

Memorandum

RECEIVED

2014 OCT 31 AM 9: 25

CITY SECRETARY
DALLAS, TEXAS



DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee:
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Budget, Finance & Audit Committee Meeting

Monday, November 3, 2014, 1:00 p.m.

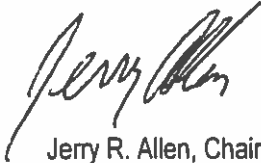
Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Consideration of minutes from the October 20, 2014 Budget, Finance & Audit Committee meeting
2. Community Loan Center of Dallas
A Low-Cost Alternative to Payday & Car Title Loans
Rosa Rios Valdez, President and CEO
Business & Community Lending of Texas
3. Communications Related to the FY 2013 Audit
and FY 2014 Audit Plan
Ben Kohnle, Partner
Grant Thornton LLP
4. McCommas Bluff Landfill –
Dallas Clean Energy Lease Amendment
Kelly High, Director
Sanitation Services
5. Bond Disclosure Counsel Contracts
Warren M.S. Ernst
City Attorney
6. General Obligation Bond Sale
Corrine Steeger, Assistant Director
City Controller's Office
7. Depository Services Contract
Corrine Steeger, Assistant Director
City Controller's Office

FYI

8. Upcoming Agenda Item: Purchase, Installation and Upgrades of the Public, Education, and Government Cable System
9. Upcoming Agenda Item: Tires and Tubes Master Agreement
10. Upcoming Agenda Item: Increase to Master Agreement for Computer Software
11. Upcoming Agenda Item: Consultant Contract to Develop a Citywide Data Management Plan



Jerry R. Allen, Chair
Budget, Finance & Audit Committee

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Soils, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

A quorum of the Dallas City Council may attend this Council Committee meeting.

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.

Budget, Finance & Audit Committee

Meeting Record- DRAFT

Meeting Date: 10.20.2014

Convened: 1:01pm

Adjourned: 2:23pm

Committee Members Present:

Jerry R. Allen, Chair
Sheffie Kadane

Jennifer S. Gates, Vice-Chair
Philip T. Kingston

Tennell Atkins

Committee Members Absent:

N/A

Other Council Members Present:

N/A

Staff Present:

Jeanne Chipperfield
Craig Kinton
Warren Ernst
Jennifer West
Biliera Johnson
Jody Puckett

Zeronda Smith
Edward Scott
Mike Frosch
Randall Hanks
Yasmin Barnes
Justin Hunt

Jack Ireland
Donna Lowe
Renee Hayden
Bill Finch
Lois Dillard

Errick Thompson
Barbara McAninch
Rosa Rios
Shelia Robinson
Mark McDaniel

Others Present:

N/A

AGENDA:

1. Consideration of the October 6, 2014 Minutes

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to approve the October 6, 2014 minutes. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

2. Office of the City Auditor's Fiscal Year 2015 Audit Plan

Presenter(s): Craig D. Kinton, City Auditor

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, November 12, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

3. Records Management and Records Retention

Presenter(s): Rosa A. Rios, City Secretary

Information Only: X

Action Taken/Committee Recommendation(s):

Councilmember Kingston requested clarification on the 90 day retention policy on audio to be included in the upcoming full council briefing.

Budget, Finance & Audit Committee

Meeting Record- **DRAFT**

4. **Overview of E-Gov Key Focus Area**

Presenter(s): Jack Ireland, Director, Office of Financial Services

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

FYI

5. **Upcoming Agenda Items: Communication and Information Services**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

6. **Upcoming Agenda Item: Dallas Water Utilities**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

7. **August 2014 Financial Forecast Report**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

Jerry R. Allen, Chair
Budget, Finance & Audit Committee

Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT **Community Loan Center of Dallas**
A Low-Cost Alternative to Payday & Auto Title Loans for Dallas County

On Monday, November 3, 2014, the Budget, Finance & Audit Committee will be briefed on Community Loan Center of Dallas A Low-Cost Alternative to Payday & Auto Title Loans for Dallas County. The briefing will include information presented by Rosa Rios Valdez, President and CEO of Business & Community Lenders (BCL) of Texas. Briefing is attached for your review.

Should you have any questions, please contact me at (214) 670-3296.

A handwritten signature in blue ink, appearing to read 'Ry - S. E'.

Ryan S. Evans
First Assistant City Manager

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitskovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager



COMMUNITY LOAN CENTER
OF DALLAS
Affordable Small Dollar Loans

A LOW-COST ALTERNATIVE TO PAYDAY &
AUTO TITLE LOANS FOR DALLAS COUNTY

Budget, Finance and Audit Committee
November 3, 2014

*Rosa Rios Valdez, CEO
Community Loan Center of Dallas,
a program of Business & Community Lenders (BCL) of Texas*



BCL of Texas
Business & Community Lenders

The Toll of Payday & Auto Title Loans in Texas



Texas is one of 27 states with permissive lending regulations.

Texan borrowers get larger loans and pay higher fees than consumers in the nation as a whole.



3,590

Payday and Auto Title Lenders



\$1.47 Billion

Fees charged



36,800

Cars repossessed

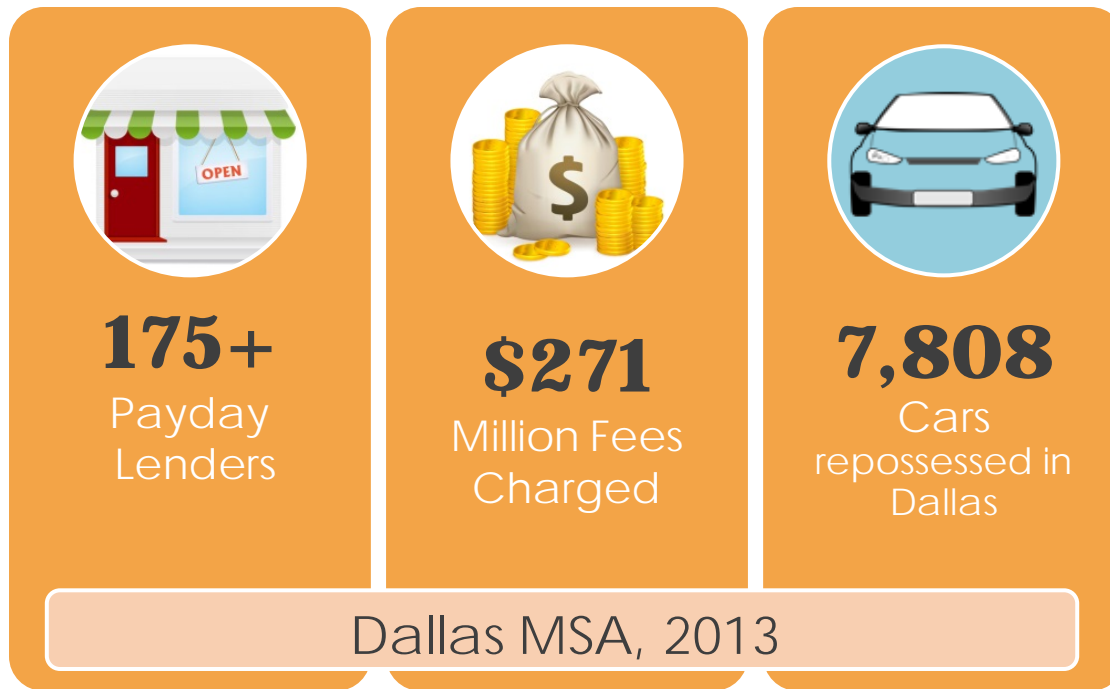
\$5.9 Billion

The industry of payday and auto-title lending in our state

Sources: Center for Public Policy Priorities; Texas Tribune



The Toll of Payday & Auto Title Loans in Dallas



Source: Center for Public Policy Priorities; The Texas Tribune



A \$1,000 loan costs
the borrower
\$775 in fees



Why is Dallas vulnerable to payday lenders?

- ▶ A 2012 CFED study reports that **39%** of the City of Dallas populations are households in **asset poverty**.
- ▶ The City of Dallas population is **68% minority** compared to 30% in the U.S. and the Dallas **income poverty rate is two times higher** than the U.S. income poverty rate.
- ▶ The number of **Dallas unbanked households is two times higher** (15.6% vs 7.7%) than U.S. unbanked households. The **homeownership rate** of Dallas families is **21% lower** than the U.S. homeownership rate and the **uninsured rate** for Dallas low income families is **50.4%**.



Problems with payday loans

- ▶ **Targets.** Borrowers tend to be low-income, young, people of color, females, renters, separated or divorced. Payday lending storefronts are more likely to locate in neighborhoods of color.
- ▶ **Lack of underwriting for affordability.** The payday lending business model depends on borrowers' inability to afford their loan and their subsequent need to borrow—paying more fees—multiple times.
- ▶ **High fees.** Payday lenders typically charge the maximum possible rate allowed in a state. As a result, the annual percentage rate (APR) on payday loans is often 400% or higher.
- ▶ **Short-term due date.** Most borrowers cannot repay their payday loan principal within a two-week period—let alone the principal plus a fee. In fact, some payday lenders offer a “free” first payday loan with no fee, knowing that borrowers who cannot afford to repay the principal in two weeks will incur many repeat borrowings and fees in subsequent pay periods.

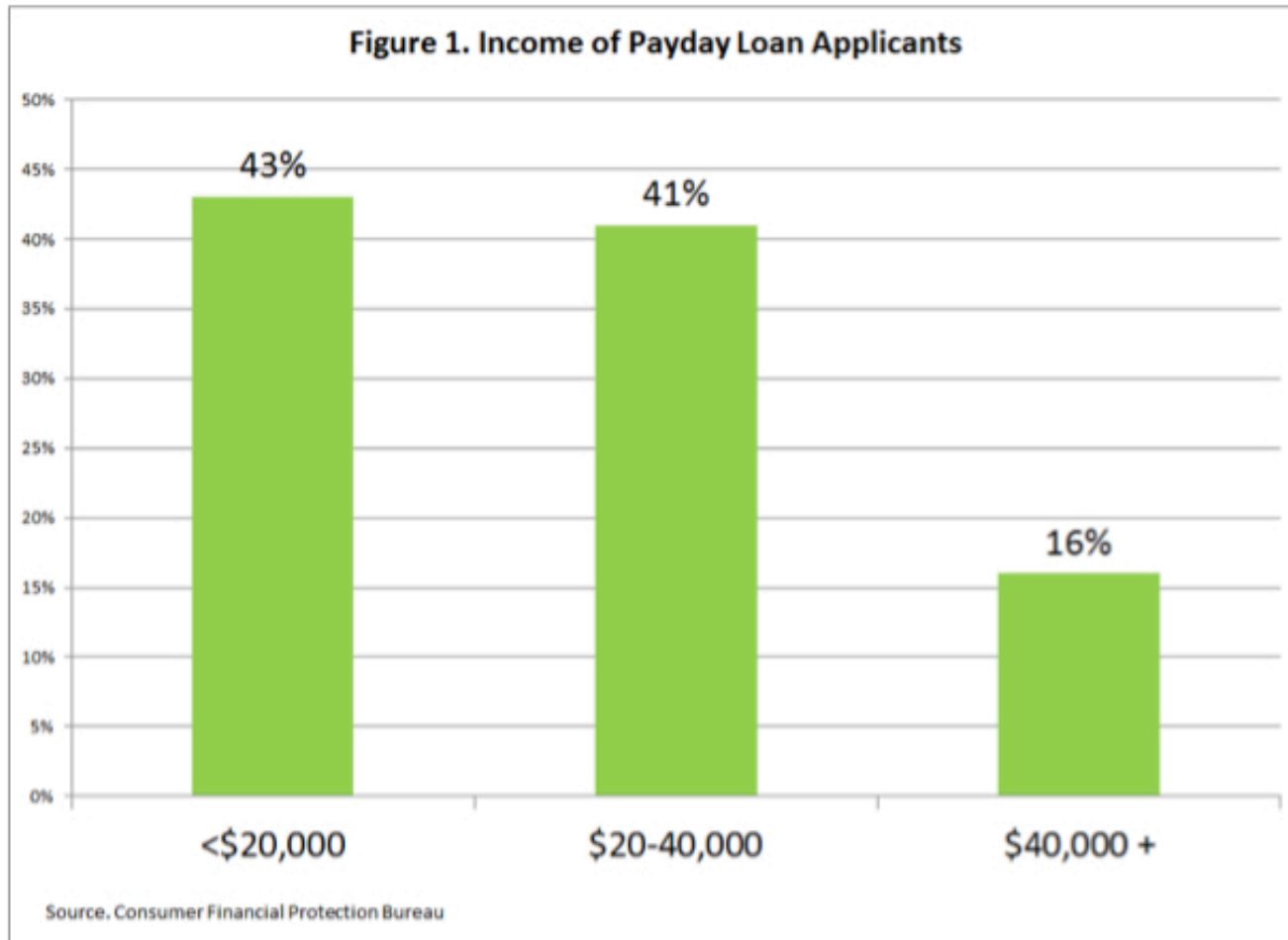


Problems with payday loans, continued

- ▶ **Borrowing cycle.** Rapid re-borrowing indicates that very few borrowers can clear a monthly borrowing cycle without borrowing again. According to CFED, 80% of borrowers will renew the first loan.
- ▶ **Lack of transparency.** In a time of business transparency, Texas payday lenders, a \$3 billion lending industry, now operate as “credit services organizations” (CSO’s), a model that carries few restrictions. CSO’s continue the practice of excessive fees and interest rates, loan flipping, aggressive and deceptive marketing to uninformed consumers without regard to the borrower’s ability to repay.



Income of Payday Loan Borrowers



The BCL of Texas Solution: The *Community Loan Center of Dallas*

▶ **Market-Based Approach**

- ▶ Fairly priced small-dollar loans with reasonable terms
- ▶ Direct competition to high costs lenders
- ▶ Employer based loan to workers

▶ **Sustainable and Scalable**

- ▶ Need a program that can outgrow the need for subsidy and generate revenues
- ▶ Program designed to be replicated across state and beyond



Community Loan Center

Terms

- ▶ \$1,000 Loan maximum *(or up to half of borrower's monthly gross pay)*
- ▶ One-year loan term
- ▶ 18% Interest *(21.83% APR)*
- ▶ \$20 Origination fee *(no other fees)*
- ▶ No collateral or credit check
- ▶ No prepayment penalties
- ▶ Reports to credit bureaus



Pilot Program Successes-

Community Loan Center of the Rio Grande Valley

- ▶ 792 Loans in first year 2011, of operation in Brownsville
- ▶ Active at 55 employers covering over 12,000 employees
- ▶ 5% Loan Loss
- ▶ Originated over \$3 million to date
- ▶ Saved borrowers over \$2 million in fees and interest



Projections: \$1 Million Base Capital

Month	Drivers	YEAR 1 TOTALS	YEAR 2 TOTALS
No. Loans Originated	100%	791	1046
Loan Amount Origination	\$ 900.00	\$ 711,900.00	\$ 941,400.00
Principal Repaid		\$ 295,902.62	\$ 919,824.99
Outstanding Balance		\$ 415,997.38	\$ 437,572.39
Allowance for Loan Loss	5.00%	\$ 35,595.00	\$ 47,070.00
Loan Pool Balance	\$ 1,000,000.00		
Revenue			
Interest	18%	\$ 40,168.73	\$ 86,531.49
Admin. Fees	\$ 10.00	\$ 4,053.33	\$ 13,558.33
Total Revenue		\$ 44,222.07	\$ 100,089.82
Expenses			
Admin. Expense (% of Salary Cost)	25%	\$ 3,750.00	\$ 3,750.00
Staffing (base, Fringe)	\$ 15,000	\$ 15,000.00	\$ 15,000.00
Servicing	0.3500%	\$ 18,750.00	\$ 20,507.64
capital cost	2.0%	\$ -	\$ -
Provision for Loan Loss	5.00%	\$ 23,445.00	\$ 46,530.00
Total Expense		\$ 60,945	\$ 85,788
Profit/Loss		\$ (16,723)	\$ 14,302.18



How you can contribute to the success of the program

- ▶ **Personally Donate** to the Texas Community Loan Center crowdfunding campaign at www.igg.me/at/communityloancenter
- ▶ Assist the Community Loan Center of Dallas to **enroll employers**
- ▶ Help identify funders to **help grow the capital base** from which to lend
- ▶ Explore **financial support for program administration and loan loss reserves**
- ▶ Help the Community Loan Center of Dallas **gain visibility**





BCL of Texas
Business & Community Lenders

Who we are

- ▶ A *501c3 nonprofit* community & economic development organization founded in 1990
- ▶ Promote *asset-building and community impacts* through financial empowerment, microentrepreneurship, small business & homeownership programs
- ▶ Opened *central Dallas location in 2008*
- ▶ BCL of Texas has:
 - ▶ Assisted *5,000+ to become homeowners* with homebuyer education from our NeighborWorks HomeOwnership Center
 - ▶ Assisted *150+ small businesses & microentrepreneurs* in Dallas with capital & technical assistance
 - ▶ Provided *down payment assistance loans to 134 families* to purchase Dallas homes through the NeighborhoodLIFT program



Contact info



Community Loan Center

Contact: Raquel Valdez

1322 Record Crossing Rd.
Dallas, TX 75235

(888) 241-2215

askus@clcofdallas.org

CLCofDallas.org

www.CLCofDallas.org



Rosa Rios Valdez, CEO

(512) 912-9884

rriosval@bcloftexas.org

BCLofTexas.org



Memorandum



Date October 31, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject Communications Related to the FY 2013 Audit FY 2014 Audit Plan

On November 3, 2014, the Budget, Finance and Audit Committee will be briefed on Communications Related to the FY 2013 Audit FY 2014 Audit Plan. The briefing will be presented by Ben Kohnle, Partner at Grant Thornton LLC.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council	Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, City Manager	Joey Zapata, Assistant City Manager
Warren M.S. Ernst, City Attorney	Mark McDaniel, Assistant City Manager
Craig D. Kinton, City Auditor	Eric D. Campbell, Assistant City Manager
Rosa A. Rios, City Secretary	Forest E. Turner, Chief Wellness Officer
Daniel F. Solis, Administrative Judge	Sana Syed, Public Information Officer
Ryan S. Evans, First Assistant City Manager	Elsa Cantu, Assistant to the City Manager



Presentation to the Budget, Finance and Audit Committee of The City of Dallas

Communications Related to the FY 2013 Audit November 3, 2014

Attendees:

Ben Kohnle – Partner

Kirt Seale – Principal

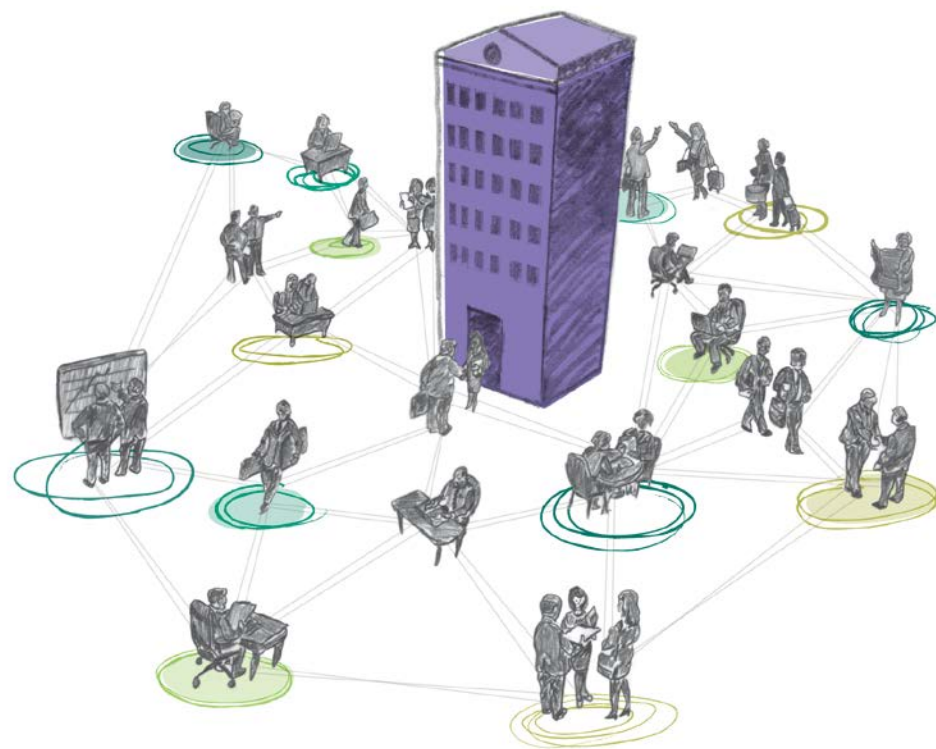


Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Our responsibilities

We are responsible for:

- Performing an audit under US Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS).
- Performing an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and issuing reports on compliance and controls over financial reporting and major federal and state programs.
- Forming and expressing opinions about whether the financial statements prepared by management, with your oversight:
 - are materially correct
 - are fairly presented
 - conform with US Generally Accepted Accounting Principles (GAAP)
- Forming and expressing an opinion about whether certain required supplementary information is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating specific matters to you

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those Charged with Governance and Management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the City's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit

Management

Management is responsible for:

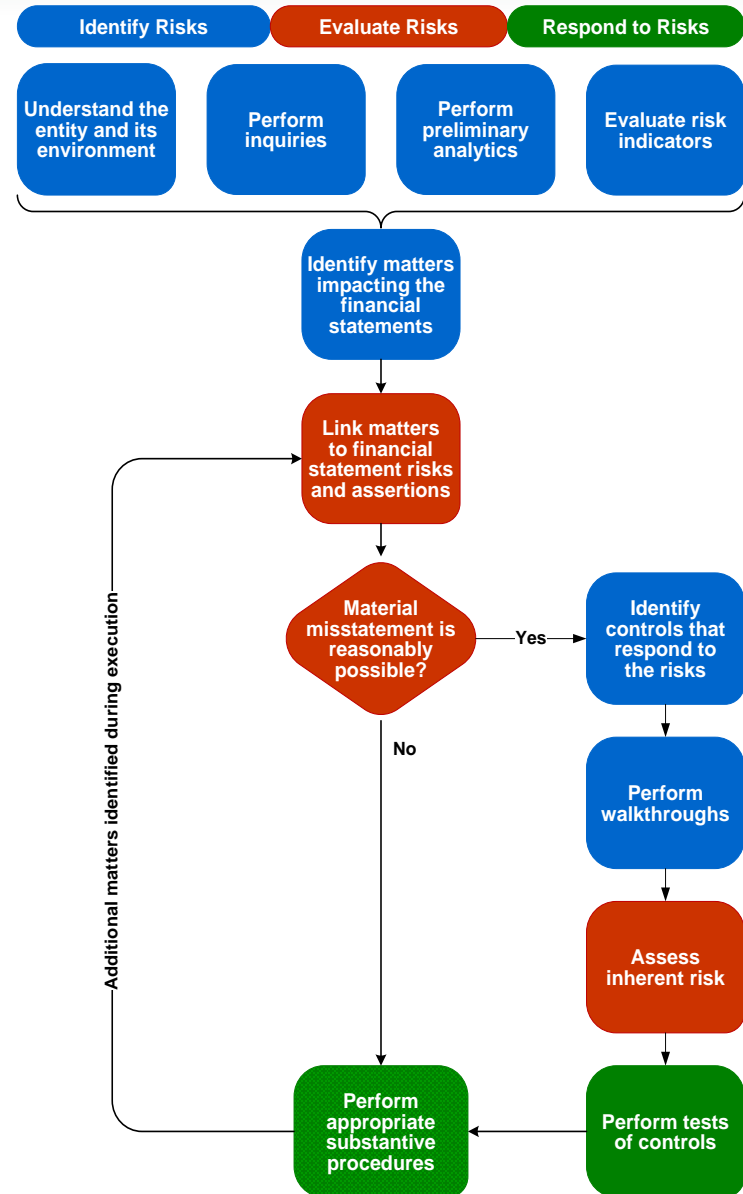
- Preparing and fairly presenting the financial statements and the schedules of expenditures of federal and state awards in conformity with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations



Horizon audit methodology

We approach our audits by:

- Understanding the City's business, including the environment the City operates in
- Using that knowledge and understanding to analyze the City's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- **Based on relevant financial statement benchmarks we believe that Total Assets/ or Total Revenue (by opinion unit) is the appropriate benchmark for the City.**

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



Areas of Audit Focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	
Governance	Fraud inquiries and procedures
Tax revenues	Information technology
Water & Sewer revenues and receivables	Adequacy of disclosures
Tax Revenues	Allowance for doubtful accounts
Investments/Treasury	Pension and OPEB expenses, assets, liabilities, and other disclosures
Payroll and related liabilities	Self-insurance expenses and liabilities, including IBNR
Operating expenditures and related payables	Dallas Water Utilities
Debt	Love Field Airport Modernization Corporation and related transactions
Capital Assets	Grants and Expenditures and Compliance and Controls related to Federal and State Major Programs
Passenger Facility Charge compliance	Airport Revenues Fund
Dallas Convention Center Hotel Development Corporation	Bond issuances

Scope of IT Control Testing

- The scope of the IT Controls Testing included the following IT governance areas:
 - Security Administration
 - Change Management
 - Batch Job Administration
- The following applications were included in our review:
 - General ledger/financial system (CGI)
 - SAP billing system
 - Active Directory

Reports issued

Financial statement audits:

- Comprehensive annual financial report (CAFR)
- Single audits
 - Federal (OMB Circular A-133)
 - State (State of Texas Single Audit Circular)

Separate reports:

- Airport Revenues Fund and Passenger Facility Charge compliance
- Dallas Convention Center Hotel Development Corporation
- Dallas Water Utilities
- Downtown Dallas Development Authority Tax Increment Financing District
- Texas Commission on Environmental Quality financial assurance agreed-upon procedures
- Vickery Meadow Tax Increment Financing District

Results of Financial Statement Audits

- Comprehensive Annual Financial Report (CAFR)
 - Unmodified "clean" opinions
 - Includes GFOA Certificate of Achievement for 2012 CAFR
 - No scope limitations
 - Continued open and effective communication with management
- Federal Single Audit Report (A-133)
 - Unmodified opinions for all programs
 - All prior year findings have been remediated
- State Single Audit Report
 - Unmodified opinions for all programs
 - One instance of a control deficiency noted
 - One instance of a material weakness noted

Results of Financial Statement Audits-continued

Summary of adjustments:

There were no adjusting journal entries recorded or passed as a result of the financial statement audits.

Internal Control Findings:

No material weaknesses or significant deficiencies were identified in relation to the financial statement audits.



CAFR – Status of prior year internal control findings

Capital Assets	Aviation Construction in progress not being transferred correctly to capital assets. Depreciation expense catch-up for depreciation related to prior fiscal years.	Deficiency	Completed



Single Audits – Current year compliance findings

Source		State Award #			
State	Katy Trail VI from Ellsworth Street to Worcola Street	CSJ: 0918-45-808	The City did not have proper documentation that they verified the contractor used was not suspended or debarred. The City did not have a certification statement within the contract stating that the contractor was not suspended or debarred, nor was there documentation of the City performing an Excluded Parties List System or System for Award Management (EPLS/SAM) website search for suspended or debarred vendors. The original contract was awarded in 2006, and a supplemental amount was awarded in 2009, prior to changes in City's procedures.	Material weakness	New finding
State	Texas Department of Transportation	CSJ: 0918-45-886	Per the terms of the grant agreement, the City is required to submit monthly expense reports to North Central Texas Council of Governments (NCTCOG) via NCTCOG's online system i.e., the "Revenue and Project Tracking System". We noted that the report for the period 5/30/2013 - 6/29/2013 was prepared in error in that the grant amount and City local match amounts were reversed. We were also made aware that no monthly reports were filed for the periods 7/20/2012 – 5/3/2013, but the reports were ultimately filed prior to this audit.	Control Deficiency	New finding

Single Audits – Status of prior year compliance finding

Source		CFDA #			
Federal	Airport Checked Baggage Screening Program	97.100	Process not followed for department to verify vendors are not suspended/debarred when performing procurement outside of purchasing department	Noncompliance and significant deficiency	Remediated

Other required communications

Disagreements with management

We had no disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the City's financial statements or the auditor's report.

Management's consultations with other accountants

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

Difficulties encountered during the audit

We encountered no significant difficulties, including:

- Significant delays in providing information
- Unnecessarily brief time to complete the audit
- Unavailability of expected information or City personnel, including access to information at a component unit
- Restrictions imposed by management, including any related to required supplementary information
- Extensive unexpected effort to obtain evidence

Quality of accounting practices and alternative treatments

Accounting policies

Accounting principles used by the City are considered appropriate in all material respects and consistent with prior year.

Accounting estimates

The following were identified as significant estimates

- Depreciation of capital assets
- Allowance for receivables
- Accruals for self-insurance liabilities, including Incurred But Not Reported (IBNR) Claims
- Arbitrage rebate liability
- Net Pension and OPEB Assets, Liabilities and related disclosures
- Landfill closure and post-closure

We performed tests to satisfy ourselves that these amounts were free from material misstatement

Disclosures

- We have assessed the financial statements and disclosures for clarity and completeness.
- Footnote disclosures in the financial statements appear overall to be neutral, consistent, and clear.

Value for fees

Deliverables

Reports on the 2013 City of Dallas financial statements, including the following: CAFR, Airport Revenue Fund (including the Schedule of Expenditures of Passenger Facility Charges), Dallas Water Utilities, Dallas Convention Center Hotel Development Corporation, Vickery Meadow TIF, and DDDA TIF

(For A-133 and State Single Audit) Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

(For A-133 and State Single Audit) Report on Compliance Related To Major Programs (OMB Circular A-133 and State of Texas Single Audit Circular) and on Internal Control Over Compliance

(For A-133 and State Single Audit) Schedule of Findings and Questioned Costs

Performance of Computer Data Acquisition and Analysis

Provide timely and appropriate communication with management and City Council (Budget, Finance and Audit Committee) regarding technical audit, accounting, and internal control matters

Issue written communications to management and City Council describing significant deficiencies and/or material weaknesses, if any, noted during our audit, as applicable

Verbally communicate to management certain other deficiencies (not determined to be significant deficiencies or material weaknesses) noted during our audit, as applicable

Financial Trends



Financial Highlights - Summary

<u>Government-Wide:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental:					
Change in net position (deficit)	\$ 83	\$ 18	\$ 138	\$ 398	\$ (2)
Total net position	2,163	2,081	2,075	1,936	1,538
Ending unrestricted net position (deficit)	(294)	(280)	(265)	(266)	(207)
Capital assets, net	3,413	3,290	3,218	3,119	2,653
Business-type:					
Change in net position (deficit)	\$ 119	\$ 91	\$ 135	\$ 69	\$ 70
Total net position	3,243	3,124	3,049	2,913	2,844
Ending unrestricted net position (deficit)	344	325	239	195	186
Capital assets, net	5,592	5,282	4,996	4,658	4,508
<u>Governmental:</u>					
Tax Rate (per \$100 valuation)					
Total	\$ 0.7970	\$ 0.7970	\$ 0.7970	\$ 0.7479	\$ 0.7479
General Fund	0.5439	0.5379	0.5324	0.4918	0.5230
Debt Service	0.2531	0.2591	0.2646	0.2561	0.2249
Taxable Assessed Valuation (in billions)	\$ 83.7	\$ 82.0	\$ 83.4	\$ 87.3	\$ 90.5
Total General Obligation Bonds	\$ 1,429.0	\$ 1,292.0	\$ 1,405.0	\$ 1,510.0	\$ 1,512.0
Debt Service expenditures as a percentage of non-capital expe	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
General Fund Balance:					
Total	\$ 157.0	\$ 149.0	\$ 121.4	\$ 92.0	\$ 104.0
Unreserved/Unassigned	\$ 120.8	\$ 101.2	\$ 83.3	\$ 64.7	\$ 78.3
General Fund Expenditures	\$ 1,022.5	\$ 974.6	\$ 964.5	\$ 999.8	\$ 1,015.5
Unreserved/Unassigned General Fund balance as a percentage of expenditures	11.81%	10.38%	8.64%	6.47%	7.71%
Excess (deficiency) of revenues over (under) expenditures	\$ 0.5	\$ 22.0	\$ 27.3	\$ (35.7)	\$ (17.3)
Transfers in (out) of General Fund, net	\$ 2.3	\$ 0.1	\$ (3.1)	\$ 18.8	\$ (2.7)

Financial Highlights – Summary (continued)

<u>Business-Type:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income (loss) before transfers and contributions:					
Dallas Water Utilities	\$ 115.8	\$ 100.6	\$ 106.9	\$ 44.4	\$ 58.3
Convention Center	(7.3)	(4.5)	1.3	(3.3)	(8.1)
Airport Revenue	(5.3)	13.2	2.7	17.1	7.5
Total Capital Assets, net					
Dallas Water Utilities	\$ 4,211	\$ 3,987	\$ 3,811	\$ 3,660	\$ 3,513
Convention Center	511	526	531	539	555
Airport Revenue	868	767	652	457	437
Ending net assets:					
Dallas Water Utilities	\$ 2,393	\$ 2,285	\$ 2,207	\$ 2,107	\$ 2,064
Convention Center	276	285	295	295	303
Airport Revenue	553	538	536	508	471
Revenue Bond Coverage:					
Dallas Water Utilities (minimum requirement 1.25)	1.85	1.73	1.58	1.4	1.43
Convention Center	1.7	1.6	2.1	1.8	1.7
Airport Revenue	N/A	N/A	N/A	13.2	10.5
Internal Service Fund Balance (deficit):					
Risk Funds fund deficit	\$ (52.2)	\$ (56.0)	\$ (65.2)	\$ (84.0)	\$ (94.7)
Risk Funds claims total liability	70.1	64.9	73.4	86.3	93.8
Risk Funds fund deficit as a % of total general fund balance	33.25%	37.56%	53.70%	91.30%	91.10%
Net Other Post Employment Benefit "OPEB" obligation	\$ 207.5	\$ 170.1	\$ 126.2	\$ 96.3	\$ 73.2
Landfill closure and post-closure liability	\$ 33.2	\$ 32.0	\$ 33.0	\$ 32.8	\$ 31.7

Financial Highlights – Government-Wide

Definitions:

- "Change in net assets (deficit)": essentially "net income (loss)"
- "Total net assets (deficit)": the excess (deficit) of assets vs. liabilities
- "Unrestricted net assets": "remaining" net assets after deducting "net investment in capital assets" and "restricted" components
- "Capital Assets, net": long-term capital assets, net of accumulated depreciation

Financial Trends

<u>Government-Wide:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental:					
Change in net assets (deficit)	\$ 83	\$ 18	\$ 138	\$ 398	\$ (2)
Total net assets	2,163	2,081	2,075	1,936	1,538
Ending unrestricted net assets (deficit) (1)	(294)	(280)	(265)	(266)	(207)
Capital assets, net (3)	3,413	3,290	3,218	3,119	2,653
Business-type:					
Change in net assets	\$ 119	\$ 91	\$ 135	\$ 69	\$ 70
Total net assets	3,243	3,124	3,049	2,913	2,844
Ending unrestricted net assets (2)	344	325	239	195	186
Capital assets, net (3)	5,592	5,282	4,996	4,658	4,508

Key Observations:

- (1) The "Governmental" unrestricted net deficit increased annually from 2009-2013.
- (2) The "Business-type" unrestricted net assets increased annually from 2009-2013.
- (3) "Capital Assets, net balances (both "Governmental" and "Business-type") have increased annually from 2009-2013.

Financial Highlights – Governmental Tax Rate, Assessed Value and Debt

Definitions:

- The "Tax Rate" is the City's tax rate in total (per \$100 of valuation) with components for general fund or debt service shown separately
- "Taxable Assessed Valuation" is the total value of the City's tax base upon which the tax rate is levied
- Total "General Obligation Debt" is debt backed by the full faith and credit of the City

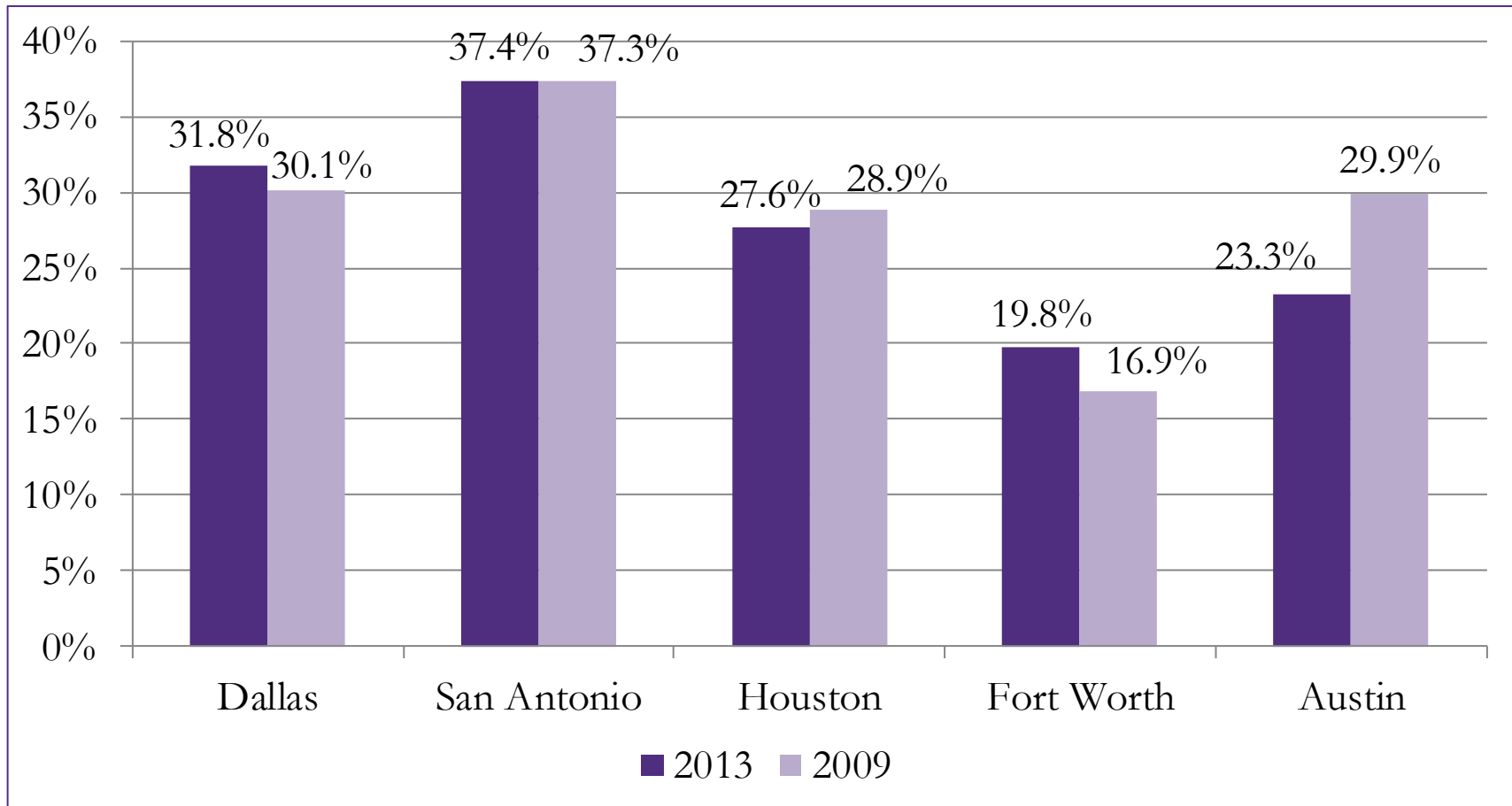
Financial Trends:

<u>Governmental:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate (per \$100 valuation)					
Total (1)	\$ 0.7970	\$ 0.7970	\$ 0.7970	\$ 0.7479	\$ 0.7479
General Fund	0.5439	0.5379	0.5324	0.4918	0.523
Debt Service (2)	0.2531	0.2591	0.2646	0.2561	0.2249
Taxable Assessed Valuation (in billions) (3)	\$ 83.7	\$ 82.0	\$ 83.4	\$ 87.3	\$ 90.5
Total General Obligation Debt (4)	\$ 1,429	\$ 1,292	\$ 1,405	\$ 1,510	\$ 1,512
Debt Service expenditures as a percentage of non-capital expenditures (5)	15.88%	17.00%	17.95%	19.97%	17.34%

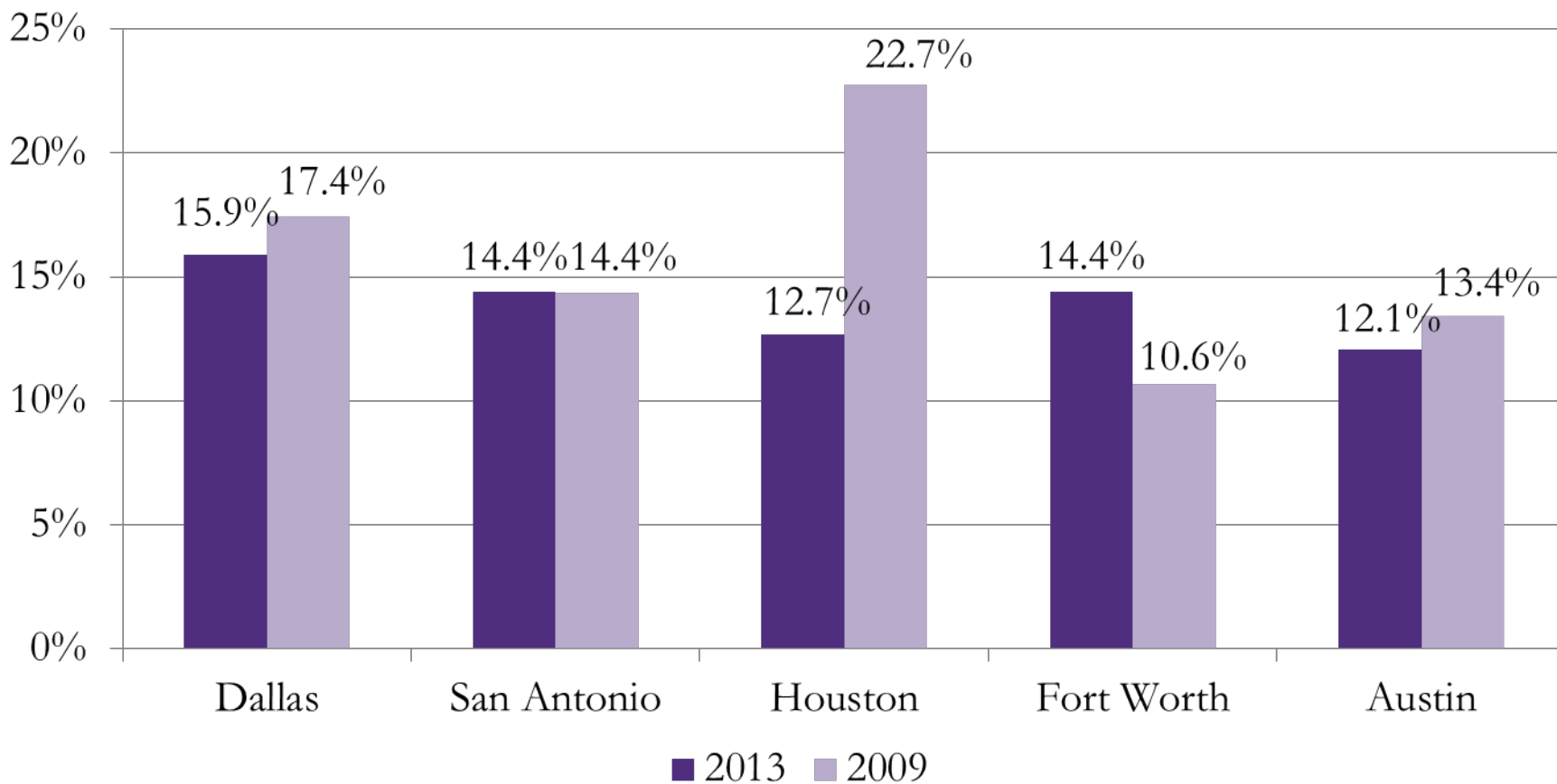
Key Observations:

- (1) The total tax rate remained unchanged from 2009-2010, then increased in 2011 and remained unchanged through 2013
- (2) The tax rate component for debt service increased annually from 2009-2011, then decreased in 2012 & 2013
- (3) The taxable assessed valuation decreased from 2009-2012, then increased in 2013
- (4) Total General Obligation debt decreased annually from 2009-2012 then increased in 2013
- (5) Debt service expenditures as a % of non-capital expenditures increased from 2009-2010 before declining in 2011-2013

Debt Service Component of Tax Rate as a % of Total Rate



Debt Service Expenditures as a % of Non-Capital Expenditures



Financial Highlights – General Fund

Definitions:

- The General fund essentially accounts for all activities that are not required to be accounted for elsewhere
- Transfers in (out) of general fund, net reflects all transfers from (to) other funds of the City, net

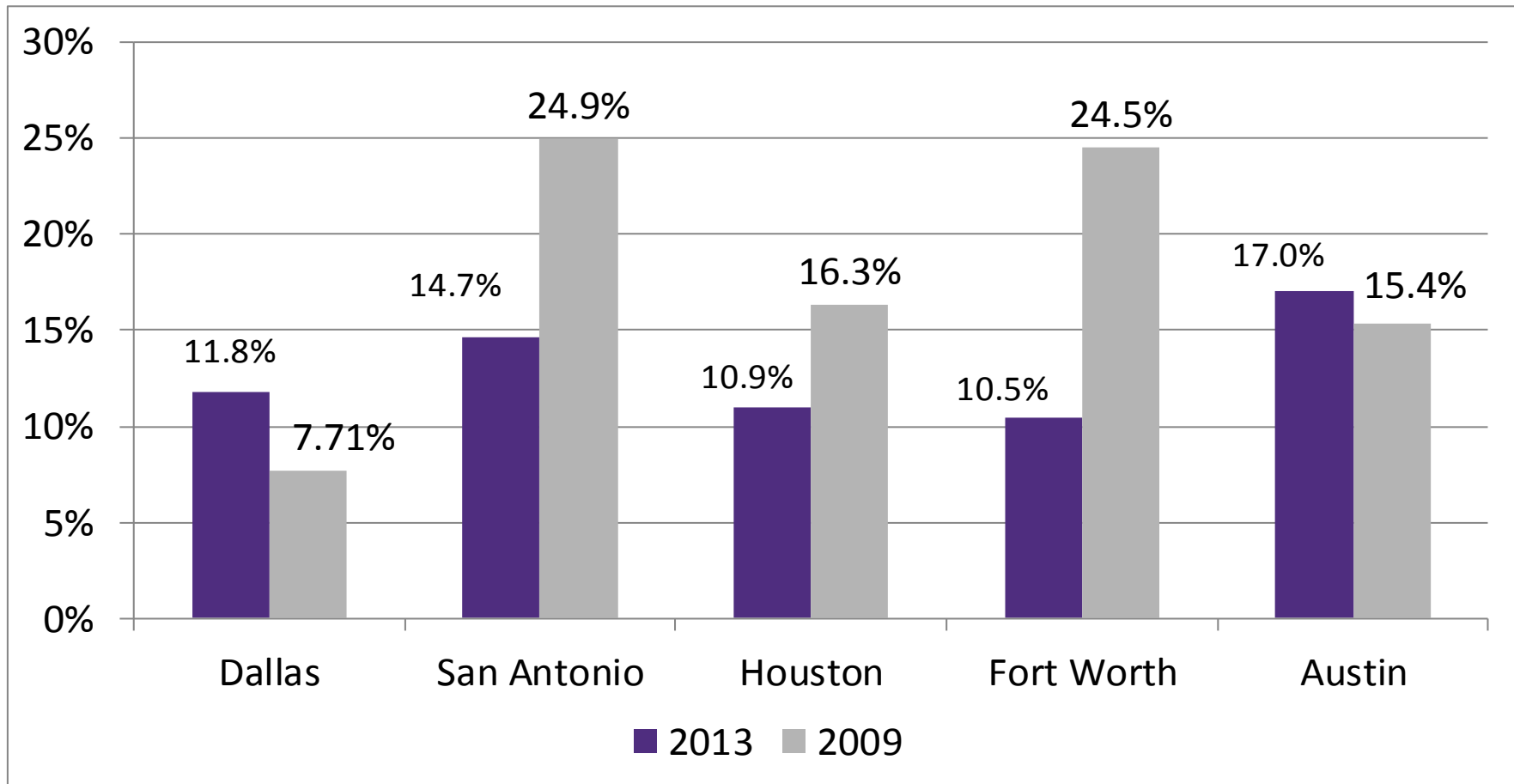
Financial Trends:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund Balance: (1)					
Total	\$ 157.0	\$ 149.0	\$ 121.4	\$ 92.0	\$ 104.0
Unreserved/Unassigned	\$ 120.8	\$ 101.2	\$ 83.3	\$ 64.7	\$ 78.3
General Fund Expenditures (2)	\$ 1,022.5	\$ 974.6	\$ 964.5	\$ 999.8	\$ 1,015.5
Unreserved/Unassigned General Fund balance as a percentage of expenditures (1)	11.81%	10.38%	8.64%	6.47%	7.71%
Excess (deficiency) of revenues over (under) expenditures (3)	\$ 0.5	\$ 22.0	\$ 27.3	\$ (35.7)	\$ (17.3)
Transfers in (out) of General Fund, net (4)	\$ 2.3	\$ 0.1	\$ (3.1)	\$ 18.8	\$ (2.7)

Key Observations:

- (1) The General Fund Balance ("total" and "unreserved/unassigned" components) and the "unreserved/unassigned general fund balance as a percentage of expenditures" decreased from 2009-2010 until increasing annually in 2011, 2012, & 2013
- (2) General Fund expenditures have remained relatively consistent from 2009-2013

Unassigned/Unreserved General Fund Balance as a % of General Fund Expenditures



Financial Highlights – Business-Type "Enterprise" Activities

Definitions:

- Income (loss) before transfers and contributions is essentially "operating income (loss)"
- Revenue bond coverage is "net revenues, as defined" divided by total debt service expenditures

Financial Trends:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income (loss) before transfers and contributions:					
Dallas Water Utilities	\$ 115.8	\$ 100.6	\$ 106.9	\$ 44.4	\$ 58.3
Convention Center	(7.3)	(4.5)	1.3	(3.3)	(8.1)
Airport Revenue	(5.3)	13.2	2.7	17.1	7.5
Total Capital Assets, net (1)					
Dallas Water Utilities	\$ 4,211	\$ 3,987	\$ 3,811	\$ 3,660	\$ 3,513
Convention Center	511	526	531	539	555
Airport Revenue	868	767	652	457	437
Revenue Bond Coverage:					
Dallas Water Utilities (2)	1.85	1.76	1.58	1.4	1.43
Convention Center (3)	1.7	1.6	2.1	1.8	1.7
Airport Revenue (3)	N/A	N/A	N/A	13.2	10.5

Key Observations:

- (1) Total Capital Assets, net increased annually between 2009-2013
- (2) Revenue Bond Coverage for Dallas Water Utilities remained relatively consistent from 2009-2011, and increased in 2012 and 2013.

Financial Highlights – Risk Funds, OPEB (Other Postemployment Benefits) Pension and Landfill Obligations

Definitions:

- The Risk funds account for the City's self-insured health, worker's compensation and general liability programs
- The net OPEB obligation is the actuarially-determined liability for benefits to be provided to retired employees
- The landfill closure and post-closure liability is estimated based upon percentage utilized

Financial Trends:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Internal Service Fund Balance (deficit): (1)					
Risk Funds fund deficit	\$ (52.20)	\$ (56.00)	\$ (65.20)	\$ (84.00)	\$ (94.70)
Risk Funds claims total liability	70.1	64.9	73.4	86.3	93.8
Risk Funds fund deficit as a % of total general fund balance (2)	33.25%	37.56%	53.70%	91.30%	91.10%
Net Other Post Employment Benefit "OPEB" obligation (3)	\$ 207.50	\$ 170.10	\$ 126.20	\$ 96.30	\$ 73.20
Landfill closure and post-closure liability (4)	\$ 33.20	\$ 32.00	\$ 33.00	\$ 32.80	\$ 31.70

Unfunded Pension Benefit Obligation (5)

New accounting rules recently finalized

Key Observations:

- (1) The City's self-insured risk activities are essentially being funded on a "pay-as-you-go" basis
- (2) The Risk Funds fund deficit as a % of total general fund balance increased annually 2009-2010, then decreased in 2011-2013.
- (3) The net OPEB obligation has increased annually 2009-2013, after accounting rules changed to require governments to reflect the liability beginning in 2008
- (4) The City's unfunded landfill closure and post-closure liability remained consistent from 2009-2013
- (5) New accounting rules, specifically GASB Statement Number 68, will require the City to accrue a liability on its financial statements for its unfunded pension benefit obligation. The City plans to implement this as required by GASB during the fiscal year ending September 30, 2015.

Questions & Answers



Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website
(https://secure.ethicspoint.com/domain/en/report_customer.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.

This communication is intended solely for the information and use of management and the Budget, Finance, and Audit Committee of the City of Dallas and is not intended to be and should not be used by anyone other than these specified parties.



www.grantthornton.com

© Grant Thornton LLP

All rights reserved

Grant Thornton LLP is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.





Audit Planning Meeting with the Budget, Finance and Audit Committee

City of Dallas, Texas

Communications Related to the FY 2014 Audit

November 3, 2014

Attendees:

Ben Kohnle – Partner

Kirt Seale – Principal

Discussion Regarding the City's Fiscal Year 2014 Audit

Responsibilities

Scope and Timing

Key Areas of Focus

IT Control Update

Technical Update

Our responsibilities

- Perform an audit
 - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
 - Are materially correct
 - Are fairly presented
 - Conform with generally accepted accounting principles
 - Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Communicate specific matters to you

An audit does not relieve you or management of your responsibilities.

Our responsibilities

Single Audit

- Appropriately plan the audit by considering control risks
- Form and express an opinion regarding:
 - Schedule of Expenditures of Federal Awards
 - Schedule of Expenditures of State Awards
 - Compliance with major program requirements
 - Internal control over compliance
 - Summarize findings and questioned costs

Our responsibilities for other information in the Comprehensive Annual Financial Report (CAFR), such as management's discussion and analysis and other required supplementary information

- Read the other information (we do not corroborate it)
- Consider whether it is materially inconsistent with the financial statements
- Call to management's attention identified material inconsistencies or misstatements of fact, if any

Remember, our responsibility does not extend beyond our report.

Those Charged with Governance responsibilities

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the City's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views of fraud risks
- Informing us about other matters that are relevant to our audit

Management's responsibilities

- Preparing and fairly presenting the financial statements and schedule of expenditures of federal and state awards
- Establishing and maintaining effective internal control over financial reporting and compliance
- Providing us with written representations
 - A copy of the representations will be provided to you at the end of the audit

Communications Related to the Audit

Responsibilities
Scope and Timing
Key Areas of Focus
IT Control Update
Technical Update

We approach your audit by...

- Understanding your organization and the environment you operate in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas
- Testing compliance with direct and material compliance requirements (OMB Circular A-133)(and State of Texas Single Audit Circular)

Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmarks
 - We believe total assets or total revenues (based on the type of fund) is an appropriate benchmark for the City
- Financial statement line items $>$ materiality are in scope
- Other areas $<$ materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk, bond coverage requirements, etc.)

Audit timeline

Financial statements and Federal and State Single Audits (FY2014)

Audit planning	November 2014
IT Procedures	July – August 2014
Preliminary Single Audit procedures	November – December 2014
Preliminary financial procedures	November – December 2014
Final procedures	January – March 2015
Status meetings with management	Periodic
Closing meeting with management	TBD
Budget, Finance and Audit Committee closing meeting	TBD

Engagement Team

Audit

Ben D. Kohnle – Engagement Partner	<u>ben.kohnle@us.gt.com</u>	214-561-2260
Dan Barron – Quality Control Partner	<u>dan.barron@us.gt.com</u>	214-561-2440
Natalie Wood – Experienced Manager	<u>natalie.wood@us.gt.com</u>	214-561-2409
Todd Herlin – Manager	<u>todd.herlin@us.gt.com</u>	214-561-2286

Business Advisory

Kirt Seale –Principal	<u>kirt.seale@us.gt.com</u>	214-561-2367
Jeremy Huval - Manager	<u>jeremy.huval@us.gt.com</u>	214-561-2583

Subcontractors

Reginald Hopkins	<u>reggihopkins@sbcglobal.net</u>	972-686-9535
Thaland Logan	<u>tlogancpa@sbcglobal.net</u>	872-293-8244
Dan Serna	<u>dserna@serna.com</u>	817-483-3884
Dickey Thurman	<u>diccyt@owensthurman.com</u>	214-941-2361

Reports to be issued

- Audits:
 - Comprehensive annual financial report (CAFR)
 - Single audits (OMB Circular A-133)(and State of Texas Single Audit Circular)
- Separate reports:
 - Airport Revenues Fund and Passenger Facility Charge compliance
 - Dallas Water Utilities
 - Downtown Dallas Development Authority Tax Increment Financing District
 - Vickery Meadow Tax Increment Financing District
 - Dallas Convention Center Hotel Development Corporation
 - Texas Commission on Environmental Quality financial assurance agreed-upon procedures
- Internal control deficiency letter

Communications Related to the Audit

Responsibilities
Scope and Timing
Key Areas of Focus
IT Control Update
Technical Update

Key Areas of Focus – CAFR

Critical Areas	Assertions
Other Revenues	Existence and occurrence
Capital Assets	Valuation-gross and valuation-net
Investments	Valuation-net
Employee compensation	Completeness and accuracy
Operating Expenditures	Completeness and accuracy
Compliance and controls related to federal and state single audit major programs	Completeness and accuracy of SEFA and SESA

Key Areas of Focus – CAFR (contd.)

Controls	Cycles
Controls – based approach	Payroll
Controls – based approach	Disbursements

Other Key Areas:

- Governance
- Fraud inquiries
- Information technology
- Adequacy of disclosures
- Investments/Treasury
- Debt
- Tax Revenues
- Water & Sewer revenues and receivable
- Airport Revenues Fund
- Allowance for doubtful accounts
- Revenue bond issuances
- Actuarial information related to self-insurance (IBNR), workers' compensation liabilities and OPEB Plans
- Landfill closure and post-closure
- Passenger Facility Charge compliance
- Dallas Convention Center Hotel Development Corporation
- Love Field Airport Modernization Corporation and related transactions

Communications Related to the Audit

Responsibilities
Scope and Timing
Key Areas of Focus
IT Control Update
Technical Update

IT Control Update

In-scope Systems

SAP (and underlying databases)

Advantage Financial System (and underlying databases)

Active Directory

Control Areas Tested

Security Administration

Change Management

Batch Job Administration

- **One IT control observation was identified during this year's IT testing, and it was successfully and completely remediated / fixed prior to the end of the financial year.**
- **This remediation observation involved inconsistent generation of an audit trail during IT's monitoring processes over Advantage Financial System scheduled batch jobs.**

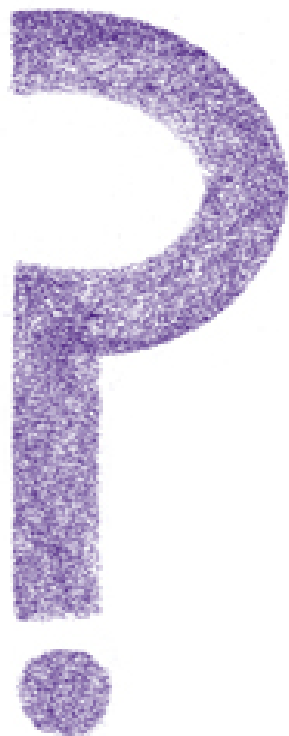
Discussion Regarding the City's Fiscal Year 2013 Audit

Responsibilities
Scope and Timing
Key Areas of Focus
IT Control Update
Technical Update

Technical Update

- GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"
 - Applies to defined benefit and defined contribution pension plans administered through trusts
 - Sole and agent employers
 - Net pension liability to be recognized-unfunded obligation
 - Cost-sharing employers
 - Recognize liability for proportionate share of net pension liability
 - Effective for 9/30/2015 year-ends
 - Earlier application is encouraged
- GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees"
 - The objective is to establish additional guidance regarding the recognition and disclosure of financial guarantees made and received by state and local governments.
 - Effective for 6/30/2014 year-ends
 - Earlier application is encouraged. Retroactive application (exception: cumulative amounts paid, prospective reporting permitted).

Questions and Answers



Memorandum



CITY OF DALLAS

Date October 31, 2014

To Members of the Budget, Finance and Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject **McCommas Bluff Landfill – Dallas Clean Energy Lease Amendment**

The Monday, November 3rd Budget, Finance and Audit Committee agenda will include a briefing related to a proposed lease amendment with Dallas Clean Energy McCommas Bluff, LLC for continuing to operate a landfill gas collection and processing facility at the McCommas Bluff Landfill. The briefing will be presented by Kelly High, Director of Sanitation Services.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Mark McDaniel'.

Mark McDaniel
Assistant City Manager

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



McCommas Bluff Landfill – Dallas
Clean Energy Lease Amendment

Budget, Finance & Audit
Committee

November 3, 2014



Briefing Outline

- Current landfill gas collection, plant operations, and lease with Dallas Clean Energy
- Proposed Dallas Clean Energy lease amendment and expansion
- Additional lease considerations
- Next Steps

Project Scope

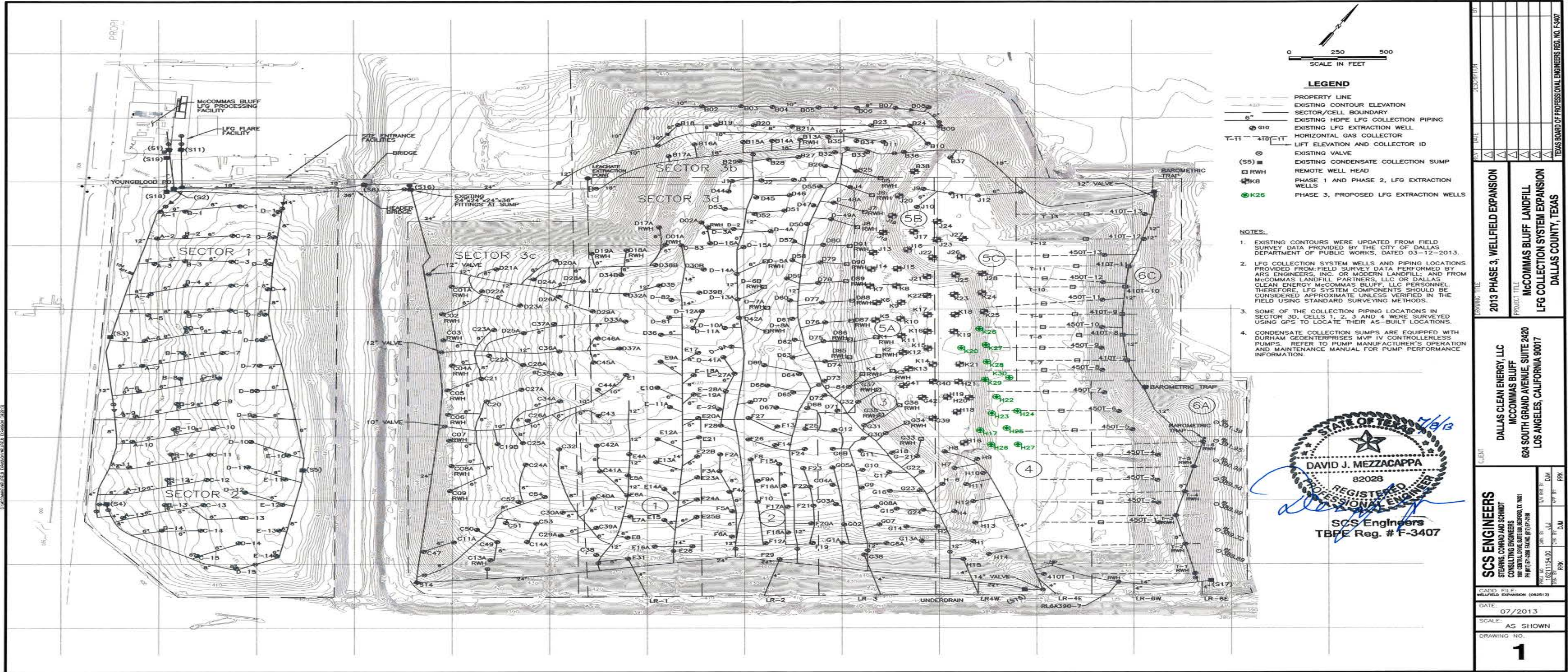
- McCommas Bluff Landfill must manage and control landfill gas for safety and to remain in compliance with the EPA's Clean Air Act.
- Dallas Clean Energy McCommas Bluff, LLC (DCE) manages the collection of landfill gas through a 30 year lease which can be terminated in 2024.
- The DCE project is capable of processing 15.5 M cubic feet of landfill gas daily.
 - Produces over 5,200 MMBtus of renewable natural gas daily (31 MW)
 - City receives 12.5% of gross sales which equates to over \$2M annually
 - Since 2009 the City has received over \$9M

Landfill Gas Collection System

DCE employs 3 full time operators who maintain and tune the 460 wells that collect and send raw biogas to processing plant.



Landfill Gas Collection System



LEGEND

- PROPERTY LINE
- EXISTING CONTOUR ELEVATION
- SECTOR/CELL BOUNDARY
- EXISTING HDPE LFG COLLECTION PIPING
- EXISTING LFG EXTRACTION WELL
- HORIZONTAL GAS COLLECTOR
- LIFT ELEVATION AND COLLECTOR ID
- EXISTING VALVE
- EXISTING CONDENSATE COLLECTION SUMP
- REMOTE WELL HEAD
- PHASE 1 AND PHASE 2, LFG EXTRACTION WELLS
- PHASE 3, PROPOSED LFG EXTRACTION WELLS

NOTES:

- EXISTING CONTOURS WERE UPDATED FROM FIELD SURVEY DATA PROVIDED BY THE CITY OF DALLAS DEPARTMENT OF PUBLIC WORKS, DATED 03-12-2013.
- LFG COLLECTION SYSTEM WELLS AND PIPING LOCATIONS PROVIDED FROM FIELD SURVEY DATA PERFORMED BY ARS ENGINEERS, INC. OR MODERN LANDFILL, AND FROM MCCOMMAS LANDFILL PARTNERS, LLC OR DALLAS CLEAN ENERGY MCCOMMAS BLUFF, LLC PERSONNEL. THEREFORE, LFG SYSTEM COMPONENTS SHOULD BE CONSIDERED APPROXIMATE UNLESS VERIFIED IN THE FIELD USING STANDARD SURVEYING METHODS.
- SOME OF THE COLLECTION PIPING LOCATIONS IN SECTOR 3D, CELLS 1, 2, 3 AND 4 WERE SURVEYED USING GPS TO LOCATE THEIR AS-BUILT LOCATIONS.
- CONDENSATE COLLECTION SUMPS ARE EQUIPPED WITH DURHAM GEENTERPRISES MVP IV CONTROLLERLESS PUMPS. REFER TO PUMP MANUFACTURER'S OPERATION AND MAINTENANCE MANUAL FOR PUMP PERFORMANCE INFORMATION.



PROJECT TITLE	2013 PHASE 3, WELLFIELD EXPANSION
PROJECT FILE	MCCOMMAS BLUFF LANDFILL LFG COLLECTION SYSTEM EXPANSION DALLAS COUNTY, TEXAS
CLIENT	DALLAS CLEAN ENERGY, LLC MCCOMMAS BLUFF 624 SOUTH GRAND AVENUE, SUITE 2420 LOS ANGELES, CALIFORNIA 90017
DATE	07/2013
SCALE	AS SHOWN
DRAWING NO.	1

Landfill Gas Processing Plant

- DCE employs 5 full time plant operators who maintain the plant 24-7 with support from project owners.
- Carbon Dioxide, Hydrogen Sulfide, Volatile Organic Compounds, water and any trace contaminants are removed from raw biogas and a pipeline quality biomethane (renewable natural gas) is produced.
- Waste gas is combusted in a thermal oxidizer.
- Product gas is injected into the Atmos natural gas pipeline system.



Moving Forward - Lease Amendment Opportunity

Issue:

- The current lease can be terminated by the City any time after December, 2024. DCE requests the lease term which is due to expire in 2024 be extended to 2034.

Reason:

- DCE currently has a customer contract to sell renewable natural gas at a premium (>\$10 per MMBtu) to Shell Energy North America through 2024. DCE has the opportunity to secure an extension of this agreement through 2034 (with annual price escalations) provided DCE's lease with the City is extended to 2034 prior to December 31, 2014.

Benefit:

- This amended Shell agreement could result in estimated lease payments in excess of \$25M over the extended 10 year term

Moving Forward - Lease Amendment Opportunity

Issue:

- DCE has requested a land lease expansion by 31,347 square feet to allow for a potential expansion of the gas plant, bringing the total land lease to 126,394 square feet.

Reason:

- This will provide an area for plant expansion to increase gas processing capacity, thus, increasing revenue as additional landfill gas is available, processed and sold.

Benefit:

- With the extension DCE will be able to finance further expansion of the gas processing plant when needed – an expansion capacity of 5.5 million cubic feet per day would result in estimated additional revenue in excess of \$500K annually or \$5M over the extended 10 year term.

Additional Lease Amendments Initiated by the City

- In addition to the lease extension and processing site expansion, the City and DCE have agreed to enhanced/clarified contract language and the addition of DCE responsibilities related to a lease extension.
 - Enhanced dispute resolution procedures
 - Clarification of lessee responsibilities with respect to the gas collection system and back-up power capabilities
 - Clarification & expansion of City's rights and remedies in the event of odor issues from the gas collection system or processing plant, including tightened response times for DCE
 - Addition of City lease compensation protections from the sale of landfill gas and/or landfill gas constituents
 - City will have the right to submit an offer in the event of proposed sale of the facility and to purchase excess/un-contracted gas if available and feasible

Next Steps

- Committee recommendation regarding contract amendment
- Consideration of DCE lease amendments on the November 12, 2014 Council agenda

Appendix



Summary of DCE Lease Amendments

Description	Benefit	Implications without amendment
<p>Current Lease can continue or be terminated for convenience any time after December 2024</p>	<ul style="list-style-type: none"> Renewable natural gas produced at McCommas Bluff is with Shell Energy at a price that exceeds \$10.00 per MMBtu Compliance with the Clean Air Act requirements Annual revenue for the City of over \$2M annually Annual DCE operation, expansion and management of landfill gas collection system (approximate value of \$500K annually) 	<ul style="list-style-type: none"> Current lease will not allow DCE to finance a plant expansion, which could increase revenues in excess of \$500K annually
<p>Expand facility by 31,347 additional square feet of land (total of 126,394 square feet) and extension of lease until 2034</p>	<ul style="list-style-type: none"> Provide for a larger gas processing site for increased gas processing capacity Increased revenue as the additional landfill gas is available to be processed and sold Allows DCE to extend the Shell agreement Renewable Natural Gas sold at a price of \$10+ MMBtu, with increasing pricing, over the time period 2025-2034. Estimated revenues to City in excess of \$25M over the 10 year term With plant expansion estimated additional revenues in excess of \$5M over the extended 10 year term 	<ul style="list-style-type: none"> No additional revenue from plant expansion No premium price for renewable natural gas Potential closing of the DCE facility. The landfill would have to burn off the excess gas by flares and incur a cost to install additional gas wells, maintain well field and maintain the flare A potential \$25M+ loss in lease payments and \$5-10M loss in collection system expansion and operations cost incurred if DCE do not operate after 2024

DCE Project History

- In December 1994, the City of Dallas (City) entered into a 30 year lease with a company to lease land and build a gas processing facility to recover and sell gas produced by decomposition of waste at McCommas Bluff Landfill.
- This partnership provided a potential revenue stream and a no cost solution for the City to meet EPA's Clean Air Act requirements.
- Three previous owners (1994-2007) were unable to successfully operate or finance the gas processing facility.
- Market based financial arrangements for gas sales contributed to failure
- In November 2007, Dallas Clean Energy, LLC, now Dallas Clean Energy McCommas Bluff, LLC (DCE) purchased the plant and equipment from the Bankruptcy Trustee and assumed the lease.

DCE Project History

- Between 2008 and 2011, DCE stabilized the operation of the plant and significantly expanded the gas collection system.
- In 2009 DCE was able to enter into an agreement with Shell Energy North America to sell processed landfill gas (as renewable natural gas) at a premium price to fossil fuel natural gas prices.
- Previous plant operators relied on discounted market based rates that fluctuated significantly and were generally less than \$5 per MMBtu. The Shell Energy agreement allows for premium pricing of over \$10 per MMBtu.
- The Shell agreement has allowed for the financing, successful operation and expansion of the current processing plant facility.

DCE Project History

- In March 2011, DCE, through Mission Economic Development Corporation, issued \$40.2 million in tax-exempt bonds to pay for a complete overhaul and expansion (by 50%) of the processing facility plus an expansion of the gas collection system into new landfill cells.
- The bonds issued for DCE were the first investment grade rated bonds for a Landfill Gas energy project ever issued.
- In January 2013, the lease was amended to include an additional 7,945 square feet of land for the expanded processing facility financed by the bonds.

DCE Project History

- Since 2009, DCE has invested approximately \$7.8 million in the gas collection system at McCommas Bluff and over \$40M in plant expansion and overhaul – the collection system is a critical component for controlling odors and greenhouse gas (GHG) emissions and ensuring regulatory compliance.
- From 2009 through 2014, expansions of the gas collection system resulted in estimated 1.6 million metric tons of carbon dioxide (CO₂) equivalent emission reductions by capturing methane that would have been emitted from the landfill.
- Since 2009, approximately 520,000 tons of additional CO₂ equivalent voluntary emission reductions were achieved through displacement of conventional natural gas with renewable natural gas.

McCommas Bluff Landfill - Background

McCommas Bluff Landfill, opened in 1981, is a professionally designed and managed Type I Municipal Solid Waste (MSW) landfill with:

- Engineered liners for groundwater protection
- Production of green energy from landfill gas
- Biotechnology accelerating landfill gas production
- ISO certification achieved for quality and environmental management programs (first and only landfill in the state)

McCommas Bluff Landfill – Background

- 2,000 acres of land, approximately 900 acres permitted for landfill use and just over 400 acres has been utilized to date
- Approximately 1.4 million tons of MSW accepted annually
- Over 10 million cubic feet of landfill gas collected each day
 - Approximately 5 million cubic feet of methane is processed for sale as pipeline quality natural gas (\$2.1M in royalty payments collected annually)
 - Approximately 5 million cubic feet of other landfill gases, including carbon dioxide are captured and destroyed via a thermal oxidizer

Landfill Clean Air Act Requirements

- In 1996 the EPA established guidelines to control sources of air emissions for MSW Landfills.
- The regulations apply to MSW landfills that have accepted waste since 1987 and with design capacities greater than 2.5 million metric tons of waste.
- These landfills must collect landfill gas emissions and dispose of them either through open flaring or through other forms of controlled combustion.
- In 2003, the National Emission Standards for Hazardous Air Pollutants (NESHAP) extended these regulations to require the reduction of hazardous air pollutants from large landfills.

Memorandum



CITY OF DALLAS

DATE October 31, 2014
TO The Honorable Mayor and Members of the City Council
SUBJECT Status of the City's Solicitation of Bond Disclosure Counsel

At the August 18, 2014 meeting of the Budget, Finance and Audit Committee, I informed you that our office, with the assistance of the Office of Financial Services, would seek a candidate for bond disclosure counsel to in order to perform certain services and act on behalf of the City as part of the City's on-going process of issuing public finance offerings. The intent was to bring the name of the bond disclosure counsel to you prior to the City issuance of the next public finance offering. The City is currently preparing to publicly issue bonds for the City's General Obligation Refunding and Improvement Bonds, Series 2014. The closing of the sale is currently scheduled for late December, 2014.

With the help of the Office of Business Development and Purchasing Services and the Office of Financial Services, a Request for Qualifications ("RFQ") solicitation for bond disclosure counsel was publicly advertised in late September- early October and the City received proposals involving 7 law firms. The four law firms currently representing the City in the capacity of co-bond counsel were excluded from submitting a proposal. All of the law firms who submitted a proposal were evaluated by the solicitation evaluation team and each firm was interviewed on October 23 and 24, 2014.

Currently, the Office of Business Development and Purchasing Services is checking the references of the law firms that submitted the top-rated proposal and is soliciting a cost submittal from those firms. Once that cost submittal is received, the City Attorney's Office will negotiate a five (5) year bond disclosure counsel contract with the top-rated proposer(s) that establishes the activities and responsibilities of the bond disclosure counsel and that firm's agreed compensation. Since the RFQ process is still on-going, until an agreement is reached with a law firm as to the terms of the bond disclosure contract, City procurement procedures prohibit the disclosure of the name of the top-rated law firm(s)

It is anticipated that a bond disclosure contract with the recommended bond disclosure law firm(s) will be brought to the full City Council for consideration at the Council's November 12, 2014 meeting. The top-rated firm(s) have committed to the solicitation evaluators that a bond disclosure opinion for the General Obligation Refunding and Improvement Bonds, Series 2014 bond sale can be issued by the firm prior to the closing of the sale.


WARREN M. S. ERNST
City Attorney

c: A.C. Gonzalez, City Manager
Craig D. Kinton, City Auditor
Rosa Rios, City Secretary
Judge Daniel Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Memorandum



Date October 31, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject General Obligation Bond Sale

On November 3, 2014, the Budget, Finance and Audit Committee will be briefed on the General Obligation Bond Sale. The briefing will be presented by Corrine Steeger, Assistant Director and Treasury Manager in the City Controller's Office.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

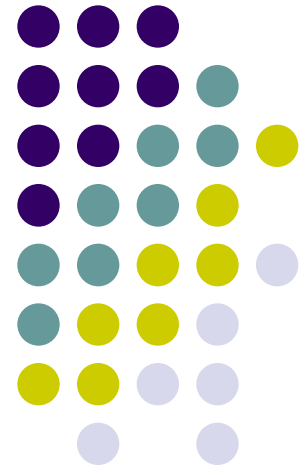
Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

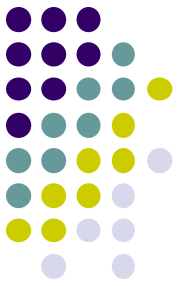
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

General Obligation Bond Sale

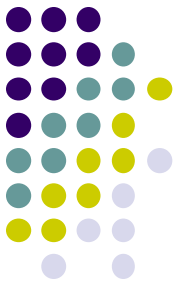
Budget, Finance and Audit Committee
November 3, 2014



Purpose



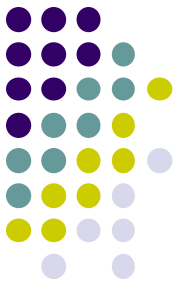
- Provide an overview of the bond sale
 - Review general obligation tax-exempt refunding bond candidates, refunding of outstanding general obligation commercial paper notes, and issuance of improvement bonds
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the November 12th resolution authorizing the payment of expenses associated with the issuance of General Obligation Refunding and Improvement Bonds, Series 2014
- Seek committee recommendation on the November 12th ordinance authorizing the sale of General Obligation Refunding and Improvement Bonds, Series 2014



Bond Sale Overview

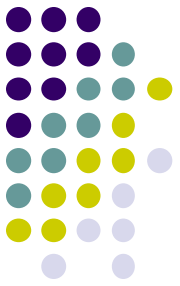
- Total size of bond sale currently estimated up to \$635 million
- Proposed bond sale will include issuing \$26.475 million to retire outstanding commercial paper, issuing up to \$323.530 million in improvement bonds and refunding approximately \$245.210 million in existing general obligation bond debt
- Issuance costs of \$1,030,509 to be paid from bond proceeds
- Refunding does not extend or increase debt service in any year
- Sale will be negotiated

General Obligation Bond Refundings



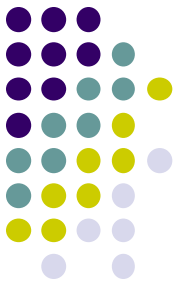
- Current interest rates provide an opportunity to advance refund approximately \$245.210 million in outstanding general obligation bonds
- Proposed tax-exempt refunding includes specified maturities of:
 - Series 2005 GO Bonds: \$17.970 million principal
 - Maturities: Feb.15, 2016; Interest Rate: 5.00%
 - Series 2007 GO Bonds: \$52.295 million principal
 - Maturities: Feb. 15, 2020 – Feb. 15, 2027; Interest Rate: 5.00%
 - Series 2007A GO Bonds: \$86.625 million principal
 - Maturities: Feb. 15, 2021 – Feb. 15, 2027; Interest Rates: 4.25% - 5.00%
 - Series 2008 GO Refunding Bonds: \$88.320 million principal
 - Maturities: Feb. 15, 2021 – Feb. 15, 2028; Interest Rates: 5.25% - 5.00%

General Obligation Bond Refunding



- Based on current interest rates, the estimated savings are:
 - Total net present value (NPV) cash savings of \$17.9 million
 - 7.3% NPV savings as a percentage of the bonds being refunded
 - Exceeds FMPC criteria of 4% savings
- Co-Financial Advisors will continue to monitor the market to ensure feasibility of refunding
 - Refunding may be restructured or deleted if market changes prior to December pricing

Commercial Paper Refunding and Improvement Bonds



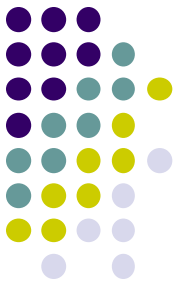
- \$26.475 million in general obligation refunding bonds will be issued to refund outstanding commercial paper
- Commercial paper provides short-term financing for the City's capital improvement program
 - Current program size is \$350 million
 - Commercial paper issuance is timed to fund contract payments
 - Outstanding commercial paper balance is \$26.475 million as of 11/3/2014
 - Interest rate is 0.08% for 61 days
- \$323.53 million in improvement bonds will be issued to fund contracts for capital improvements

Syndicate Selection



- In April 2010, City Council approved two underwriting syndicate teams for negotiated sales. Council approval provided that:
 - Bookrunning senior manager position would rotate between national and M/WBE firms
 - Co-senior manager would be the highest ranking national or regional firm if the bookrunning senior manager position is assigned to the M/WBE firm on a rotating basis
 - Alternate firms would assume the place on a team of a firm that could no longer serve
- Since April 2010, Team A has underwritten three negotiated sales, and Team B has underwritten two negotiated sales

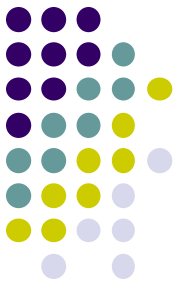
Syndicate Team A



- Team A consists of the following firms:
 - **National**
 - JP Morgan
 - Bank of America Merrill Lynch
 - Morgan Stanley
 - **Regional**
 - Southwest Securities Group
 - RBC Capital Markets
 - Raymond James & Assoc.
 - **MWBE**
 - Siebert Brandford Shank & Co.
 - Cabrera Capital Markets
 - Duncan-Williams*

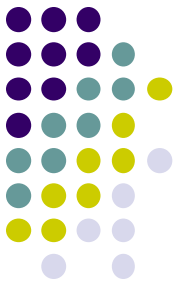
*Duncan-Williams is the Team A MWBE alternate. Duncan-Williams replaced M.R. Beal & Co., which is no longer engaged in municipal bond underwriting

Syndicate Team B



- Team B consists of the following firms:
 - **National**
 - Citigroup Global Markets, Inc.
 - Wells Fargo Bank, N.A.
 - Goldman, Sachs & Co.
 - **Regional**
 - Piper Jaffray
 - Stifel Nicolaus & Co.
 - Frost Bank
 - **MWBE**
 - Loop Capital Markets, LLC
 - Samuel A. Ramirez & Co.
 - Stern Brothers & Co.*

*Stern Brothers & Co., is the Team B MWBE alternate. Stern Brothers replaced Jackson Securities, which is no longer engaged in municipal bond underwriting



Syndicate Team B

- It is proposed that Team B underwrite the General Obligation refunding and improvement bond sale:

Senior Managers

Wells Fargo Bank, N.A. (Bookrunning Senior Manager)

Loop Capital Markets, LLC (Co-Senior Manager)

Stern Brothers & Co. (Co-Senior Manager)

Co-Managers

Citigroup Global Markets, Inc.

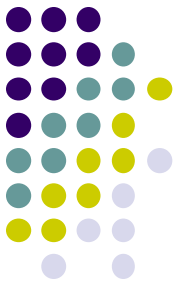
Goldman Sachs & Co.

Piper Jaffray

Stifel Nicolaus & Co.

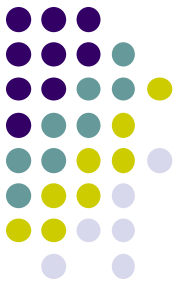
Frost Bank

Samuel A. Ramirez & Co.



Timeline for Bond Sale

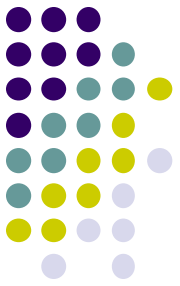
- November 3 Budget, Finance and Audit Committee
- November 12 City Council authorization to sell bonds
Parameters ordinance authorized by City Council
- November 14 Receive ratings from rating agencies
- December 11 Pricing of the bonds
- December 22 Deliver bonds and receive proceeds



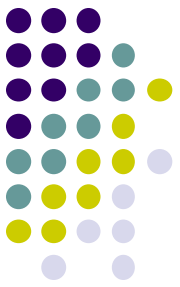
Recommendation

- Authorize payment of the expenses associated with the issuance of up to \$635 million General Obligation Refunding and Improvement Bonds, Series 2014 on the November 12th Council Agenda
- Authorize the sale of up to \$635 million General Obligation and Improvement Bonds, Series 2014 on the November 12th Council Agenda

Appendix



Issuance Costs Schedule	Page 14
General Obligation Improvement Bonds – Proposed Use of Bond Proceeds	Page 15
Bond Summary Statistics	Page 16
Sources and Uses	Page 17
Debt Service Schedule	Page 18
Summary of Bonds to be Refunded	Page 19
Savings on Refunding	Page 20



Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$365,250
Co-Financial Advisors	366,700
Debt Analysis/Structuring	40,000
Official Statement Printing	10,000
Rating Agencies	231,100
Auditor – Grant Thornton	7,959
Attorney General Filing Fee	9,500
Total	\$1,030,509

**General Obligation Improvement Bonds -
Proposed Use of Bond Proceeds**

Proposition	Amount
Trinity River Corridor Project	\$ 20,636,000
Total - 1998 Bond Program	20,636,000
Street & Transportation Improvements	78,368,000
Flood Protection and Storm Drainage Facilities	10,015,000
Park and Recreation Facilities	22,987,000
Library Facilities	11,815,000
Cultural Arts Facilities	149,000
City Hall, City Service and City Maintenance Facilities	6,711,000
Land Acquisition for the Development of Low and Moderate Income, Single Family Homes	805,000
Economic Development in the Southern Area of the City and in other areas of the City in connection with transit-oriented development	6,400,000
Public Safety Facilities	16,042,000
Total - 2006 Bond Program	153,292,000
Street & Transportation Improvements	77,322,000
Flood Protection and Storm Drainage Facilities	76,697,000
Economic Development in the Southern Area of the City and in other areas of the City in connection with transit-oriented development	22,053,000
Total - 2012 Bond Program	\$ 350,000,000

Bond Summary Statistics
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Dated Date	12/22/2014
Delivery Date	12/22/2014
First Coupon	2/15/2015
Last Maturity	2/15/2034
Arbitrage Yield	2.300242%
True Interest Cost (TIC)	2.794360%
Net Interest Cost (NIC)	3.127468%
All-In TIC	2.848952%
Average Coupon	4.999607%
Average Life (years)	9.634

Bond Debt Service
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Period				
Ending	Principal	Coupon	Interest	Debt Service
9/30/2015	4,540,000	2.000%	17,014,762.91	21,554,762.91
9/30/2016	22,005,000	5.000%	25,718,125.00	47,723,125.00
9/30/2017	15,820,000	5.000%	24,772,500.00	40,592,500.00
9/30/2018	15,820,000	5.000%	23,981,500.00	39,801,500.00
9/30/2019	15,820,000	5.000%	23,190,500.00	39,010,500.00
9/30/2020	15,820,000	5.000%	22,399,500.00	38,219,500.00
9/30/2021	44,760,000	5.000%	20,885,000.00	65,645,000.00
9/30/2022	45,430,000	5.000%	18,630,250.00	64,060,250.00
9/30/2023	45,500,000	5.000%	16,357,000.00	61,857,000.00
9/30/2024	45,575,000	5.000%	14,080,125.00	59,655,125.00
9/30/2025	45,635,000	5.000%	11,799,875.00	57,434,875.00
9/30/2026	45,690,000	5.000%	9,516,750.00	55,206,750.00
9/30/2027	45,745,000	5.000%	7,230,875.00	52,975,875.00
9/30/2028	26,855,000	5.000%	5,415,875.00	32,270,875.00
9/30/2029	15,815,000	5.000%	4,349,125.00	20,164,125.00
9/30/2030	15,815,000	5.000%	3,558,375.00	19,373,375.00
9/30/2031	15,815,000	5.000%	2,767,625.00	18,582,625.00
9/30/2032	15,815,000	5.000%	1,976,875.00	17,791,875.00
9/30/2033	15,815,000	5.000%	1,186,125.00	17,001,125.00
9/30/2034	15,815,000	5.000%	395,375.00	16,210,375.00
	529,905,000		255,226,137.91	785,131,137.91

Summary of Bonds Refunded
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Refund all 2007 & 2008 Bonds Eligible for Advance Refunding
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

	Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$156,850,000	General Obligation Refunding Bonds, Series 2005, 2005REF:					
	SERIAL	2/15/2016	5.000%	17,970,000.00	2/15/2015	100.000
\$130,775,000	General Obligation Bonds, Series 2007, 2007:					
	SERIAL	2/15/2020	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2021	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2022	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2023	5.000%	6,535,000.00	2/15/2017	100.000
	TERM1	2/15/2024	5.000%	6,535,000.00	2/15/2017	100.000
		2/15/2025	5.000%	6,535,000.00	2/15/2017	100.000
	TERM2	2/15/2026	5.000%	6,535,000.00	2/15/2017	100.000
		2/15/2027	5.000%	6,535,000.00	2/15/2017	100.000
				52,295,000.00		
\$363,240,000	General Obligation Refunding and Improvement Bonds, Series 2007A, 2007AREF:					
	SERIAL	2/15/2021	5.000%	12,375,000.00	2/15/2017	100.000
		2/15/2022	4.250%	12,375,000.00	2/15/2017	100.000
		2/15/2023	4.250%	12,375,000.00	2/15/2017	100.000
		2/15/2024	4.375%	12,375,000.00	2/15/2017	100.000
		2/15/2025	4.500%	12,375,000.00	2/15/2017	100.000
		2/15/2026	4.500%	12,375,000.00	2/15/2017	100.000
		2/15/2027	4.500%	12,375,000.00	2/15/2017	100.000
				86,625,000.00		
\$209,815,000	General Obligation Bonds, Series 2008, 2008:					
	SERIAL	2/15/2021	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2022	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2023	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2024	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2025	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2026	5.000%	4,440,000.00	2/15/2018	100.000
		2/15/2026	5.125%	6,600,000.00	2/15/2018	100.000
		2/15/2027	5.000%	9,015,000.00	2/15/2018	100.000
		2/15/2027	5.125%	2,025,000.00	2/15/2018	100.000
		2/15/2028	5.000%	7,365,000.00	2/15/2018	100.000
		2/15/2028	5.250%	3,675,000.00	2/15/2018	100.000
				88,320,000.00		
				245,210,000.00		

Bond Debt Service
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Period Ending	Principal	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
9/30/2015	11,831,875.00	2,111.39	11,829,763.61	11,829,763.61	0.00
9/30/2016	29,352,625.00		29,352,625.00	17,272,875.00	12,079,750.00
9/30/2017	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2018	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2019	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2020	17,309,875.00		17,309,875.00	10,933,250.00	6,376,625.00
9/30/2021	39,812,500.00		39,812,500.00	39,149,750.00	662,750.00
9/30/2022	38,361,156.25		38,361,156.25	38,360,875.00	281.25
9/30/2023	36,951,343.75		36,951,343.75	36,948,375.00	2,968.75
9/30/2024	35,538,921.88		35,538,921.88	35,537,250.00	1,671.88
9/30/2025	34,111,031.26		34,111,031.26	34,107,750.00	3,281.26
9/30/2026	32,671,281.26		32,671,281.26	32,670,375.00	906.26
9/30/2027	31,230,265.63		31,230,265.63	31,230,250.00	15.63
9/30/2028	11,320,593.75		11,320,593.75	11,316,000.00	4,593.75
	351,291,593.78	2,111.39	351,289,482.39	332,156,263.61	19,133,218.78

Savings Summary

Savings PV date	12/22/2014
Savings PV rate	2.593680%
PV of savings from cash flow	17,893,152.30
Plus: Refunding funds on hand	737.40
Percentage savings of refunded bonds	7.297374%

Net PV Savings	17,893,889.70

Memorandum



Date October 31, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject Depository Services Contract

On November 3, 2014, the Budget, Finance and Audit Committee will be briefed on the Depository Services Contract. The briefing will be presented by Corrine Steeger, Assistant Director and Treasury Manager in the City Controller's Office.

Please let me know if you need additional information.


Joanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Depository Services Contract



Budget, Finance and Audit Committee

November 3, 2014

Purpose

- Provide information on depository services contract selection process.
 - Background
 - Request for application schedule and requirements
 - Application results
 - Recommendation

Background

- State law governs selection process
 - Defines the process as a Request for Applications
 - Identifies eligible applicants as banks doing business within the State of Texas
 - Authorizes a five-year contract
 - Lists conditions depository must satisfy, including providing and maintaining collateral for deposits

Schedule

June 2	Briefed Budget, Finance & Audit Committee on the depository contract selection process
June 19	Request for Applications released
June 27	Pre-application meeting
July 30	Applications received
November 3	Budget, Finance & Audit Committee briefing
November 12	City Council action

Request for Applications

- Required depository services
 - RFA included over 400 separate service fees
 - General banking services
 - Information reporting system capabilities
 - Disbursements
 - Deposits
 - Securities safekeeping
 - Wholesale lockbox
 - Merchant services
 - Credit card processing
- Additional services
 - Retail lockbox services for receipts collected by Dallas Water Utilities

Request for Applications

- Basis of award
- Lowest cost of services consistent with City specifications
 - Processing requirements
 - Technology compatibility requirements
- Commitment to Community Reinvestment Act rating

Pre-Application Meeting

- Pre-application meeting held to answer questions and provide clarification regarding the RFA
- The following banks were represented:
 - Bank of America
 - Wells Fargo
 - BBVA – Compass
 - Capital One Bank
 - JPMorgan Chase
 - Comerica Bank
- 6 addendum items to the RFA were posted in response to 129 questions from banks.

Applications Received July 30, 2014

Bank	Bank of America	Wells Fargo	JP Morgan Chase	Capital One
Depository Services	✓	✓	✓	✓
Additional Services – Retail Lockbox	✓	✓	✓	✓

APPLICATION RESULTS

REQUIRED SERVICES

Application Results

Required Depository Services				
	Bank of America	JP Morgan Chase	Wells Fargo	Capital One
Responsive	✓	✓	✓	*
<p>*Capital One's application was non-responsive based on their proposed use of an out-of-state bank as the controlled disbursement point. The RFA included the state law requirement that the controlled disbursement point must be located in Texas.</p>				

Application Results

Estimated Cost of Required Depository Services			
Period	Bank of America	JP Morgan Chase	Wells Fargo
Year 1	\$563,133	\$605,708	\$622,921
Year 2	563,133	605,708	622,921
Year 3	563,133	605,708	622,921
Year 4	563,133	605,708	622,921
Year 5	563,133	605,708	622,921
Total Contract	\$2,815,666	\$3,028,538	\$3,114,605

Application Results

Additional Services – Retail Lockbox				
	Bank of America	JP Morgan Chase	Wells Fargo	Capital One
Responsive	✓	✓	✓	✓

Application Results

Estimated Cost for Retail Lockbox Services				
Period	Bank of America	JP Morgan Chase	Wells Fargo	Capital One
Year 1	\$170,877	\$186,868	\$193,074	\$551,381
Year 2	\$170,877	\$186,868	\$193,074	\$551,381
Year 3	\$170,877	\$186,868	\$193,074	\$551,381
Year 4	\$170,877	\$186,868	\$193,074	\$551,381
Year 5	\$170,877	\$186,868	\$193,074	\$551,381
Total Contract	\$854,385	\$934,340	\$965,370	\$2,756,905

Application Results

First-Year Offers			
	Bank of America	JP Morgan Chase	Wells Fargo
Offer	Fees waived for three months (estimated value of \$180,000)	\$150,000 credit	None
Reduced First-Year Fees	\$554,010	\$642,576	\$815,995 (no reduction)

Application Results

Estimated Total Contract Cost (Required Depository Services + Retail Lockbox Services)			
Period	Bank of America	JP Morgan Chase	Wells Fargo
Year 1	\$734,010	\$792,576	\$815,995
Less: First Year Offers	(180,000)	(150,000)	
Year 1 Net	554,010	642,576	815,995
Year 2	734,010	792,576	815,995
Year 3	734,010	792,576	815,995
Year 4	734,010	792,576	815,995
Year 5	734,010	792,576	815,995
Total	\$3,490,051	\$3,812,878	\$4,079,975

APPLICATION RESULTS

EARNINGS CREDIT RATE

Application Results

Earnings Credit Rate (ECR)			
	Bank of America	JP Morgan Chase	Wells Fargo
ECR	Premium Earnings Credit Rate (subject to change, 0.40% as of July 30, 2014)	Premium Earnings Credit Rate (subject to change, 0.50% as of July 30, 2014)	Premium Earnings Credit Rate (0.40% guaranteed minimum for the term of the contract)

RECOMMENDATION

Recommendation

- Award a 5-year contract for depository and lockbox services to Bank of America
 - Community Reinvestment Act rating of “Outstanding”
- Extend merchant services as currently provided by Bank of America for 9 months
 - Solicit proposals for separate merchant services contract
 - Visa and MasterCard are pushing the speedy adoption of microchips into U.S. credit and debit cards due to high profile data breaches
 - “Chip and pin” cards require new payment terminals

Merchant Services

Credit Card Transaction Activity		
	2008	2013
Volume	\$75,140,642	\$153,125,642
Transactions	521,427	829,162

Recommendation

- Authorize the award of a 5-year depository and lockbox services contract to Bank of America on the November 12th Council Agenda
 - Including a 9-month extension of the existing merchant services as currently provided by Bank of America

Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Purchase, Installation and Upgrades of the Public, Education,
and Government Cable System

The November 12, 2014 Council Agenda includes an item for your consideration to authorize (1) a six-year master agreement, with a one-year renewal option, for the purchase, installation and upgrades of the Public, Educational, and Government Cable system in the amount of \$3,695,201; (2) a six-year service contract, with a one-year renewal option, for installation, extended warranty, maintenance and support for the Public, Educational, and Government Cable system in the amount of \$1,532,210; and (3) an increase in appropriations in the amount of \$3,695,201, from \$1,932,150 to \$5,627,351 in the Public Educational and Government Access Fund - Digital Resources, Inc. The total amount is not to exceed \$5,227,411.

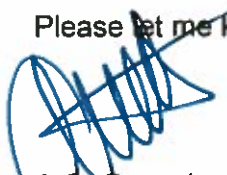
This action does not encumber funds; the purpose of these contracts is to establish firm pricing for goods and services for a specific term, which are ordered on an as-needed basis.

This agreement will allow for the purchase, installation, extended warranty, support and maintenance of the Public, Educational, and Government (PEG) Cable system with the latest digital and high definition technology. Currently, the Public Information Office (PIO) broadcasts council committees meetings, briefings, agendas, community news and press conferences to employees and community members who have access to the City's cable channel from their cable provider.

PEG channels are funded by cable television companies through revenues derived from cable television franchise fees. These funds are designated only for capital equipment that supports the day-to-day operations of public-access channels, usually with a shelf life of more than one year.

This agreement will allow for replacement of obsolete analog video equipment and upgrading current digital equipment to meet today's broadcast standards. Recent changes in broadcast technology provide the opportunity for PIO to expand the branding for the City through live social media integration of broadcast, live video broadcast capabilities for remote applications and maximize the potential of the virtual studio already in place.

Please let me know if you need additional information.



A.C. Gonzalez
City Manager

Attachment

c: Honorable Mayor and Members of City Council
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Mark McDaniel, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Tires and Tubes Master Agreement

The November 12, 2014, City Council Agenda will include an item to authorize a three-year Master Agreement for tires and tubes in the amount of \$7,456,037. This master agreement establishes firm pricing for the purchase of replacement tires and tubes for approximately 8,200 City service, public safety vehicles, tractors, and heavy equipment.

As part of the solicitation process, a Request for Bids was advertised June 19, 2014. Five (5) bidders submitted bids on one or more of the 272 line items. Tie bids were received on four line items and the City Council executed the casting of lots on October 8, 2014, to identify the recommended vendors on those four line items.

This item represents the lowest and recommended bids on all 272 line items and the recommended awardees are:

- Blagg Tire
- Southern Tire Mart
- Tire Centers
- Wallace Wade Wholesale
- Wingfoot Goodyear Commercial

Used tires that are non-repairable are either recycled by other vendors or sold via auction.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Mark McDaniel'.

Mark McDaniel
Assistant City Manager

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer Staubach Gates (Vice-Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Increase to Master Agreement for Computer Software

The November 12, 2014 Council Agenda will include an item to increase the master agreement with SHI Government Solutions, Inc., through the Department of Information Resources (DIR), State of Texas Cooperative contract, for computer software, network management products, and design and presentation software in an amount not to exceed \$600,000, from \$2,400,000 to \$3,000,000.

This increase will allow Communication and Information Services (CIS) to continue acquiring new software licenses, renew annual maintenance or subscriptions on existing licenses and receive technical support for software titles used on the City's estimated 9,000 workstations, 4,000 mobile devices and 750 servers.

The City uses a multitude of software solutions for business operations such as Adobe Professional to create official reports, Microsoft Visio to develop flow charts to document processes and VeriSign SSL certificates to secure citizen personal/financial data accepted on City websites from being hacked.

The current master agreement expires on June 25, 2015; however, the originally approved funds have been exhausted due to unanticipated software needs in support of new Information Technology (IT) projects over the last two years. Utilizing this agreement for those purchases ensured that IT project deadlines were met. Examples of those purchases included the launch of the Open Data Portal, a new Virtual Server environment and infrastructure upgrades to the Computer Aided Dispatch (CAD) system.

CIS and Business Development and Procurement Services are currently working on a multi-year renewal of the master agreement. This increase will bridge the gap until a new agreement can be established.

Please contact Bill Finch at 670-1890 if you have any questions.

A handwritten signature in blue ink, appearing to read 'Jill Jordan'.

Jill A. Jordan, P.E.,
Assistant City Manager

c. Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
William Finch, CIO/Director
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer Staubach Gates (Vice-Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: Consultant Contract to Develop a Citywide Data Management Plan

The November 12, 2014 Council Agenda will include an item to award a Data Management Consulting contract to World Wide Technology, Inc. in an amount not to exceed \$200,000.00.

The objective of this consulting contract is to assist the City in defining its approach to Data Management by understanding the current information structure, determining departments' Big Data needs, identifying potential use cases, and providing the City with a suitable Data Management Strategy.

As the City gathers data in its various systems that support services to the citizens of Dallas, there is a growing demand for transparency, efficiency and effectiveness. This Data Management initiative will help in shifting the City to a data driven environment by enabling data mining and analysis of a wide variety of data to determine trends and emerging issues. This analysis will allow the City to more quickly and efficiently respond to issues.

Please contact Bill Finch at 670-1890 if you have any questions.

A handwritten signature in blue ink that reads "Jill A. Jordan".

Jill A. Jordan, P.E.,
Assistant City Manager

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
William Finch, CIO/Director
Elsa Cantu, Assistant to the City Manager – Mayor & Council