020-21. A conservative approach was taken to forecast the revenues.

Exhibit 2:

**Fiscal Years 2017 Through 2019 General Fund Budgeted Revenues
Compared To Actual Revenues
(in thousands)**

General Fund	Fiscal Year 2016-17 Budgeted Revenue	Fiscal Year 2016-17 Actual Revenue	— Variance —	
			Dollar	Percent
Ad Valorem Taxes	\$610,219	\$610,958	\$739	0.1%
Sales Tax	292,188	293,610	1,422	0.5%
Franchise Fees and Other Tax	140,251	138,817	-1,434	-1.0%
License and Permits	4,891	5,475	584	11.9%
Intergovernmental	8,501	9,238	737	8.7%
Service to Others	93,941	103,175	9,234	9.8%
Fines and Forfeitures	38,760	35,923	-2,837	-7.3%
Investment Income	1,315	3,263	1,948	148.1%
Other Revenues	7,616	8,477	861	11.3%
Total Revenues	\$1,197,682	\$1,208,936	\$11,254	0.9%

General Fund	Fiscal Year 2017-18 Budgeted Revenue	Fiscal Year 2017-18 Actual Revenue	— Variance —	
			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 2018-19 Budgeted Revenue	Fiscal Year 2018-19 Actual Revenue	— Variance —	
			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%

Source: City of Dallas 2017-2019 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 2020-21 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.

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

Bob Smith, CPA – Assistant City Auditor III
 Enrique J. Fuentes – Assistant City Auditor II
 Lee Chiang, CIA, CISA – In-Charge Auditor
 Rory Galter, CPA – Audit Manager

Management's Response

Memorandum



DATE: September 11, 2020
TO: Mark S. Swann, City Auditor
SUBJECT: Response to *Audit of Proposed Budget Revenues Included in the Fiscal Year 2020-21 Proposed Annual Budget for the City of Dallas*

This letter acknowledges the Office of the City Auditor received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2020-21 Proposed Annual Budget for the City of Dallas*.

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

Sincerely,



T.C. Broadnax
City Manager

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

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