

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



DATE June 12, 2015

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, June 15, 2015, 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 June 1, 2015 Budget, Finance & Audit Committee meeting
2. Communications Related to the FY 2014 Audit Ben Kohnle, Partner
Grant Thornton, LLP
3. Security Services Contract and Wage Rates Mike Frosch, Director
Business Development and Procurement Service

Erick Thompson, Director
Equipment and Building Services
4. Day Labor Pilot Program Framework Theresa O'Donnell
Chief Planning Officer
5. Electricity Procurement Erick Thompson, Director
Equipment and Building Services
6. Sanitation Services: Overview of Preliminary Fiscal Year 2015-16 Budget Kelly High, Director
Sanitation Services
7. Dallas Water Utilities: Overview of Fiscal Year 2015-16 Budget Jody Puckett, Director
Dallas Water Utilities

FYI

8. Upcoming Agenda Item: Master Agreement for Office Supplies
9. Upcoming Agenda Items: Wastewater Treatment Plant Engineering Services Contract and Construction of Water and Wastewater Main Relocations
10. Upcoming Agenda Item: Appropriations Increase for Social Media Archiving and Public Information Software
11. FY 2014 End of Year Report

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. 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
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: 6.1.2015

Convened: 1:04 pm

Adjourned: 2:06 pm

Committee Members Present:

Jerry R. Allen, Chair
Jennifer S. Gates, Vice-Chair

Tennell Atkins
Sheffie Kadane

Philip T. Kingston

Committee Members Absent:

N/A

Other Council Members Present:

N/A

Staff Present:

Jeanne Chipperfield	Edward Scott	Robert Sims	Chris Bowers	Corrine Steeger
Craig Kinton	Mark Duebner	Bilirae Johnson	Eileen Youens	Stephanie Cooper
Wallace Waits	Mike Frosch	Zackary Noblitt	Filicia Hernandez	Luis Veloz
Rowena Zhang	Jing Xiao	Tammy Palomino	Dawna Brown	Rosa Rios
Lynetta Kidd	Patricia Marsolais	William Finch	Sandra DuBose	Erick Thompson
Lana Furra	Pam McDonald	Jesus Salazar		

Others Present:

Mary Brinegar, Dallas Arboretum and Botanical Society, Inc.
Renell Hutton, Dallas Arboretum and Botanical Society, Inc.
Mary Williams, First Southwest
Jeff Lueschel, First Southwest
Wayne Placide, First Southwest

Noe Hinojosa, Estrada-Hinojosa
Jorge Garza, Estrada-Hinojosa
Emily Huntley, First Southwest
Randy Skinner, Chair, Ethics Advisory Commission

AGENDA:

1. Consideration of the May 18, 2015 Minutes

Presenter(s):

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to approve the May 18, 2015 minutes. Motion passed unanimously.

Motion made by: Sheffie Kadane

Motion seconded by: Jennifer S. Gates

2. Dallas Arboretum and Botanical Society, Inc. Bond Issuance TEFRA Approval

Presenter(s): Jeanne Chipperfield, Chief Financial Officer

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed on a divided vote, with Councilmember Kingston voting in opposition.

Motion made by: Sheffie Kadane

Motion seconded by: Jennifer S. Gates

Budget, Finance & Audit Committee

Meeting Record- DRAFT

3. **Future Parking Development at Dallas Love Field and Upcoming Bond Issuance**

Presenter(s): Mark Duebner, Director, Aviation Department

Corrine Steeger, Treasury Manager, City Controller's Office

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

4. **Amendments to City Code Chapter 12A**

Presenter(s): Chris Bowers, First Assistant City Attorney

Eileen Youens, Sr. Assistant City Attorney

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council without recommendation on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

FYI

5. **Ethics Advisory Commission May 22, 2015 Letter Recommending Approaches to Address Ethical Concerns Regarding Campaign and Officeholder Contributions and Expenditures**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

6. **Upcoming Agenda Item: Ordinance Amending Rule IX Section 2(A) of the Code of Rules and Regulations of the Civil Service Board Relating to Registers of Eligibles**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

7. **Upcoming Agenda Item: Contract for Security Services at City Facilities**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

Budget, Finance & Audit Committee

Meeting Record- DRAFT

8. **Upcoming Agenda Item: Hewlett Packard Servers Acquisition Contract**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

9. **Upcoming Agenda Item: Clearwell E-Discovery Platform System Upgrade, Maintenance and Support**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

10. **Upcoming Agenda Item: Purchase of Additional Microsoft Licenses and Enterprise Agreement Renewal**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, June 10, 2015. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Sheffie Kadane

11. **Quarterly Investment Report as of March 31, 2015**

Presenter(s):

Information Only: ___

Action Taken/Committee Recommendation(s):

N/A

12. **April 2015 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 June 12, 2015

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 Communications Related to the FY 2014 Audit

On June 15, 2015 the Budget, Finance and Audit Committee will be briefed on Communications Related to the FY 2014 Audit. The briefing will be presented by Ben Kohnle, Partner at Grant Thornton LLP. The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

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
Sana Syed, Public Information Officer
Mark Duebner, Director, Aviation
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 2014 Audit June 15, 2015

Attendees:

Ben Kohnle – Partner
Kirt Seale – Principal
Natalie Wood – Manager
Todd Herlin – Manager

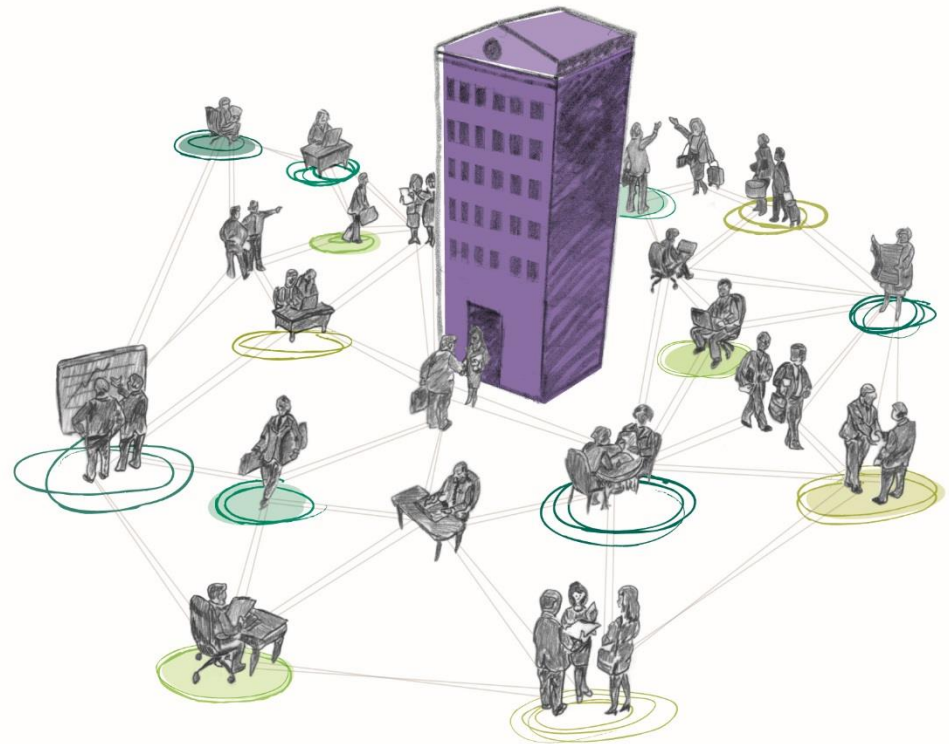


Our values are CLEARR

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 of the City's financial statements as prepared by management, conducted under US Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US Generally Accepted Accounting Principles (GAAP)
- Forming and expressing an opinion about whether certain supplementary information, including the Schedule of Expenditures of Federal (SEFA) and State Awards (SESA), 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 fraud and abuse with regard to federal and state programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material non-compliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting
- Reporting material non-compliance with federal and state awards requirements applicable to major programs audited under OMB Circular A-133 and the State of Texas Single Audit Circular, as well as significant deficiencies and/or material weaknesses in internal control over compliance

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, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements, including supplementary information such as SEFA (Schedule of Expenditures of Federal Awards) and SESA (Schedule of Expenditures of State Awards) in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and over compliance with federal and state grant requirements
- 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

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.**
- **We believe total expenditures on each major program are the appropriate benchmark for the OMB Circular A-133 and State Single Audit.**

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).



Use of the work of others

Specialists

Harvest investments – Valuation of certain investments

GT Compensation and Benefits Consulting Practice- Review of the City's self-insurance, workers compensation liabilities and other postemployment benefits.

M/WBE Subcontractors

- Hopkins & Associates
- Logan & Associates
- Owen & Thurman, P.C.
- Serna & Company, P.C.



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:
 - SAP (and underlying databases)
 - Advantage Financial System (and underlying databases)
 - Active Directory
- 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 process over Advantage Financial System scheduled batch jobs.

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 2013 CAFR. The City has received this award for eight years in a row
 - No scope limitations
 - Continued open and effective communication with management
- Federal Single Audit Report (A-133)
 - Unmodified opinions for all programs
- State Single Audit Report
 - Unmodified opinions for all programs, except for the Riverfront Boulevard State Program for the Reporting compliance requirement
 - One instance of a material weakness noted
 - Prior year finding has been remediated

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 matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency were communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements or noncompliance with a type of compliance requirement of a federal or state program on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements or material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Federal and State Major Programs

Federal Programs Audited	State Programs Audited
<ul style="list-style-type: none">• Community Development Block Grants (CDBG)• Homeland Security Grant Program• H.O.M.E.• Special Supplemental Nutrition Program for Women, Infants and Children (WIC)• Housing Opportunity for Persons with AIDS	<ul style="list-style-type: none">• Trinity Strand Trails Program• Riverfront Boulevard• Urban Search and Rescue• Confiscated Monies• Homeless Housing and Services Program

Single Audits – Current year compliance findings

Source	Program	Award #	Finding	Severity	Status
State	Riverfront Boulevard RTR SH 121 State Program	CSJ: 0918-45-885	Reporting – Based on testing performed, we noted that there were no formal monthly expenditure reports submitted by the City in accordance with the grant agreement.	Material weakness and material noncompliance	New finding

Single Audits – Status of prior year compliance finding

Source		State Award #			
State	Katy Trail VI from Ellsworth Street to Worcola Street	CSJ: 0918-45-808	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.	Material weakness	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 2014 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

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 (In Millions)

<u>Government-Wide:</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Governmental:					
Change in net position (deficit)	\$ 81	\$ 83	\$ 18	\$ (2)	\$ (9)
Total net position	2,245	2,163	2,081	1,538	1,526
Ending unrestricted net position (deficit)	(306)	(294)	(280)	(207)	(113)
Capital assets, net	3,596	3,413	3,290	2,653	2,256
Business-type:					
Change in net position (deficit)	\$ 114	\$ 119	\$ 91	\$ 70	\$ 122
Total net position	3,357	3,243	3,124	2,844	2,664
Ending unrestricted net position (deficit)	363	344	325	186	206
Capital assets, net	5,808	5,592	5,282	4,508	4,129
<u>Governmental:</u>					
Tax Rate (per \$100 valuation)					
Total	\$ 0.7970	\$ 0.7970	\$ 0.7970	\$ 0.7479	\$ 0.7292
General Fund	0.5601	0.5439	0.5379	0.5230	0.5448
Debt Service	0.2369	0.2531	0.2591	0.2249	0.1844
Taxable Assessed Valuation (in billions)	\$ 87.3	\$ 83.7	\$ 82.0	\$ 90.5	\$ 76.1
Total General Obligation Bonds	\$ 1,235.8	\$ 1,429.0	\$ 1,292.0	\$ 1,512.0	\$ 1,206.0
Debt Service expenditures as a percentage of non-capital expenditures	15.1%	15.9%	17.5%	17.3%	14.5%
General Fund Balance:					
Total	\$ 180.7	\$ 157.0	\$ 149.0	\$ 104.0	\$ 133.7
Unreserved/Unassigned	\$ 129.2	\$ 120.8	\$ 101.2	\$ 78.3	\$ 86.6
General Fund Expenditures	\$ 1,091.9	\$ 1,022.5	\$ 974.6	\$ 1,015.5	\$ 970.8
Unreserved/Unassigned General Fund balance as a percentage of expenditures	11.84%	11.81%	10.38%	7.71%	8.92%
Excess (deficiency) of revenues over (under) expenditures	\$ 3.6	\$ 0.5	\$ 22.0	\$ (17.3)	\$ 21.6
Transfers in (out) of General Fund, net	\$ 16.1	\$ 2.3	\$ 0.1	\$ (2.7)	\$ (29.3)

Financial Highlights – Summary (continued)

<u>Business-Type:</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Income (loss) before transfers and contributions:					
Dallas Water Utilities	\$ 137.3	\$ 115.8	\$ 100.6	\$ 58.3	\$ 82.3
Convention Center*	-	(7.3)	(4.5)	(8.1)	6.3
Airport Revenue	(6.5)	(5.3)	13.2	7.5	1.5
Total Capital Assets, net					
Dallas Water Utilities	\$ 4,391	\$ 4,211	\$ 3,987	\$ 3,513	\$ 3,120
Convention Center*	508	511	526	555	580
Airport Revenue	907	868	767	437	427
Ending net position:					
Dallas Water Utilities	\$ 2,512	\$ 2,393	\$ 2,285	\$ 2,064	\$ 1,903
Convention Center*	267	276	285	303	311
Airport Revenue	552	553	538	471	435
Revenue Bond Coverage:					
Dallas Water Utilities (minimum requirement 1.25)	1.81	1.85	1.73	1.43	1.40
Convention Center*	1.7	1.7	1.6	1.7	1.3
Airport Revenue	N/A	N/A	N/A	10.5	6.4
Internal Service Fund Balance (deficit):					
Risk Funds fund deficit	\$ (42.0)	\$ (52.2)	\$ (56.0)	\$ (94.7)	\$ (66.1)
Risk Funds claims total liability	66.2	70.1	64.9	93.8	90.6
Risk Funds fund deficit as a % of total general fund balance	23.24%	33.25%	37.56%	91.10%	49.40%
Net Other Post Employment Benefit "OPEB" obligation	\$ 229.5	\$ 207.5	\$ 170.1	\$ 73.2	N/A
Landfill closure and post-closure liability	\$ 34.6	\$ 33.2	\$ 32.0	\$ 31.7	29.9

*The operations of the Convention Center include the Kay Bailey Hutchison Convention Center, American Airlines Center, Union Station, the City Fountain, and Office of Special Events

Financial Highlights – Government-Wide (In Millions)

Definitions:

- "Change in net position (deficit)": essentially "net income (loss)"
- "Total net position (deficit)": the excess (deficit) of assets vs. liabilities
- "Unrestricted net position": "remaining" net position 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Governmental:					
Change in net position (deficit)	\$ 81	\$ 83	\$ 18	\$ (2)	\$ (9)
Total net position	2,245	2,163	2,081	1,538	1,526
Ending unrestricted net position (deficit) (1)	(306)	(294)	(280)	(207)	(113)
Capital assets, net (3)	3,596	3,413	3,290	2,653	2,256
Business-type:					
Change in net position	\$ 114	\$ 119	\$ 91	\$ 70	\$ 122
Total net position	3,357	3,243	3,124	2,844	2,664
Ending unrestricted net position (2)	363	344	325	186	206
Capital assets, net (3)	5,808	5,592	5,282	4,508	4,129

Key Observations:

- (1) The "Governmental" unrestricted net deficit increased annually from 2007-2014
- (2) The "Business-type" unrestricted net position increased annually from 2012-2014
- (3) "Capital Assets, net balances (both "Governmental" and "Business-type") have increased annually from 2007-2014

Financial Highlights – Governmental Tax Rate, Assessed Value and Debt (In Millions)

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

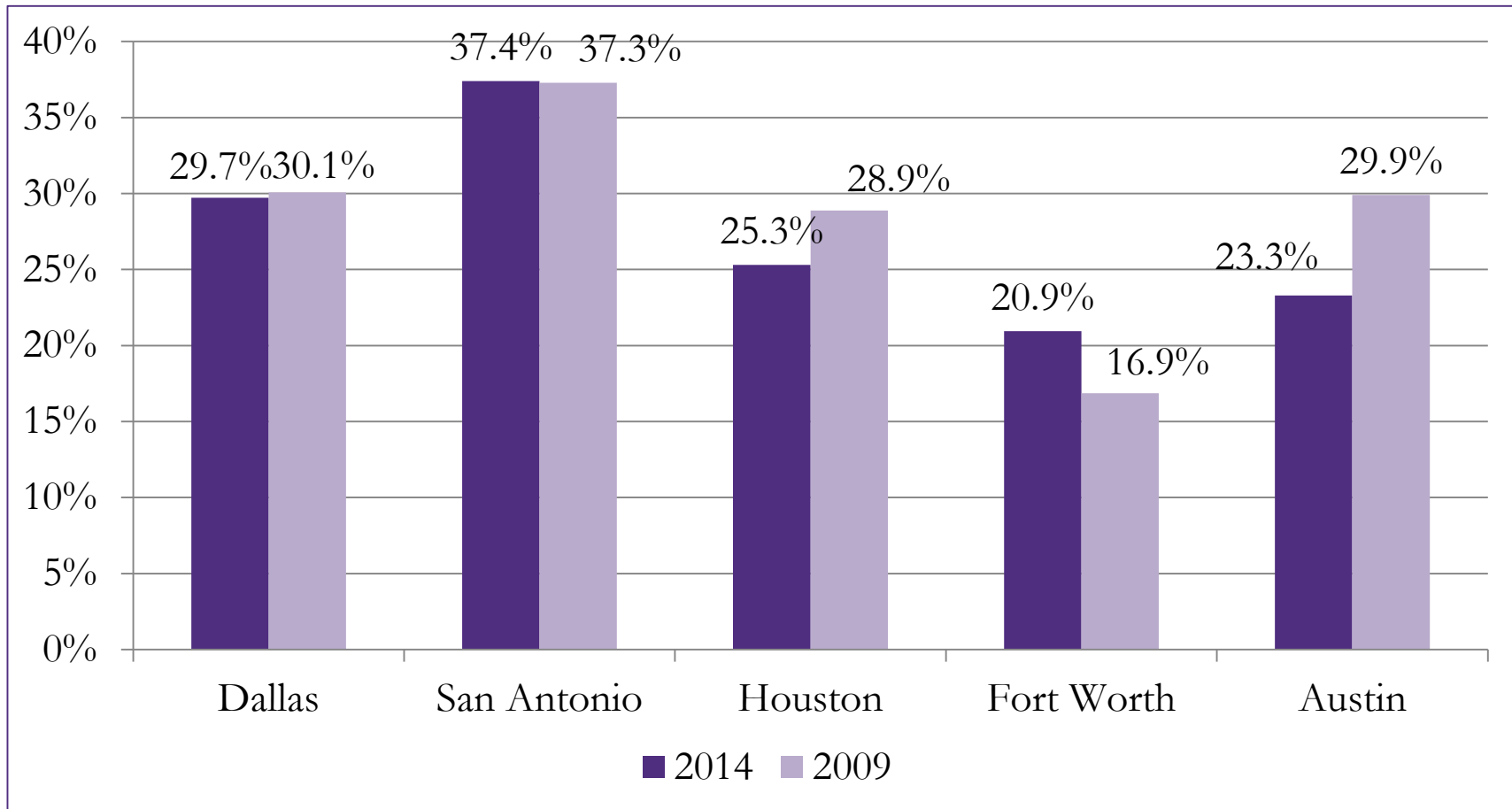
Financial Trends:

<u>Governmental:</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Tax Rate (per \$100 valuation)					
Total (1)	\$ 0.7970	\$ 0.7970	\$ 0.7970	\$ 0.7479	\$ 0.7292
General Fund	0.5601	0.5439	0.5379	0.5230	0.5448
Debt Service (2)	0.2369	0.2531	0.2591	0.2249	0.1844
Taxable Assessed Valuation (in billions) (3)	\$ 87.3	\$ 83.7	\$ 82.0	\$ 90.5	\$ 76.1
Total General Obligation Debt (4)	\$ 1,236	\$ 1,353	\$ 1,292	\$ 1,512	\$ 1,206
Debt Service expenditures as a percentage of non-capital expenditures (5)	15.10%	15.88%	17.50%	17.34%	14.53%

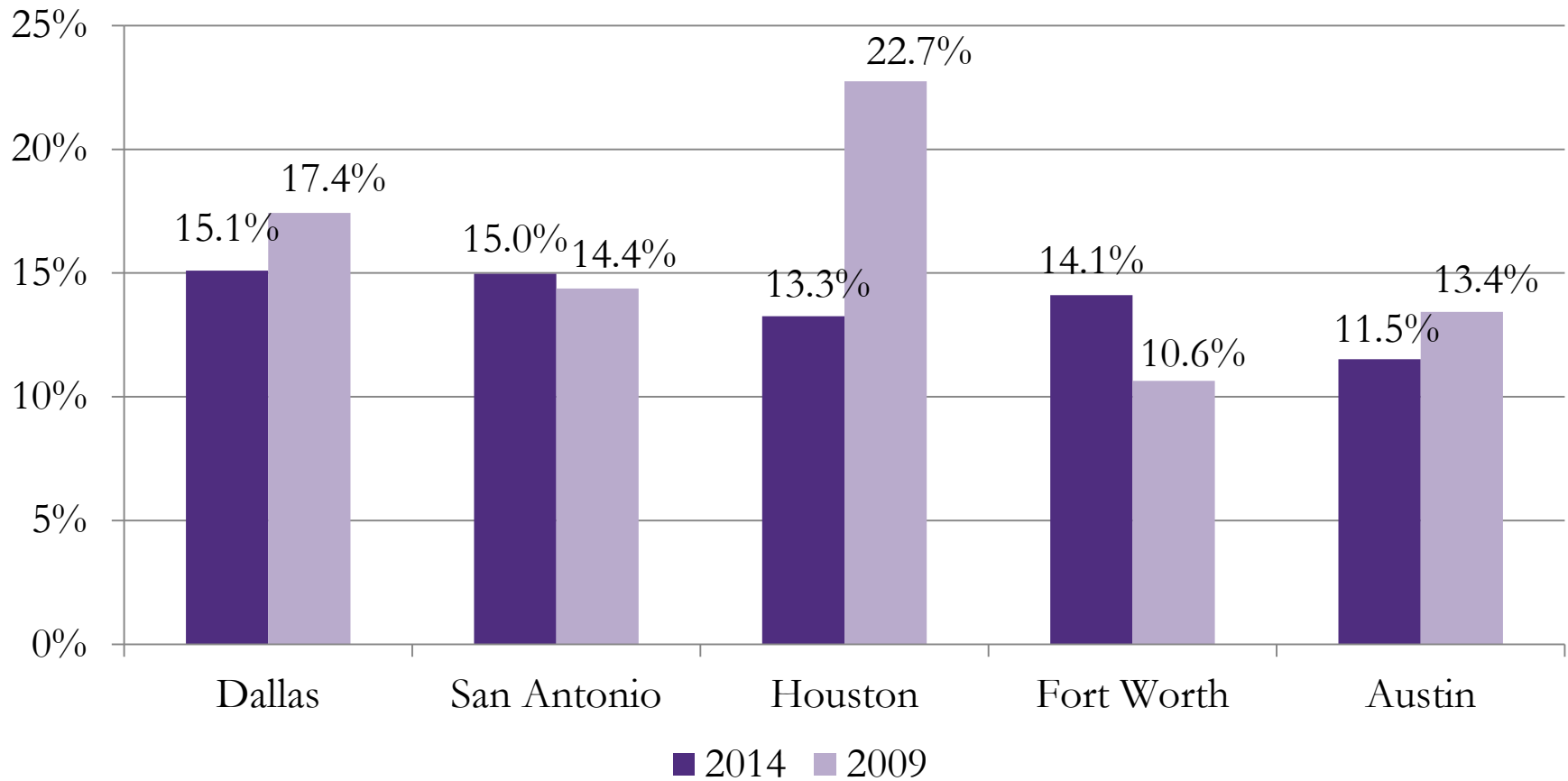
Key Observations:

- (1) The total tax rate remained unchanged from 2009-2010, then increased in 2011 and remained unchanged from 2012-2014.
- (2) The tax rate component for debt service increased annually from 2009-2011, then decreased annually from 2012-2014
- (3) The taxable assessed valuation decreased annually from 2009-2012 then increased from 2012-2014
- (4) Total General Obligation debt decreased annually from 2009-2012 then increased from 2012-2013 then decreased in 2014
- (5) Debt service expenditures as a % of non-capital expenditures decreased from 2012-2014

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



Debt Service Expenditures as a % of Non-Capital Expenditures



Financial Highlights – General Fund (In Millions)

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

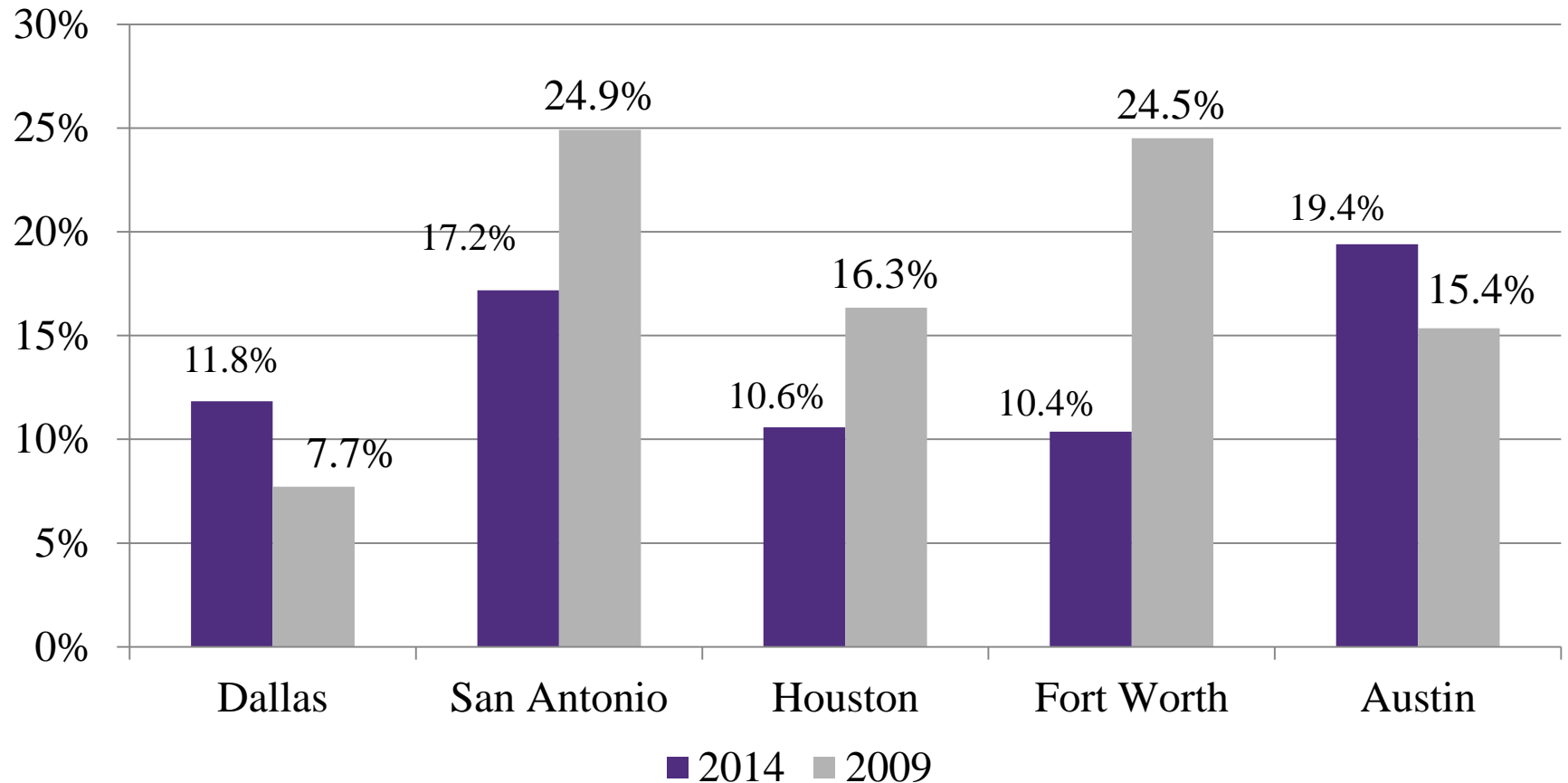
Financial Trends:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
General Fund Balance: (1)					
Total	\$ 180.7	\$ 157.0	\$ 149.0	\$ 104.0	\$ 133.7
Unreserved/Unassigned	\$ 129.2	\$ 120.8	\$ 101.2	\$ 78.3	\$ 86.6
General Fund Expenditures (2)	\$ 1,091.9	\$ 1,022.5	\$ 974.6	\$ 1,015.5	\$ 970.8
Unreserved/Unassigned General Fund balance as a percentage of expenditures (1)	11.84%	11.81%	10.38%	7.71%	8.92%
Excess (deficiency) of revenues over (under) expenditures (3)	\$ 3.6	\$ 0.5	\$ 22.0	\$ (17.3)	\$ 21.6
Transfers in (out) of General Fund, net (4)	\$ 16.1	\$ 2.3	\$ 0.1	\$ (2.7)	\$ (29.3)

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 until 2010 and then increased annually in 2011, 2012, 2013, & 2014
- (2) General Fund expenditures have remained relatively consistent from 2009-2014
- (3) 2008 through 2010 before becoming an excess in 2011 through 2014
- (4) The transfers (out), net of the General Fund declined annually from 2008-2009, and then became a net "transfer-in" in 2010 before becoming a net transfer (out) again in 2011, and breakeven in 2012 and then increased annually in 2013 and 2014

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



Financial Highlights – Business-Type "Enterprise" Activities (In Millions)

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Income (loss) before transfers and contributions:					
Dallas Water Utilities (4)	\$ 137.3	\$ 115.8	\$ 100.6	\$ 58.3	\$ 82.3
Convention Center*	(21.0)	(7.3)	(4.5)	(8.1)	6.3
Airport Revenue	(6.5)	(5.3)	13.2	7.5	1.5
Total Capital Assets, net (1)					
Dallas Water Utilities	\$ 4,391	\$ 4,211	\$ 3,987	\$ 3,513	\$ 3,120
Convention Center*	508	511	526	555	580
Airport Revenue	907	868	767	437	427
Revenue Bond Coverage:					
Dallas Water Utilities (2)	1.81	1.85	1.76	1.43	1.40
Convention Center* (3)	1.7	1.7	1.6	1.7	1.3
Airport Revenue	N/A	N/A	N/A	10.5	6.4

Key Observations:

- (1) Total Capital Assets, net increased annually between 2009-2014
- (2) Revenue Bond Coverage for Dallas Water Utilities remained relatively consistent, and increased in 2012
- (3) Revenue Bond Coverage for Convention Center increased annually from 2008-2011 and decreased in 2012 and remained consistent in 2013 and 2014
- (4) Dallas Water Utilities was lower in 2009 due to a particularly wet year, which resulted in lower water usage in the months that are typically hot and dry. 2010-2013 sold more water due to the drought that plagued those years

*The operations of the Convention Center include the Kay Bailey Hutchison Convention Center, American Airlines Center, Union Station, the City Fountain, and Office of Special Events,

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

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2009</u>	<u>2007</u>
Internal Service Fund Balance (deficit): (1)					
Risk Funds fund deficit	\$ (42.0)	\$ (52.2)	\$ (56.0)	\$ (94.7)	\$ (66.1)
Risk Funds claims total liability	66.2	70.1	64.9	93.8	90.6
Risk Funds fund deficit as a % of total general fund balance (2)	23.24%	33.25%	37.56%	91.10%	49.40%
Net Other Post Employment Benefit "OPEB" obligation (3)	\$ 229.50	\$ 207.50	\$ 170.10	\$ 73.20	N/A
Landfill closure and post-closure liability (4)	\$ 34.57	\$ 33.20	\$ 32.00	\$ 31.70	\$ 29.90
Unfunded Pension Benefit Obligation (5)					New accounting rules in progress

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 2012-2014
- (3) The net OPEB obligation has increased annually 2009-2014, 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 increased slightly from 2009-2014
- (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.



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Selected pronouncements effective for the year ending June 30, 2015 or subsequent periods

GASB pronouncement	Effective date	Summary
GASB Statement 68, <i>Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27</i>	Periods beginning after June 15, 2014	Certain pensions are defined as single employer, agent employer or cost sharing employer. Requires recording a liability/asset for the difference between actuarially determined liability and net position.
GASB Statement 71, <i>Pension transition for contributions made subsequent to the measurement date- an amendment of GASB Statement No. 68</i>	To be applied simultaneously with GASB No. 68	To clarify guidance related to contributions made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability, requiring the government to recognize a beginning net deferred outflow of resources for its pension contribution made subsequent to the measurement date of the beginning net pension liability.
GASB Statement 72, <i>Fair Value Measurements and Application</i>	Periods beginning after June 15, 2105	Provides clarity on accounting and financial reporting issues related to fair value measurements. Additionally enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement 68, *Accounting and financial reporting for pensions- an amendment of GASB Statement No. 27*

Summary	Potential Impact
<ul style="list-style-type: none"> • Scope is limited to pensions provided through trusts that meet certain criteria • Excludes all OPEB (there is a separate GASB project to revisit accounting for OPEB) • Applies to employers and non-employer contributing entities that have a legal obligation to make contributions directly to a pension plan • Revised recognition, measurement, and disclosure requirements for all employers <ul style="list-style-type: none"> ➢ Liability is measured net of pension plan's fiduciary net position and is fully recognized in accrual-basis financial statements ➢ Changes in the obligation are recognized as <ul style="list-style-type: none"> ○ expense in the period of the change OR ○ deferred outflows/inflows of resources with expense recognized over defined future periods • Defines net pension liability - overall pension obligation reduced by assets of the plan • Each participating employer must record allocated share of unfunded liability (i.e., a government participating in a cost-sharing pension plan will report a liability in its own financial statements that is equivalent to its long-term proportionate share of the collective net pension liability- allocation will be based on the employers expected contribution effort relative to that of all contributors to the plan) • Effective for periods beginning after June 14, 2014 (year ending June 30, 2015 for June 30 year ends) 	<p>Pronouncement could have a significant impact on the statement of net position for employers participating in defined benefit and defined contribution plans (and nonemployer contributing entities) that will be recording an estimated/apportioned pension liability for the first time.</p>

GASB Statement 71, Pension transition for contributions made subsequent to the measurement date- an amendment of GASB Statement No. 68

Summary	Potential Impact
<ul style="list-style-type: none"> • Clarification of adoption issue related to GASB Statement No. 68 related to contributions made subsequent to measurement date • In certain circumstances, there could be a situation where a government entity would be understating deferred outflows in the transition year of adoption of GASB Statement No. 68. • Effective simultaneous with adoption of GASB Statement No. 68 	<p>If a governmental employer or non-employer contributing entity makes contributions to its pension plan after the measurement date of the beginning net pension liability, these must be recognized as a deferred outflow of resources.</p>

GASB Statement 72, *Fair Value Measurement and Application*

Summary	Potential Impact
<ul style="list-style-type: none"> • Defines “fair value” as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” • Governments are generally required to measure investments at fair value using one of three techniques <ul style="list-style-type: none"> ➤ Market approach ➤ Cost approach ➤ Income approach • Establishes a three level hierarchy of inputs to valuation techniques used to measure fair value. The guidance is very similar to existing guidance for FASB organizations. <ul style="list-style-type: none"> • Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. • Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. • Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security • Requires disclosures to be made about fair value measurement, the level of fair value hierarchy, and valuation techniques. • Effective for periods beginning after June 15, 2015. 	<p>This will significantly impact accounting for certain investments that may have been reported at cost due to ambiguity within previous guidance. In addition, all public colleges and universities will need to revise the existing disclosures to conform to the new disclosure requirements, which are very similar to current disclosure requirements for FASB organizations. Gathering the "Leveling" information required to be disclosed could be difficult to identify and time-consuming, depending on the instruments that are within the three categories of the valuation hierarchy. Public institutions are encouraged to review disclosures of large/complex private (FASB) institutions for helpful examples.</p>

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Security Services Contract and Wage Rates

On June 15, 2015 the Budget, Finance and Audit Committee will be Security Services Contract and Wage Rates. The briefing will be presented by Mike Frosch, Director of Business Development and Procurement Services. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

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
Sana Syed, Public Information Officer
Mark Duebner, Director, Aviation
Elsa Cantu, Assistant to the City Manager

Security Services Contract and Wage Rates

BUDGET, FINANCE AND AUDIT COMMITTEE
JUNE 15, 2015



Purpose

Review the recommended proposal for the armed and unarmed security guard contract to be considered on the June 17, 2015 Council agenda

- Background
- Procurement process
- Results
- Recommendation and next steps

Previous Wage Discussions

- May 2008 - Council discussed policy related to labor-related contracts
- Council directed the removal of all wage requirements (other than Federal minimum wage) from contracts and allowed for the market to establish the contractor's wages to employees

Previous Wage Discussions (cont'd)

- Sanitation labor benefits have been discussed during previous Council budget deliberations and at recent Quality of Life meetings
 - Impact to Sanitation fee to hire day laborers was estimated to be up to \$4M annually (a \$1.60 impact to Sanitation Fee)
 - Led to discussions of potential option for temporary laborers to become City employees
 - Quality of Life Committee told City to proceed with pilot program on June 8, 2015
- Legal briefings given regarding City's consideration of wage rates
- Citywide fiscal impact was discussed most recently during the FY 14-15 budget deliberations
 - Conservative approximation of \$12.4M/yr. increase for similar scope of services at \$10.25 hr.

Background

- Equipment and Building Services provides security guards for a limited number of City facilities
 - (49 FTE's) City Hall, Central Library, Municipal Courts, MLK and OCMC locations
- The remainder of the security needs are currently handled through contract officers
 - Dallas Love Field, Executive Airport and parking
 - Library branches (28)
 - Park and Recreation facilities and Fair Park
 - Water Utilities locations including treatment plants and pumping facilities (33)
 - Kay Bailey Hutchison Convention Center Dallas
 - Office of Cultural Affairs facilities (9)
 - Trinity Watershed Management facilities (3)
 - Dallas Fire-Rescue Dolphin Road facilities
 - McCommas Bluff Landfill

Current Contract History

- April 13, 2011, Council authorized a four-year service contract by Resolution No. 11-0907
- April 22, 2015, Council authorized supplemental agreement no. 1 to the service contract to extend the term from April 30, 2015 to July 30, 2015, by Resolution No. 15-0750
- June 1, 2015, Briefing memo to Budget, Finance and Audit Committee, recommended to move forward for Council consideration
- June 10, 2015, Council deferred to June 17, 2015 and requested the contract be briefed at the June 15, 2015, Budget Finance and Audit Committee meeting

Procurement Process

Current vs. Recommended		
<i>Elements</i>	<i>Current Contract</i>	<i>Recommended Contract</i>
<i>Term</i>	4 year contract	4 year contract
<i>Procurement Type</i>	<u>Low Bid</u> meeting minimum specification	<u>PROPOSAL - Contract Negotiations</u> 35% Experience and qualifications 30% Cost - Billable rate to the City 20% Work plan 15% Business Inclusion and Development Plan
<i>Performance Bond Required</i>	Yes, 25% of annual contract	Yes, 25% of annual contract
<i>M/WBE Required</i>	Yes	Yes
<i>Contract Amount</i>	\$29,685,695	\$58,096,822

Recommended Contract Facts

- Estimated contract hours – 3,100,000
 - Equivalent to 373 FTE's
- Overall increase in estimated total hours
 - 22% or 566,972 hours
- Departments with anticipated increases
 - Library, Fair Park, Aviation, Park & Recreation
- New facilities added to the service contract
 - Code Compliance
 - Trinity Watershed Management
 - Continental Bridge and Irving Blvd. locations

Recommended Contract Facts

- Contract was separated into 12 groups representing the different needs of each City department
- Total hourly rate lines within the contract - 27
- Number of contract lines paying less than \$10.62/hr. (City's lowest full-time rate)
 - 6 or 12.59% of the overall contract amount
- Hypothetically increasing the 6 lines to \$10.62/hr. would increase the overall contract cost by \$1.7M

Procurement Activity

- The Request for Competitive Sealed Proposal (RFCSP) was advertised February 13 & 19, 2015
- As part of the vendor notification process, 722 electronic notices were sent by the City's web-based procurement system
- Additionally, notifications were sent by BDPS ResourceLINK Team (RLT) to 25 chambers of commerce, and 2 advocacy groups (i.e. DFW Minority Business Council and Women's Business Council-Southwest)

Procurement Activity (cont'd)

- A pre-proposal conference was held February 20, 2015
 - 12 companies were represented
 - Andy Frain Services, Inc.
 - Cooley's Security Service
 - Twin City Security, Inc.
 - Allied Barton Security Services, LLC
 - Ruiz Protective Service, Inc.
 - Executive Security
 - Texas Professional Security
 - Kent Security of Texas, Inc.
 - Sunstates Security
 - G45 Security Solutions
 - Platinum Security
 - Signal 88 Security
- Vendors were encouraged to attend site visits at the various City facilities

Procurement Activity (cont'd)

- 103 vendor questions were received and addressed in 6 addenda
- Extended the original due date to allow time for vendors to review City's responses
- March 18th, 2015– BDPS received eleven proposals:
 - Allied Barton Security Services, LLC
 - Andy Frain Services, Inc.
 - Cooley's Security Service
 - Twin City Security, Inc.
 - Ruiz Protective Service, Inc.
 - Norred & Associates, Inc.
 - ORJR, Inc. dba Texas Professional Security Services
 - Kent Security of Texas, Inc.
 - Giadolor Holdings, Inc. dba Dog World Services
 - U.S. Security Associates, Inc.
 - Champion National Security, Inc.

Procurement Activity (cont'd)

March 2015

- Proposals were reviewed by an eight member evaluation team

March - April 2015

- Presentations scheduled with all eleven proposers
- Evaluations and committee rankings

May 2015

- Contract negotiations to include Best and Final Offers received from all proposers
- Updated final scoring

June 1, 2015

- Briefing memo to Budget, Finance and Audit Committee

Summary Results by Group

Most Advantageous Proposer	Group	Proposed Amount	Overall Scoring	% Under \$10.62 from Overall Total Contract
Ruiz Protective Service, Inc.	1 – LIB	\$ 2,373,851.20	81.98	4.09%
Norred & Associates, Inc.	2 – FP	\$ 2,810,607.04	79.00	4.84%
Allied Barton Security Services, LLC	3 – DWU	\$ 14,224,438.80	83.09	0.00%
Allied Barton Security Services, LLC	4 – CCT	\$ 16,094,570.96	86.27	0.00%
Allied Barton Security Services, LLC	5 – AVI	\$ 9,183,020.82	84.75	0.00%
Ruiz Protective Service, Inc.	6 – OCA	\$ 3,036,433.60	77.78	0.00%
Ruiz Protective Service, Inc.	7 - EBS	\$ 5,840,273.92	82.03	0.00%
Ruiz Protective Service, Inc.	8 - PKR	\$ 2,335,900.00	80.84	2.71%
Norred & Associates, Inc.	9 - DFR	\$ 591,884.80	79.67	0.96%
Ruiz Protective Service, Inc.	10 – TWM	\$ 1,026,425.20	80.03	0.00%
Ruiz Protective Service, Inc.	11 – CCS	\$ 269,955.00	81.54	0.00%
Ruiz Protective Service, Inc.	12 - SAN	\$ 309,460.32	83.24	0.00%
	Total	\$ 58,096,821.66		12.59%

*Detailed Scoring Summary - Appendix A

Pay Ranges by Proposer

Allied Barton Security Services, LLC

- \$12.50 - \$18 hr.
- depending on assignment/location

Ruiz Protection Service, Inc.

- \$9 - \$18 hr.
- depending on assignment/location

Norred & Associates, Inc.

- \$8 - \$12.02 hr.
- depending on assignment/location

M/WBE Contract Summary - 44.46%

Allied Barton Security Services, LLC.

- Houston Harris Patrol Division
 - Hispanic Male - 23.8% or \$9.4m

Ruiz Protective Service, Inc.

- Hispanic male owned
- D'Leon Protective Service, LLC.
 - Hispanic female owned – 13.8% or \$2.27m
- Carrizal & Associates
 - Hispanic male owned – 10% or \$1.5m

Norred & Associates, Inc.

- National Security & Protective Services, Inc.
 - Black male owned – 36.3% or \$1.2m

Summary

- Proposal process resulted in the most advantageous firms being recommended
- No wage requirement other than Federal minimum wage were included in the specifications
- Recommended contract pays contract employees higher wages than the current contract

Recommendation

- Approve an action item on the Council's June 17, 2015 agenda authorizing a four year service contract to provide armed and unarmed security guards to patrol and protect City facilities in a total amount not to exceed \$58,096,822

Questions?

Appendix A

BVZ1506 - Security Guard Services Evaluation Summary

GROUP 1-LIBRARY BRANCHES	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$2,373,851.20	81.98	1
	Norred & Associates, Inc.	\$1,765,633.80	79.00	2
	Andy Frain Services	\$2,439,427.20	60.88	3
	Kent Security of Texas, Inc.	\$2,442,706.00	60.35	4
	Champion National Security	\$2,291,881.20	58.44	5
	Twin City Security, Inc.	\$2,654,188.60	57.29	6
	Texas Professional Security Serv.	\$2,295,160.00	41.58	7
	Cooley's Security Services	\$2,385,327.00	36.54	8

GROUP 2-FAIR PARK	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Norred & Associates, Inc.	\$2,810,607.04	79.00	1
	Ruiz Protective Service, Inc.	\$5,419,610.40	74.73	2
	Kent Security of Texas, Inc.	\$3,877,064.00	60.42	3
	Andy Frain Services	\$3,891,299.36	60.17	4
	Champion National Security	\$3,732,456.48	56.92	5
	Dog World Services	\$3,309,525.76	44.48	6
	Texas Professional Security Serv.	\$3,504,332.00	43.23	7
	Cooley's Security Services	\$3,718,250.40	37.01	8

GROUP 3-DALLAS WATER UTILITIES	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Allied Barton Security Services, LLC	\$14,224,438.80	83.09	1
	Norred & Associates, Inc.	\$7,072,774.00	79.00	2
	Ruiz Protective Service, Inc.	\$9,064,830.32	78.41	3
	Twin City Security, Inc.	\$8,979,458.00	61.63	4
	Kent Security of Texas, Inc.	\$9,674,980.00	60.10	5
	Andy Frain Services	\$10,012,500.00	58.86	6
	Champion National Security	\$10,037,226.00	58.14	7
	Dog World Services	\$8,406,186.80	44.41	8
	Texas Professional Security Serv.	\$9,169,300.00	42.31	9
	Cooley's Security Services	\$9,357,510.00	37.01	10

GROUP 4-CONVENTION CENTER	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Allied Barton Security Services, LLC	\$16,094,570.96	86.27	1
	Ruiz Protective Service, Inc.	\$12,550,637.40	79.17	2
	Norred & Associates, Inc.	\$9,622,259.34	78.33	3
	U.S. Security Associates, Inc.	\$13,596,474.98	71.73	4
	Kent Security of Texas, Inc.	\$13,162,571.60	59.93	5
	Twin City Security, Inc.	\$12,574,984.38	59.63	6
	Andy Frain Services	\$13,322,772.16	59.34	7
	Champion National Security	\$12,487,845.40	58.12	8
	Texas Professional Security Serv.	\$12,325,421.50	42.25	9
	Dog World Services	\$12,860,960.50	41.45	10

GROUP 5-AVIATION	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Allied Barton Security Services, LLC	\$9,183,020.82	84.75	1
	Ruiz Protective Service, Inc.	\$7,825,515.14	75.65	2
	Norred & Associates, Inc.	\$5,125,798.56	71.83	3
	U.S. Security Associates, Inc.	\$7,314,494.06	70.85	4
	Andy Frain Services	\$7,253,485.18	47.53	5

**Twin City Security, Inc., Kent Security of Texas, Inc., Champion National Security, Cooley's Security Services and Dog World Services were deemed non responsive due to not meeting the specifications.

GROUP 6-OFFICE OF CULTURAL AFFAIRS	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$3,036,433.60	77.78	1
	Norred & Associates, Inc.	\$1,968,540.80	76.00	2
	U.S. Security Associates, Inc.	\$2,896,096.00	69.72	3
	Twin City Security, Inc.	\$2,474,756.80	61.36	4
	Kent Security of Texas, Inc.	\$2,702,544.00	60.68	5
	Andy Frain Services	\$2,682,188.80	58.35	6
	Champion National Security	\$2,605,268.80	57.84	7
	Dog World Services	\$2,180,038.40	44.26	8
	Cooley's Security Services	\$2,665,176.00	36.33	9

GROUP 7-EQUIPMENT & BUILDING SERV.	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Allied Barton Security Services, LLC	\$8,487,764.48	84.64	*
	Ruiz Protective Service, Inc.	\$5,840,273.92	82.03	1
	Norred & Associates, Inc.	\$4,614,305.28	78.83	2
	Twin City Security, Inc.	\$6,261,465.60	61.28	3
	Kent Security of Texas, Inc.	\$6,355,481.60	59.78	4
	Andy Frain Services	\$6,581,120.00	58.36	5
	Champion National Security	\$6,381,806.08	56.86	6
	Dog World Services	\$5,546,944.00	43.63	7
	Texas Professional Security Serv.	\$6,205,056.00	41.48	8
	Cooley's Security Services	\$6,223,859.20	37.24	9

*Allied Barton Security Services, LLC and the City could not come to final terms.

GROUP 8-PARK & RECREATION	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$2,335,900.00	80.84	1
	Norred & Associates, Inc.	\$1,778,660.00	78.33	2
	Andy Frain Services	\$2,462,504.00	60.50	3
	Champion National Security	\$2,382,460.00	58.07	4
	Kent Security of Texas, Inc.	\$2,770,200.00	56.26	5
	Dog World Services	\$2,306,400.00	41.97	6
	Texas Professional Security Serv.	\$2,447,000.00	40.81	7
	Cooley's Security Services	\$2,396,500.00	36.94	8

GROUP 9-DALLAS FIRE RESCUE	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Norred & Associates, Inc.	\$591,884.80	79.67	1
	Ruiz Protective Service, Inc.	\$930,601.78	76.91	2
	Kent Security of Texas, Inc.	\$784,256.00	59.97	3
	Champion National Security	\$797,810.00	59.09	4
	Dog World Services	\$809,838.00	40.76	5

GROUP 10-TRINITY WATERSHED	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$1,026,425.20	80.03	1
	Norred & Associates, Inc.	\$759,528.56	79.83	2
	Twin City Security, Inc.	\$969,770.32	61.83	3
	Kent Security of Texas, Inc.	\$1,039,303.20	59.09	4
	Champion National Security	\$1,057,198.16	58.38	5
	Dog World Services	\$927,240.00	43.24	6
	Texas Professional Security Serv.	\$1,032,132.00	40.75	7
	Cooley's Security Services	\$1,035,108.40	36.18	8

GROUP 11-CODE COMPLIANCE	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$269,955.00	81.54	1
	Norred & Associates, Inc.	\$210,307.80	80.00	2
	Twin City Security, Inc.	\$268,241.00	61.69	3
	Champion National Security	\$290,865.80	59.19	4
	Kent Security of Texas, Inc.	\$289,666.00	58.45	5
	Dog World Services	\$257,100.00	43.21	6
	Cooley's Security Services	\$283,667.00	36.24	7

GROUP 12-SANITATION	VENDOR	PROPOSED PRICE	AVERAGE SCORE	RANK
	Ruiz Protective Service, Inc.	\$309,460.32	83.24	1
	Norred & Associates, Inc.	\$272,430.08	81.67	2
	U.S. Security Associates, Inc.	\$412,087.52	71.83	3
	Twin City Security, Inc.	\$352,127.36	62.04	4
	Kent Security of Texas, Inc.	\$369,657.60	59.44	5
	Champion National Security	\$363,500.80	58.31	6
	Dog World Services	\$289,120.00	47.44	7
	Texas Professional Security Serv.	\$333,216.00	45.20	8
	Cooley's Security Services	\$350,771.20	37.47	9

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Day Labor Pilot Program Framework

On June 15, 2015 the Budget, Finance and Audit Committee will be briefed on Day Labor Pilot Program Framework. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Theresa O'Donnell'.

Theresa O'Donnell
Chief Planning Officer

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
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Mark Duebner, Director, Aviation
Elsa Cantu, Assistant to the City Manager

Day Labor Pilot Program Framework

A Briefing to the Budget, Finance & Audit
Committee

June 15, 2015

Planning & Neighborhood Vitality
Department



Purpose of Briefing

- The purpose of this briefing is to provide a framework for a day labor pilot program in the City of Dallas

Background

- On April 6, 2015, the Budget, Finance and Audit Committee was briefed on Day Labor Centers within the Dallas metroplex
- The Committee requested a follow-up briefing in June 2015 to provide a framework for establishing a day labor pilot program in the City of Dallas

Framework for Dallas Day Labor Pilot Program

Framework for pilot program based on feedback received from the April 6, 2015 Budget, Finance and Audit Committee meeting and findings of day labor best practices

Type of Center

- Staff designated site

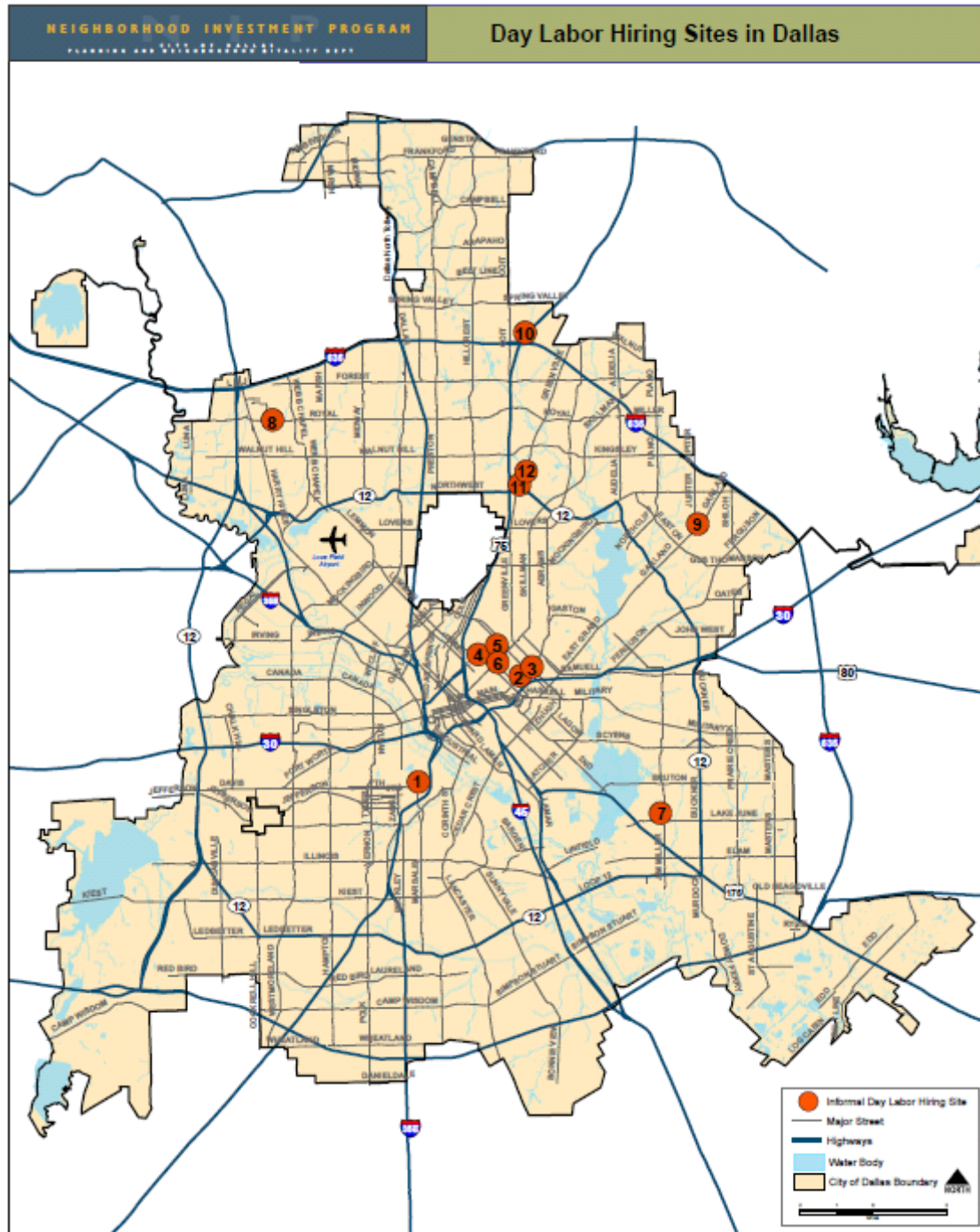
Location of Center

- Facility should be conveniently accessible by public transportation and enjoy strong visibility from major roadway(s)
- Within proximity to current informal day labor hiring sites in Dallas (see Slide 5)

Map 1

Informal Day Labor Hiring Sites in Dallas

	ADDRESS	COUNCIL DISTRICT
1	306 N MARSALIS AVE	1
2	4800 COLUMBIA AVE	2
3	106 S FITZHUGH AVE	2
4	4301 ROSS AVE	2
5	4500 ROSS AVE	2
6	1321 N CARROLL AVE	2
7	7037 LAKE JUNE RD	5
8	2911 ROYAL LN	6
9	11445 GARLAND RD	9
10	13205 MAHAM RD	11
11	8282 PARK LN	13
12	6866 SHADY BROOK LN	13



Day Labor Pilot Program con't

Level of Programming

- Initial programming to include ESL, GED, financial literacy/services and health screening
- Additional programs/services, including vocational training to support permanent job placement, can be provided over time
- Allow for external partners/agencies to provide services on site

Partnerships and Collaborations

- Pursue opportunities to collaborate with external partners to provide:
 - Educational training
 - Health and other wrap-around services
 - Co-location
 - Staffing
 - Outreach & marketing

Day Labor Pilot Program con't

Center Amenities

- Indoor office and classroom space
- Outdoor shelter, seating, drinking water and restrooms

Staffing

- Minimum staffing of 2 FTE's
 - At least one staff member should be bi-lingual
- Partnership(s) with external agencies to be pursued to share in staffing responsibilities (eg. Dallas County, Tx Workforce Commission)

Day Labor Pilot Program con't

Outreach & Marketing

- Distribute flyers to workers at all informal hiring sites and home improvements stores announcing day labor pilot program
- Market day labor workforce to potential clients (eg. construction sites, storage facilities, landscaping companies, etc.)

Project Funding

- Public/private partnerships
- Service agreement contract
- City funding

General Steps to Creating a Day Labor Pilot Program

1. Create a task force comprised of key stakeholders (police, laborers, business owners, neighborhood groups, City/County/State, service agencies, etc.) to build support for the project and address concerns
2. Site selection: Explore opportunities to acquire or lease an appropriate site for the center. Ensure required amenities are provided on-site
3. Identify required resources for the center and develop a strategy for funding support
4. Work with neighborhood stakeholders, police, laborers to gain support for the facility, address specific concerns and project opposition (NIMBY)
5. Develop program guidelines and rules of conduct for laborers and contractors

General Steps to Creating a Day Labor Pilot Program con't

6. Develop an outreach and marketing strategy to promote the facility and build a positive public relations and media campaign
7. Explore anti-solicitation strategies to discourage continued congregation at informal hiring sites
8. Develop performance measures to evaluate the success of the center

Potential Implementation Partners

Workforce Solutions Greater Dallas

Parkland Hospital

Children's Medical Center

Workforce Solutions Greater Dallas

DART

Dallas County Community College District

Catholic Charities

League of Latin American Citizens (LULAC)

Dallas Housing Authority

United Way

Dallas Builders Association

Committee Direction

- Committee discussion and direction

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Electricity Procurement

On June 15, 2015 the Budget, Finance and Audit Committee will be briefed on Electricity Procurement. The briefing will be presented by Errick Thompson, Director of Equipment and Building Services. The briefing is attached for your review.

Please let me know if you need additional information.

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

Jill A. Jordan, P.E.
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
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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
Errick Thompson, Director, Equipment and Building Services
Elsa Cantu, Assistant to the City Manager

Electricity Procurement



**Budget, Finance and Audit Committee
June 15, 2015**



Outline

- ▶ Provide a brief overview of City electricity program
- ▶ Discuss current energy market
- ▶ Discuss an opportunity to take advantage of historically low electricity prices and reduce electricity expenses in FY15-16 and beyond



Electricity Program Background

The City has a successful electricity program and results since FY07-08 include:

- Reduced expenditures by 23.5% (\$78.7m to \$60.2m)
- Reduced electricity rate by 26%
- Reduced consumption by 7.9% (770,289 MWh to 709,757 MWh)
 - Lighting and controls projects funded by American Recovery and Reinvestment Act (ARRA) grants and performance contracts
 - Energy Recovery Facility at Dallas Water Utilities' Southside Wastewater Treatment Plant
 - Reduced water pumping due to twice per week watering ordinance

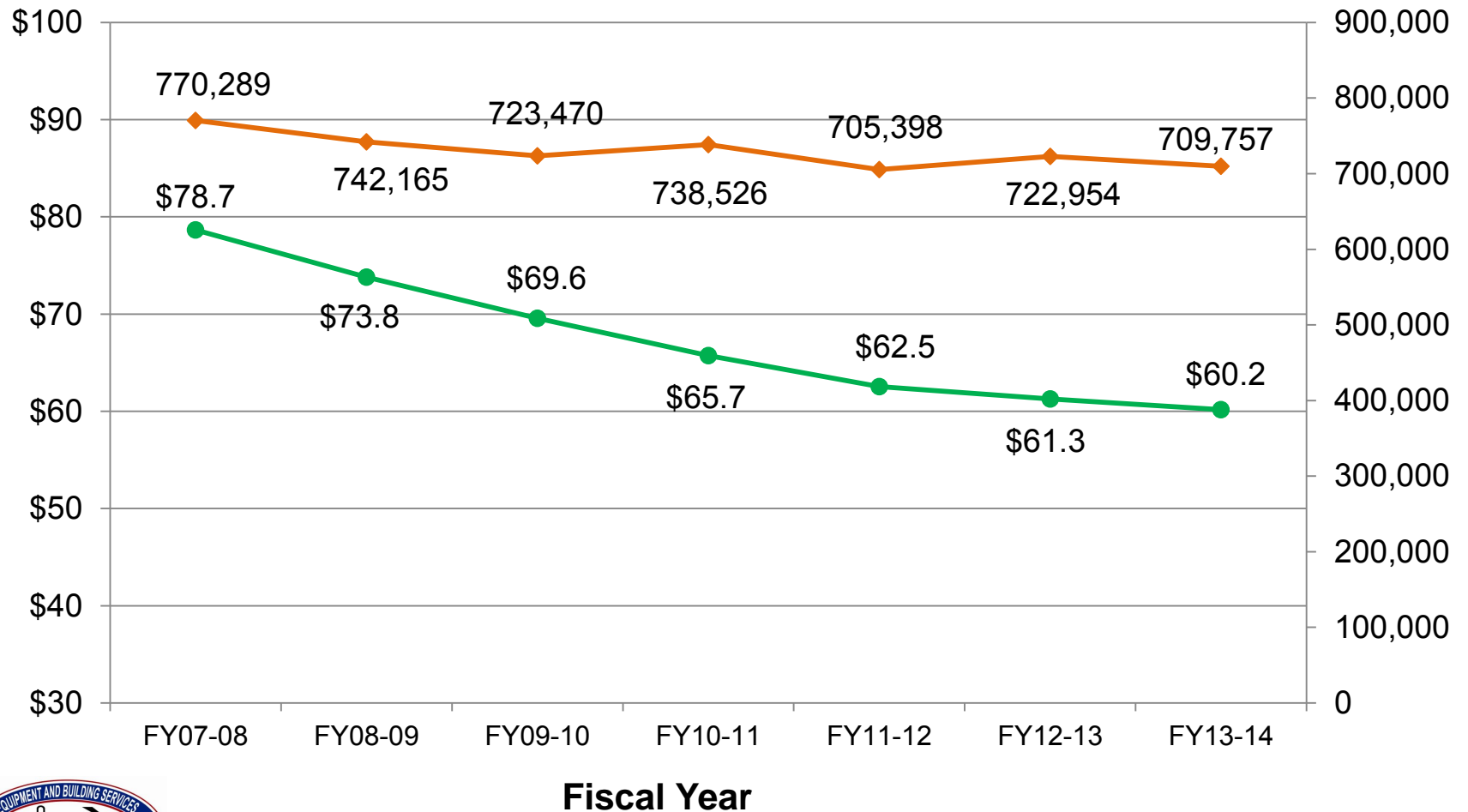


Electricity Program Background

City Electricity Use

Cost in Millions

MWh Used



Electricity Program Background

Energy Consultant

- ▶ City staff works closely with Priority Power Management, LLC, the City's energy consultant who:
 - Has staff with over 250 years of combined experience in energy markets
 - Procures and manages an estimated \$1 billion in annual energy spending
 - Provides supply side analysis for 32 of the Top 100 Texas independent oil and gas producers

- ▶ Notable clients include:
 - Chesapeake Energy
 - Hunt Oil Company
 - Devon Energy
 - Texas Health Resources
 - University of Texas System
 - City of Midland



Electricity Program Background

Recent Contracts

- ▶ City entered into the original agreement with TXU Energy Retail Company LLC on July 7, 2010
 - 36-month term (January 2011 through December 2013)
 - \$232.2m total contract value
 - 40% renewable energy included
- ▶ City extended the contract on December 12, 2012
 - 29-month term (through May 31, 2016)
 - \$232.8m total contract value
 - 50% renewable energy purchased through a third party



Electricity Market Outlook

- ▶ Market prices are at historical lows due to current natural gas market
- ▶ Market prices will likely rise due to increased demand for natural gas because of:
 - Liquefied natural gas (LNG) exports to Asia
 - Preferred fuel for U.S. power industry
 - Environmental Protection Agency (EPA) and other regulatory pressure
- ▶ Current market conditions present a window of opportunity for the City to achieve additional savings for the coming years



Seizing the Opportunity

- ▶ Existing contract (expires May 31, 2016) cannot be cancelled, but the City can lock-in current market pricing using a “blend and extend” approach (similar to the December 2012 amendment/extension)
- ▶ “Blend and extend” approach could lower the contract price for FY15-16 and lower rates even more for the balance of the extended term
 - “Blend” – lowers contract price for remaining 8 months of existing contract
 - “Extend” – lowers contract price further for the newly extended term



Proposal for Consideration

Overview

- ▶ Current contract would be extended up to 84 months (June 1, 2016 up to May 31, 2023) with final terms set upon contract execution
- ▶ New contract would:
 - Reduce rates effective October 1, 2015 through May 31, 2016
 - Lower rates again beginning June 1, 2016 through the remainder of the extended term
 - Include a 10% add/delete clause and ancillary costs (additional details in Appendix)
 - Provide \$750,000 from TXU for energy efficiency projects in the first year of the new agreement and \$150,000 per year, thereafter, through the agreement term, with projects managed by TXU in coordination with EBS staff
 - Include 100% renewable energy



Renewable Energy

- ▶ Renewable energy percentage would increase from 50% to 100% beginning October 1, 2015
- ▶ Renewable energy would include Texas wind with the potential to add some solar, with non-exclusive naming rights, in an 84-month agreement
- ▶ 100% renewable energy would strengthen Dallas' **national** reputation as a sustainability leader among local governments according to EPA's *Green Power Partnership*



Top Local Government Consumers of Renewable Energy



Represents the largest green power users among local government partners within the Green Power Partnership – as of May 21, 2015

Local Government Entity	Annual Green Power Use (kWh)	Green Power % of Total Annual Electricity Use
1. City of Houston, TX	623,013,375	50%
2. Washington, DC	459,000,000	100%
3. City of Austin, TX	372,344,963	99%
4. City of Dallas	359,368,000	50%
5. Montgomery County (MD) Clean Energy Buyers Group	223,307,000	40%
6. DFW International Airport	129,255,000	30%
7. City of Portland, OR	88,513,000	60%
8. Port of Portland, OR	75,070,343	103%
9. Washington Suburban Sanitary Commission, MD	59,952,598	28%
10. Forest County, WI Potawatomi Community	55,035,000	105%



Proposal for Consideration

Financial Summary*

	Estimated FY15-16 Savings/Value	Estimated Total Contract Savings/Value
Estimated Contract Savings	\$3.0m to \$3.5m	\$21.9m to \$30m
General Fund Savings (included in total above)	\$1.0m to \$1.17m	\$7.4m to \$10.1m
100% Renewable Energy	Included	Included
Energy Efficiency Funds	\$0.75m	\$1.05m to \$1.65m
Procurement Cost	\$0.15m	\$0.15m to \$0.45m
Total	\$3.9m - \$4.4m	\$23.1m - \$32.1m

*Contract Savings estimates are based on existing contract rate and estimated volume
Renewable Energy is included at 100% in new contract vs. 50% in the existing*

** Ranges in values cover up to an 84-month agreement*



Approve June 17, 2015 Council addendum item requesting Council approval to execute an amendment and extension of the electricity services contract that:

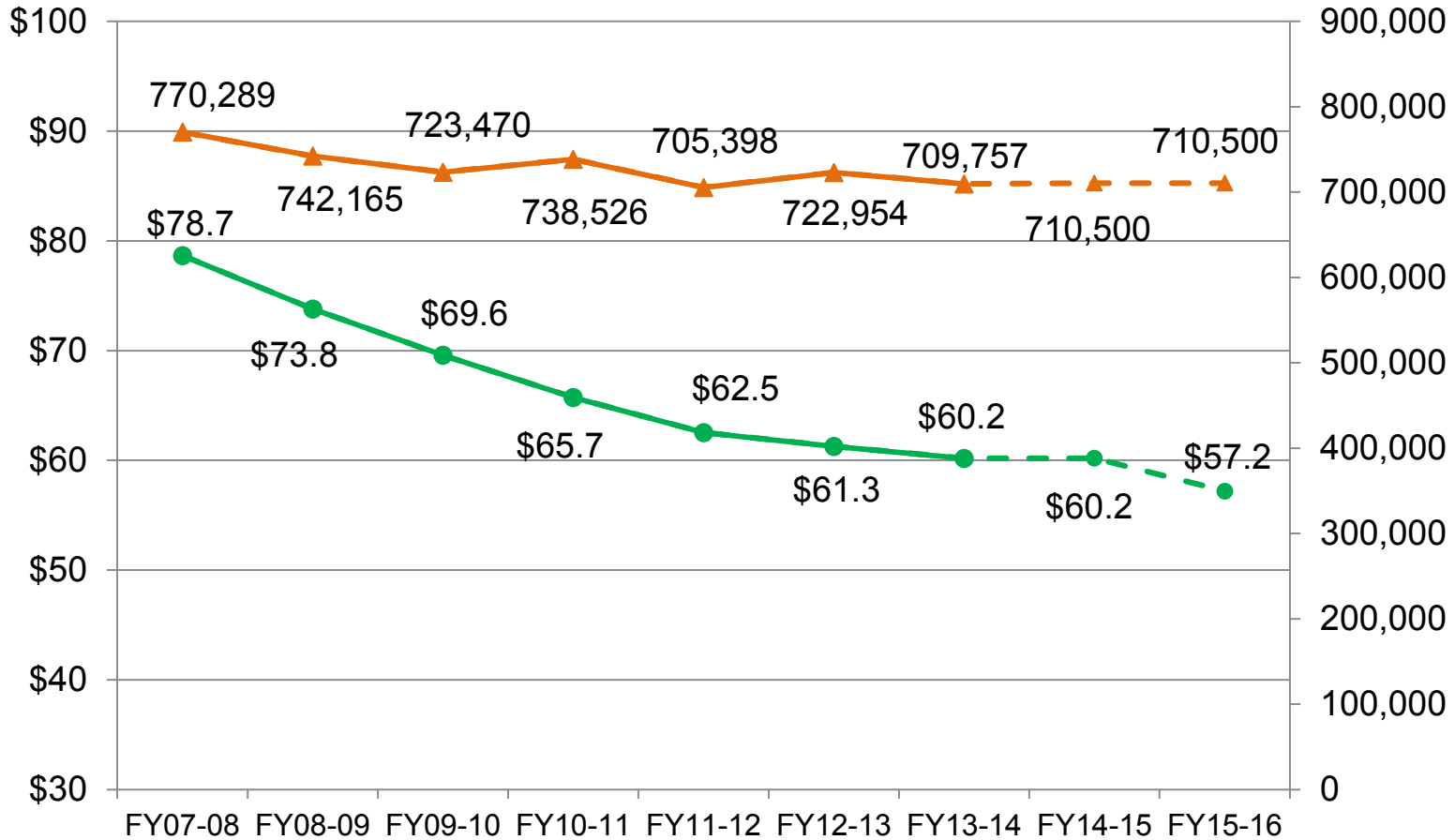
- Extends the current agreement for a time period up to 84 months (based on best and final pricing)
- Reduces the current rate at least 3% for the period of October 1, 2015 – May 31, 2016
- Lowers the rate again at least an additional 7% beginning June 1, 2016 through the remainder of the agreement
- Provides at least \$3.0m in FY15-16 savings (\$1m General Fund)
- Includes 100% renewable energy
- Provides an annual allowance for energy efficiency projects



Recommendation

Cost in Millions

MWh Used

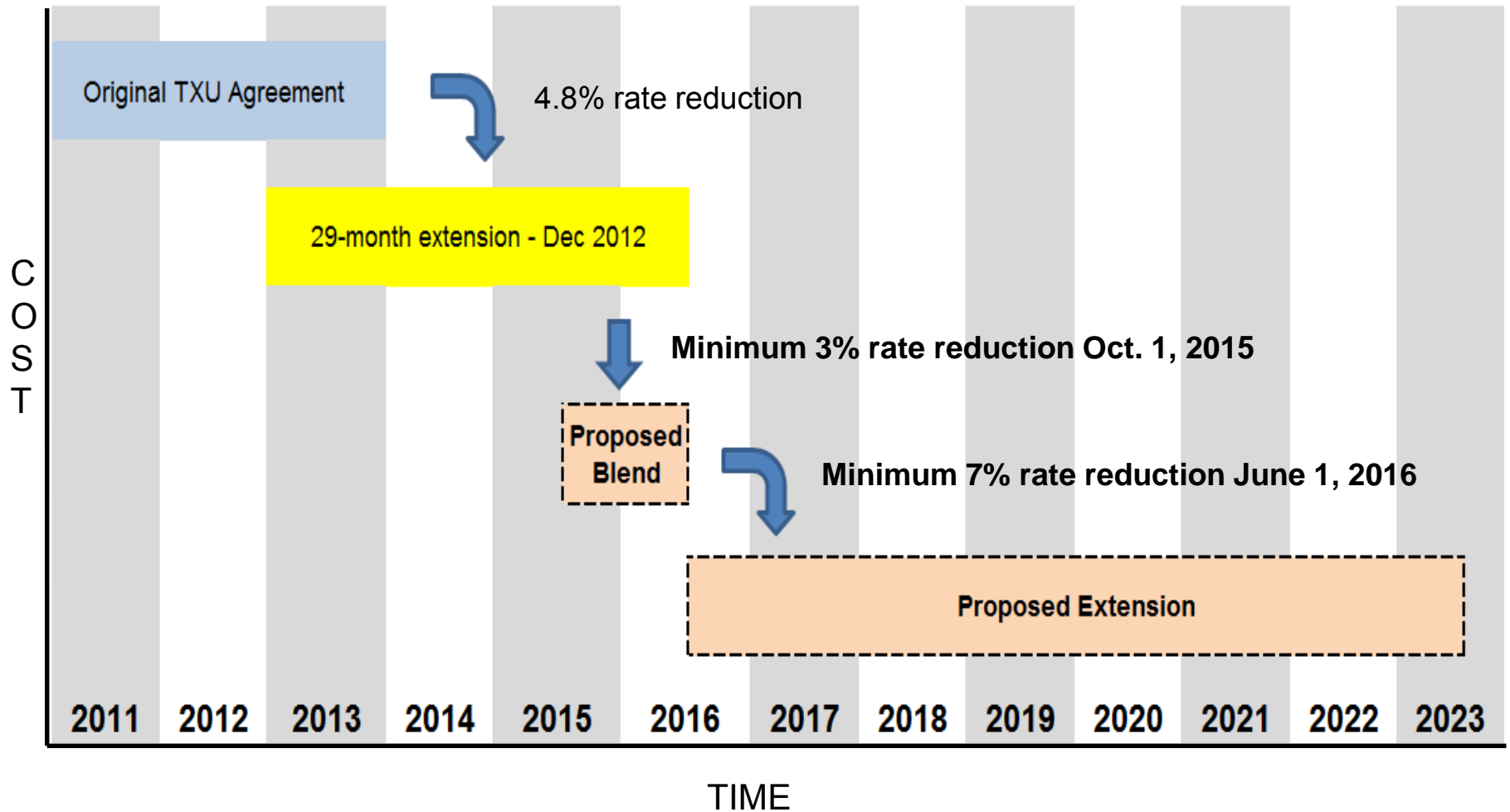


Fiscal Year

Historical
Projected



Recommendation



Length of extension and pricing will not be finalized until contract execution.

Council consideration of addendum item June 17th and assuming passage:

- City Staff and TXU determine date for contract execution (typically within 2-3 weeks after Council approval)
- TXU provides final pricing on contracting date
- City staff and the energy consultant review final pricing and, if agreeable, present contract to the City Attorney and City Manager for signature within 1 hour of receiving prices
- TXU executes trades for electricity
- City begins benefitting from lowered pricing on October 1, 2015
- ▶ City continues electricity program success with FY15-16 savings of at least \$3m



Appendix



Energy Consultant Recommendation

TXU Business Outlook

Historical Gas Curves

Electricity price details (what is included)

Energy Consultant Recommendation



CLIENT MEMO

DATE: June 11, 2015
TO: Errick Thompson, P.E., Department Director, EBS, City of Dallas
FROM: John J. Bick, Managing Principal, Priority Power Management, LLC
SUBJECT: Executive Summary Review of TXU Energy Proposals

Mr. Thompson,

Priority Power Management, LLC ("PPM") has performed technical analysis of the various proposals that TXU Energy has presented to the City of Dallas ("COD") over the past several weeks to "Blend and Extend" the current contract for retail electricity supply. The purpose of this memo is to provide COD with PPM's professional opinion of the various TXU Energy proposals with respect to their market competitiveness.

PPM has evaluated the various TXU proposals, the individual components of both the "Blend" and "Extend", and has done so over multiple days of refreshed prices for multiple term options.

It is PPM's opinion that many of the various TXU proposal pricing options are indicative of current forward market prices, and therefore are market competitive.

It will be important to continually monitor refreshed TXU pricing proposals up to, and on, the day that COD may elect to execute a contract to ensure TXU's pricing remains market competitive.

Should you have any questions about this memo, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read 'John J. Bick'.

John J. Bick
Managing Principal
Priority Power Management, LLC



“This restructuring is focused on our balance sheet, not our operations. We fully expect to continue normal business operations during the reorganization. TXU Energy will continue to provide best-in-class customer service and innovative energy solutions.” John Young, EFH president and chief executive officer, 4/29/2014

Public Utility Commission of Texas, 5/2/2014

“You should expect business as usual. EFH has requested the...court to allow TXU Energy... to continue all customer rewards programs and to continue serving all of their existing customer contracts ...”

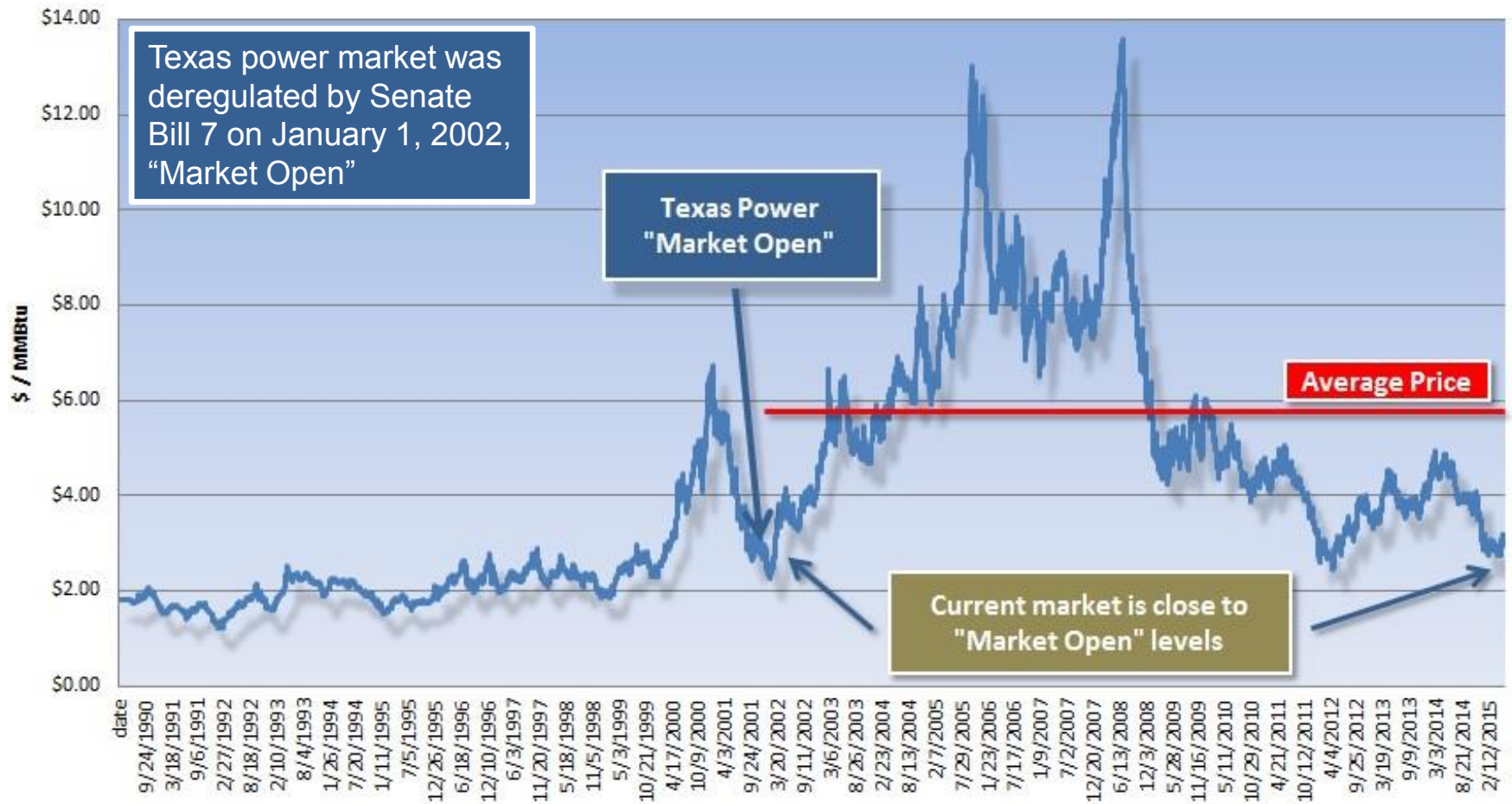
The US Bankruptcy Court (5/2/2014) granted TXU’s requests to:

- *Honor ALL retail customer agreements, while providing excellent customer service and competing in the marketplace.*
- *Access to over \$2.3 billion of Debtor-in-Possession financing to be used throughout the restructuring, ensuring operations in the normal course.*



Historical Electricity Pricing

NYMEX Natural Gas 12-Month Strip



Source: New York Mercantile Exchange (NYMEX)



TXU Price Details

TXU contract price includes the following deregulated elements:

- Wholesale Price of Energy
- Capacity/Demand Charges
- Fuel Costs
- TDU Line Losses
- Unaccounted for Energy
- Operating Reserve Demand Curve
- REP Billing and Customer Care Services
- Net Billing Payment Terms
- Qualified Scheduling Entity Fees
- Regulation Service (Reg Up, Reg Down)
- Responsive Reserve Service
- Non-Spinning Reserve Service
- Reliability Must Run (RMR) ERCOT Fees
- Day-Ahead Make-Whole Charge
- Base Point Deviation Credit
- Black Start Service
- ERCOT Admin/ISO Fee
- ERCOT Reliability Charge
- ERCOT Other Charges
- Renewable Energy Surcharge
- Out-of Merit ADR Settlement
- Mismatch Schedule Fee
- Real Time Revenue Neutrality
- Voltage Support Service
- Emergency Energy
- Emergency Response Service
- Real-Time Ancillary Service Imbalance Revenue Neutrality Allocation
- Hub to Load Zone Basis Differential (Intra-zonal Congestion)
- RUC Capacity-Short Charge
- RUC Decommitment Charge
- RUC Make-Whole Uplift Charge
- RUC Clawback Payment



TXU Price Details (continued)

Regulated delivery charges passed-through from Oncor

- Customer Charge
- Metering Charge
- Distribution System Charge
- Transmission System Charge
- Advanced Metering Cost Recovery Factor
- Competition Transition Charge
- Energy Efficiency Cost Recovery Factor
- Nuclear Decommissioning Fee
- Rate Case Expense Rider
- System Restoration Charge
- Adjusted Federal Income Tax Credit
- Transition Charge
- Transmission Cost Recovery Factor
- Discretionary Service Charge
- Rate Case Expense Remand Surcharge
- Surcharge Energy Efficiency

Taxes and Miscellaneous Fees

- Sales Tax (if applicable)
- Gross Receipts tax (if applicable)
- Public Utility Commission Assessment



Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Sanitation Services: Overview of Preliminary Fiscal Year 2015-16 Budget

On June 15, 2015, the Budget, Finance and Audit Committee will be briefed on Sanitation Services: Overview of Preliminary Fiscal Year 2015-16 Budget. The briefing will be presented by Kelly High, Director of Sanitation Services. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Joey Zapata".

Joey Zapata
Assistant City Manager

Attachment

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



Sanitation Services: Overview of Preliminary Fiscal Year 2015-16 Budget

Budget, Finance and Audit Committee

June 15, 2015



Mission Statement

To protect the public health and the quality of the environment through the efficient collection, recycling and disposal of municipal solid waste



Overview of Sanitation Services

- Sanitation Services provides:
 - Weekly Residential Refuse Collection (240,000 homes)
 - Weekly Residential Recycling Collection (184,000 homes)
 - Monthly Residential Brush/Bulk Collection
 - Cost Plus Service (Off Cycle Brush/Bulk Collection for Fee)
 - Dead Animal Collection
 - City Facilities Refuse and Recycling Collection (200 Locations)
 - Citywide Recycling Drop-off Site Collection (150 Locations)
 - Operation of the McCommas Bluff Landfill and three Transfer Stations: Bachman, Fair Oaks and Westmoreland

Sanitation Services Scope

- Sanitation crews completes 111 routes daily for residential refuse and recycling collection. This equates to:
 - 100,000 service opportunities per day or 21M opportunities annually
 - 7,500 miles driven a day or 1.5 million miles annually
 - Routing software is utilized to optimize route and driver efficiency
- Sanitation Services collects annually approximately:
 - 233,000 tons of residential refuse
 - 150,000 tons of brush/bulk (FY 14/15, estimate 175K tons)
 - 55,000 tons of recycling
- Sanitation Services owns/operates the McCommas Bluff Landfill
 - Landfills approximately 1.4 million tons annually
- Sanitation Services Operates three transfer stations (Bachman, Fair Oaks and Southwest)
 - Process and transport over 250,000 tons annually for disposal

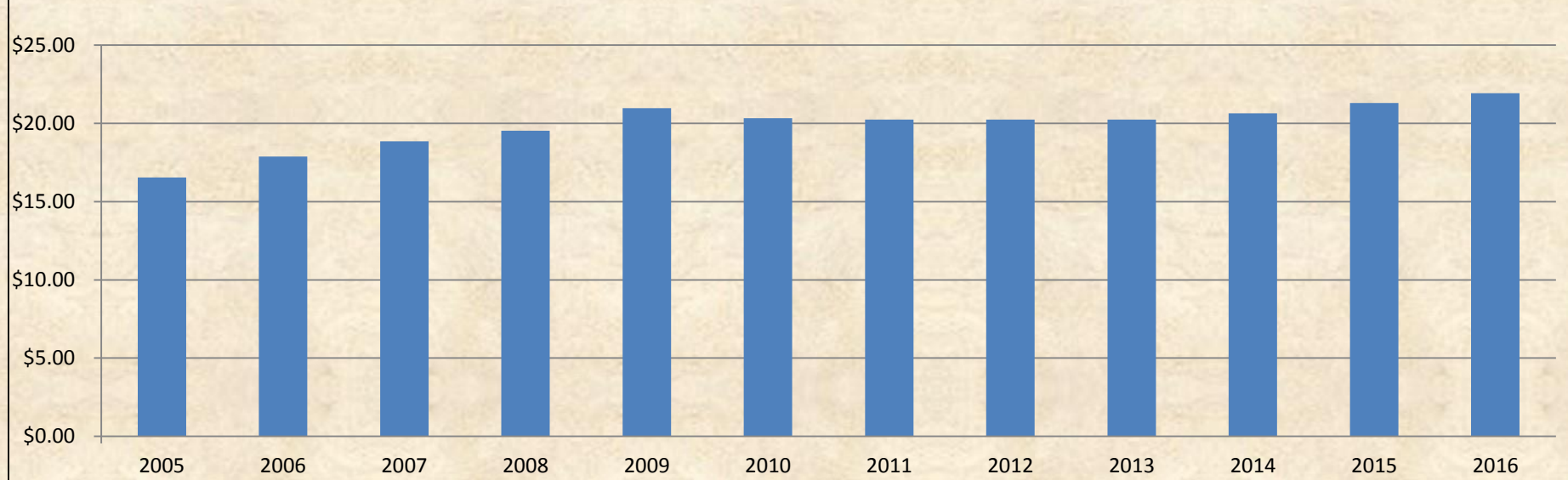
Preliminary Fiscal Year 15-16 Budget Overview

FY 16 Budget Overview - Residential

- Preliminary residential fee for FY 16 is projected to increase \$0.63 (from \$21.31 to \$21.94)
 - Many internal cost of service increases were offset by decreases in areas such as debt and contract services
 - Fee increase associated with FY 16 increases in merit, pension, health care cost and workers compensation and risk costs (\$1.6M)
 - Current rate does not include other potential increases such as:
 - Equipment maintenance cost or CIS support cost
 - A 4% franchise fee (\$2.6M)
 - Adds an additional \$1.04 to the fee

Sanitation Residential Fee History

**Sanitation Fee – FY 2005 through FY 2016
(Without Sales Tax)**



FY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fee	\$16.54	\$17.88	\$18.85	\$19.53	\$20.98	\$20.34	\$20.25	\$20.25	\$20.25	\$20.64	\$21.31	\$21.94
Change	-	\$1.34	\$0.97	\$0.68	\$1.45	(\$0.64)	(\$0.09)	\$0.00	\$0.00	\$0.39	\$0.67	\$0.63

- \$0.96 cent increase (4.6%) since 2009
- The 2009 residential fee, adjusted for inflation through 2014 (10.8%), would equate to a rate of \$23.25 today.

Other Cities FY 15 Residential Fees (96 gallon cart Service)

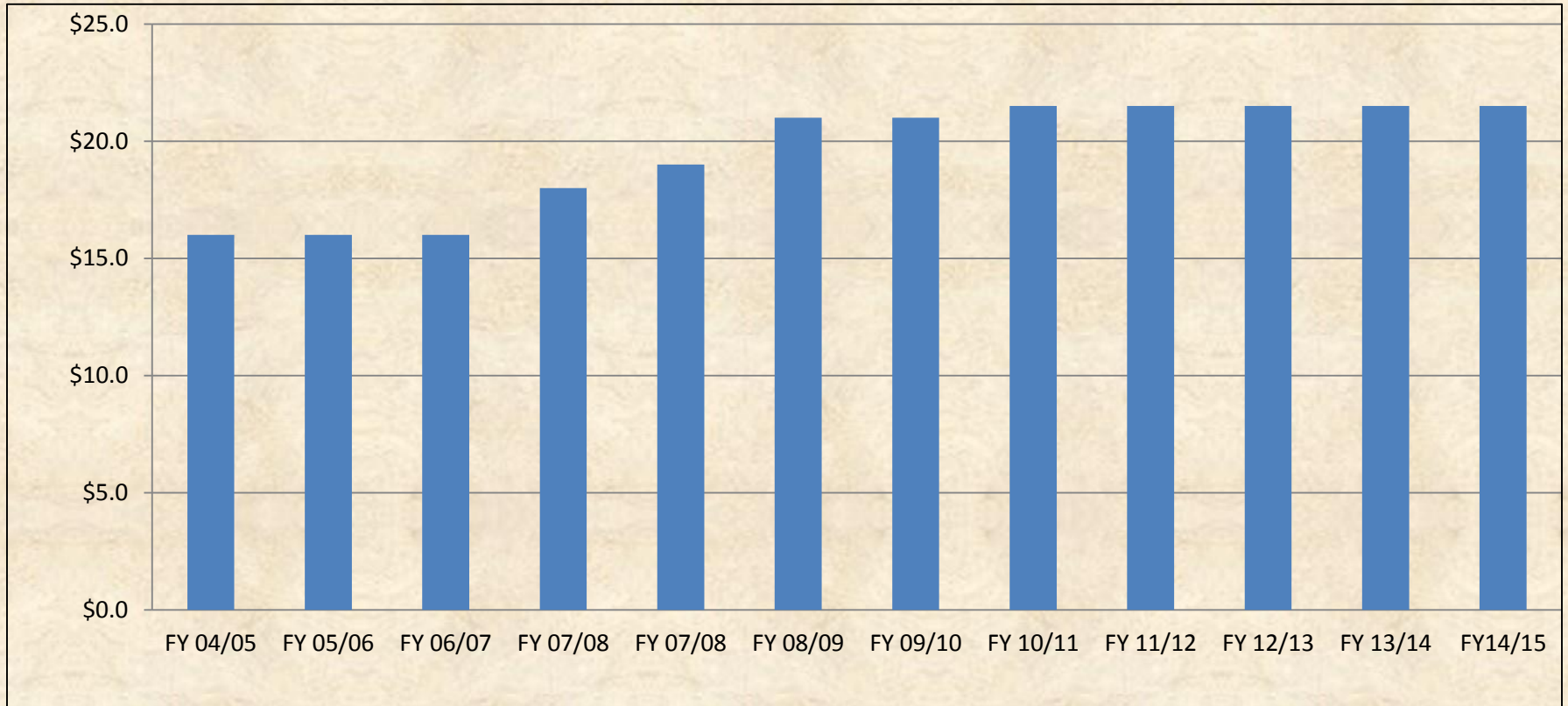


Note: Dallas currently collects more than twice the bulk/brush tons per household than other Texas cities like Austin, Ft. Worth and San Antonio that have limited annual collections and set out limits. Service levels vary by city, please see appendix for service level detail.

FY 16 Budget Overview - Landfill

- McCommas Bluff Landfill expenses increasing by \$480k primarily due to FY 16 merit, pension, health care and workers compensation cost
- McCommas Bluff Landfill revenue remains relatively flat
 - A gate rate increase is being reviewed, potentially up to 15% (could be phased in)
 - Current gate rate is \$21.50/ton and many regional landfills have published rates in excess of \$30/ton
 - Based on a comparison of regional rates McCommas has relatively low general gate rates
 - Many private landfill offer non-published discounted rates
 - A rate increase could affect non-contracted customer tonnage
 - Any increased revenue should be allocated to funding the Landfill Capital Construction Fund for future cell construction

McCommas Bluff Gate Rate History



FY	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Rate	\$16.0	\$16.0	\$16.0	\$18.0	\$19.0	\$21.0	\$21.0	\$21.5	\$21.5	\$21.5	\$21.5	\$21.5

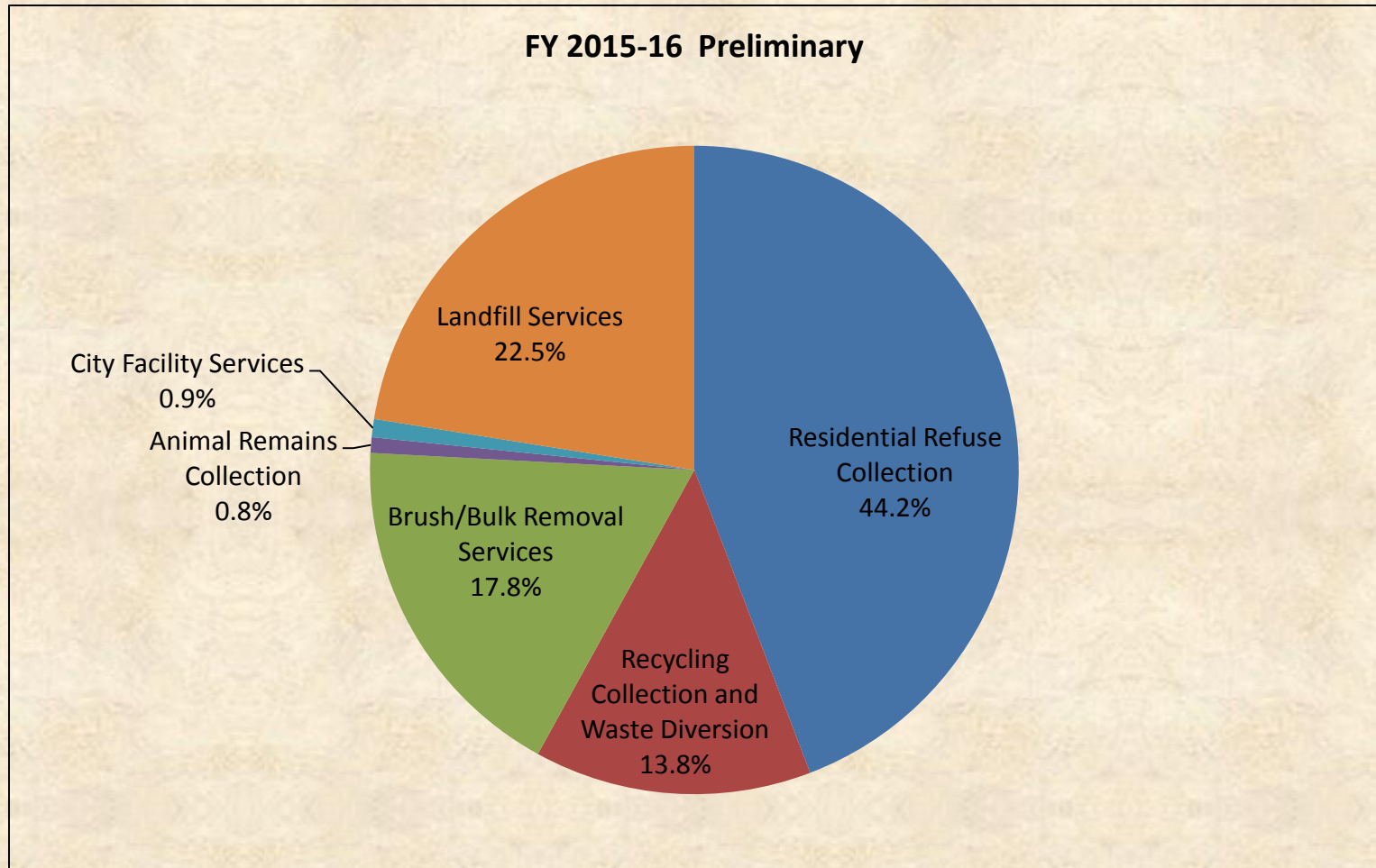
Note: FY 07/08 had two rate increases (one mid-year)

Preliminary FY 16 Budget Summary

Budget Summary by Service

Expense by Service	FY 2014-15		FY 2015-16		Variance
	FTEs	Budget	FTEs	Preliminary	
Residential Refuse Collection	412.9	33,351,069	412.9	34,187,197	836,128
Recycle Collection and Waste Diversion Services	141.6	11,097,002	141.6	10,740,675	(356,327)
Brush/Bulk Removal Services	136.4	13,088,742	136.4	13,793,132	704,390
Animal Remains Collection	9.5	548,798	9.5	604,303	55,505
Total SAN residential refuse collection	700.4	58,085,611	700.4	59,325,307	1,239,696
City Facility Services	2.0	711,266	2.0	760,470	49,204
Landfill Services	159.0	16,896,973	159.0	17,376,039	479,066
Department Expense Total	861.4	75,693,850	861.4	77,461,816	1,767,966

Budget Allocation by Service



SAN Residential Fee Reconciliation

FY15 - Current Residential Fee			21.31
	Allocation to Fee	Fee Impact	
Capital construction fund transfer	457,760	0.18	
Full year funding of FY14-15 merit	129,417	0.05	
Payroll rate adjustment	119,771	0.05	
Equipment maintenance wash contract	100,000	0.04	
Residential account adjustments and landfill disposal	67,739	0.03	
Dallas County Household Hazardous Waste contract	52,000	0.02	
Roll cart replacement and debt service	(336,687)	(0.14)	
SAP debt service reduced	(287,000)	(0.11)	
GPS expense reduction	(128,000)	(0.05)	
Diversion outreach contract reduction	(100,000)	(0.04)	
Marketing	(75,000)	(0.03)	
	0	0.0	
FY16 – Preliminary (as of 3/24/15) Residential Fee			21.31
<u>Adjustments</u>			
Proposed 3% merit effective October 1st	515,349	0.21	
Proposed pension rate increase	217,213	0.09	
Risk adjustments (workers comp, property and liability)	658,610	0.27	
Proposed health benefits increase	127,101	0.05	
Diversion outreach contract	35,708	0.01	
	1,553,981	0.63	
Adjusted Residential Fee (as of 6/11/2015)			21.94

FY 16 Budget Allocation by Expense

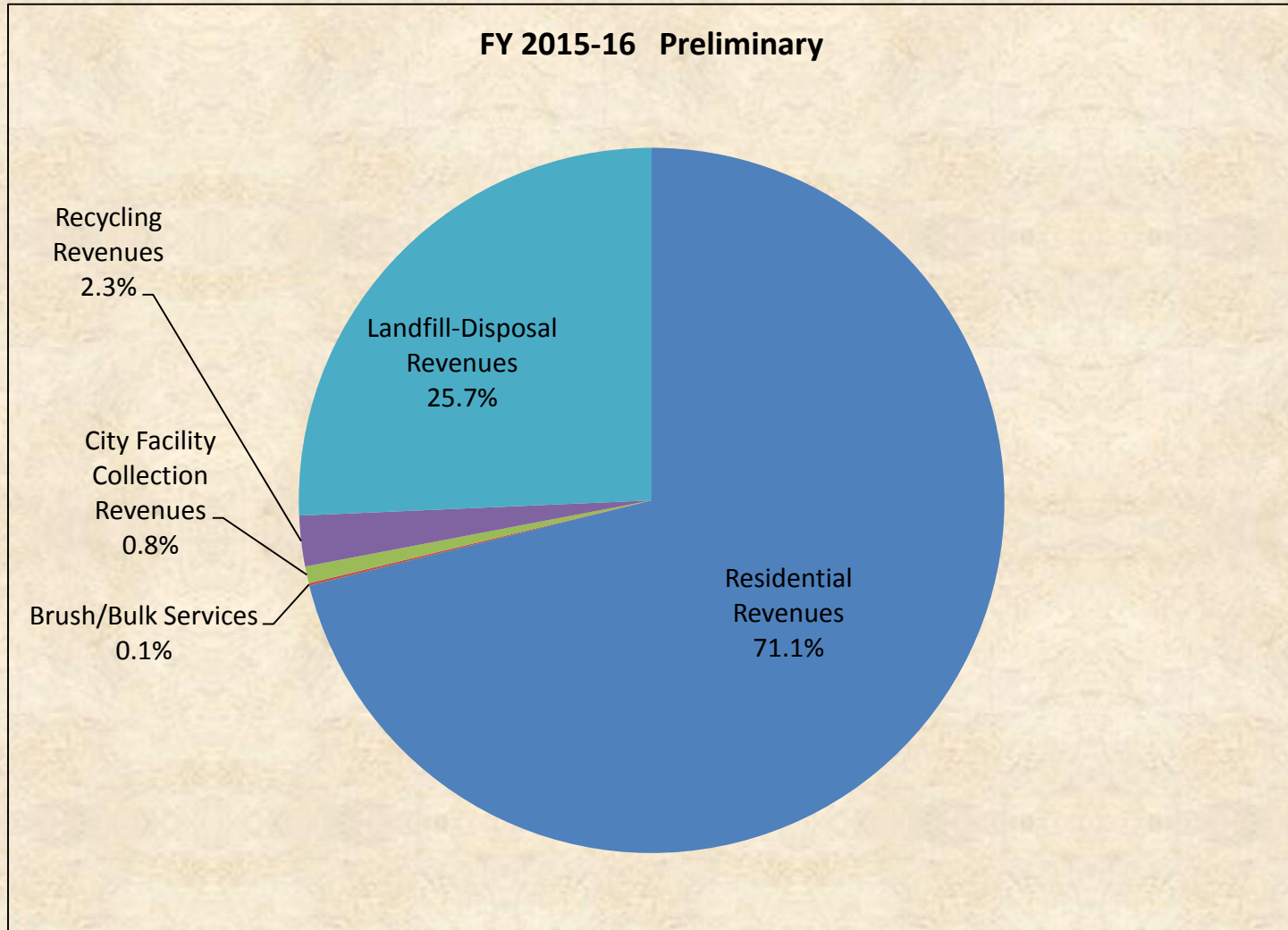
Salaries, benefits, pension bonds	34,068,795	44.0%
EBS Fleet maintenance	11,583,898	15.0%
Fuel	5,666,452	7.3%
Equipment and landfill debt service	5,509,458	7.1%
Day labor contract	5,339,492	6.9%
Professional services and contracts *	3,046,686	3.9%
Landfill heavy equipment maintenance	2,251,936	2.9%
Material, supplies and services *	2,103,182	2.7%
Intercity services (311, SAP billing, HR, Safety, GIS)	1,506,847	1.9%
TCEQ disposal fee	1,259,571	1.6%
CIS support services (application systems, p.c., radio, phone)	1,192,110	1.5%
Roll-cart debt, replacement and repair	1,466,330	1.9%
Dallas County household hazardous waste collection contract	891,486	1.2%
Capital Construction Fund transfer	736,260	1.0%
Premiums-property and liability	584,313	0.8%
Outreach, education, and advertising	255,000	0.3%
Total	77,461,816	100%

**See appendix for more detail*

Revenue Summary

	FY 2014-15	FY 2015-16	
<u>Revenue</u>	Budget	Preliminary	Variance
Residential Fee	62,914,730	64,463,023	1,548,293
Cost Plus Bulk/Brush Service	114,043	114,043	-
Recycling Processing	2,100,000	2,100,000	-
Total Sanitation residential refuse collection	65,128,773	66,677,066	1,548,293
City Facility Collection	614,846	760,470	145,624
Landfill Revenues*	23,172,418	23,300,173	127,755
Department Revenue Total	88,916,037	90,737,709	1,821,672
<i>Departmental Expense Total</i>	<i>75,693,850</i>	<i>77,461,816</i>	
Revenue to the General Fund (with no fee increase)	13,222,187	13,275,893	53,706
* Includes tipping fees, landfill gas revenues and franchise fees			

Revenue by Source



Other Budget Considerations

Sanitation Utility

- If Sanitation Services is established as a Utility a franchise fee could be assessed for the usage of City streets and alleys
 - A 4% franchise fee would generate approximately \$2.6M (an additional \$1.04 to the fee)
- Sanitation Services will continue to review business requirements and efficiencies to determine best operational funding needs and requirements

Long-Term Outlook

- Long-term recycle processing revenue likely to decrease significantly due to market conditions
- Long-term equipment replacement plan and schedule needs to be further analyzed
 - Currently \$17.5M in equipment meets replacement criteria and the proposed replacement budget for FY 16 is \$6M
 - Equipment type and amount (smaller and more trucks) may need to change based on number of collection points in the alley (~47%)
 - A large fleet purchase was made in 2009 associated with One DAY Dallas and this equipment will soon exceed useful life
- McCommas Bluff Landfill Capital Construction Fund needs to be funded on a consistent basis for future cell construction and landfill capital needs
- Programmatic changes need to be continually reviewed (e.g., bulk and brush collection and alley collection)

Summary of Proposed Budget

- Preliminary FY 16 Residential Fee is projected to increase by \$0.63 (from \$21.31 to \$21.94)
 - Fee increase driven primarily by FY 16 merit, pension, health care cost, and workers compensation increases
- Proposed FY 16 budget does not include unknowns such as
 - Equipment maintenance and CIS support cost
 - 4% Franchise fee cost (\$2.6M)
 - Fee impact - \$1.04
- Landfill gate rate currently unchanged
 - McCommas Gate Rate is low compared to other regional landfill and needs to be reviewed for a potential increase of up to 15% (could be phased in)

Appendix

- Additional Budget Detail
- Departmental Service Detail
 - Residential Collection Services
 - McCommas Bluff Landfill Operations
- McCommas Bluff Gate Rate Overview
- Other Long-term Outlooks
- Other Cities Service Levels and Fees

Expense Detail

<u>Contracts and Professional Services</u>	
Landfill environmental/regulatory compliance, cell engineering and construction management	627,790
Brushing grinding	150,000
City facilities recycling collection	295,000
City facilities refuse collection	321,865
Closed landfill compliance monitoring	224,000
GPS system maintenance	72,140
EEI DISD - UNT Educational Outreach	255,891
Emergency storm response services	300,000
Equipment maintenance cleaning	100,000
Landfill scalehouse equipment	10,000
Geotechnical services	5,000
Landfill - Security	65,000
Landfill and transfer station camera upgrades	150,000
Landfill lab services	20,000
Landfill leachate system/swale excavation	250,000
Litter campaign and outreach	100,000
Outside legal services	20,000
WasteWorks (scale house weigh/billing system)	80,000
Total	\$ 3,046,686

Expense Detail

Material, Supplies and Services	
Building/property maintenance and repair	168,943
Chemical and environmental cleaning supplies	57,091
Clothing - uniform rental	181,784
Concrete grinding	150,000
Credit card charge	79,542
Educational material and supplies	13,972
Equipment rental	146,404
Fuel and Lube	95,681
Hydration supplies (ice and powdered beverage)	104,846
Light and power, water, fuel supplies	202,433
Machinery supplies, tools, parts and implements	41,433
Materials (aggregate/rock, maintenance and crew supplies)	205,048
Mechanical supplies, materials, tools and crew supplies	312,801
Office supplies, copy machine lease and supplies	111,713
Printing and photographic	58,222
Professional development	56,441
Security	86,828
Tire recycling	20,000
Fire system maintenance	10,000
Total	\$ 2,103,182

Residential Collection Services

Residential Collections Services

Includes collection of residential refuse, recycling, and bulk/brush. Also includes special services and waste diversion.

- Five regional collection districts and three regional transfer stations



Residential Collections

Refuse and Recycling Collections:

- 240,000 residential accounts (184,000 of those accounts have a recycling roll-cart)
 - Once weekly refuse and recycling pick-up
 - Collection days (Monday, Tuesday, Thursday and Friday)
 - 110+ refuse and recycling routes run daily
 - 115+ collection vehicles utilized daily
 - 100,000 service opportunities per day and 21M opportunities annually
 - 7,500 miles driven daily and 1.5M miles driven annually
- Annual collection tonnages:
 - 230,000 tons— Refuse
 - 55,000 tons - Recycling



Residential Collections

Bulk and Brush Collections:

- 240,000 residential service opportunities monthly
- Four weekly collection areas (Week 1, 2, 3 & 4)
- 150,000 tons collected annually

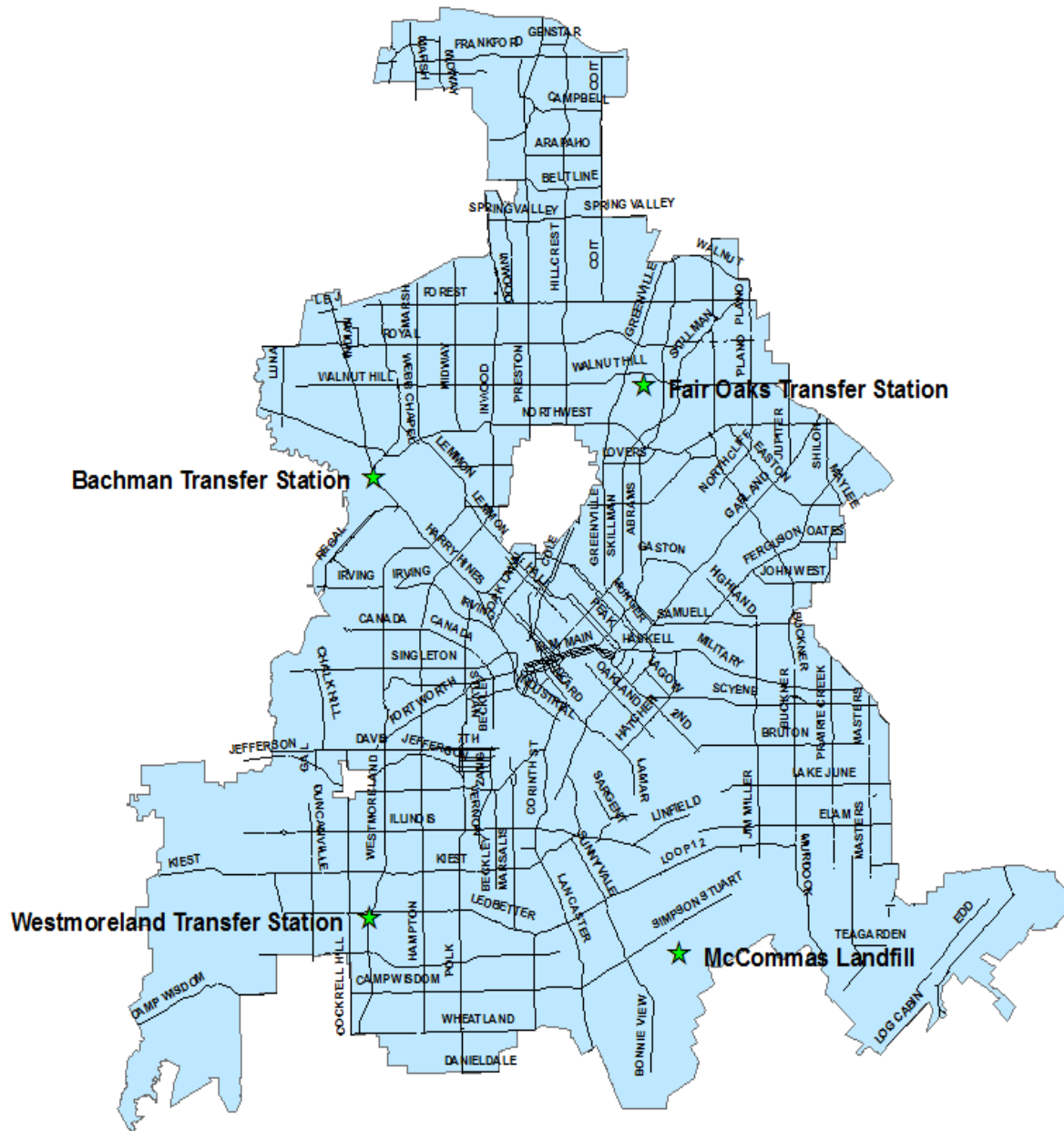


Residential Collections

Transfer Stations:

- Bachman (northwest), Fair Oaks (northeast) and Westmoreland (southwest)
 - Utilized by daily residential collections (refuse, recycle, and bulk/brush)
 - Residential self haul days (days and times listed on webpage)
 - Cash customer disposal (Bachman only)
 - Recycling drop off containers
 - Electronics drop off
 - Tire drop off (up to 6 tires)
- Monthly tonnage collected and transferred from each station (excluding recycling tonnage)
 - Bachman – 11,300 tons
 - Fair Oaks – 5,000 tons
 - Southwest – 4,700 tons

CITY of DALLAS SANITATION SERVICES DISPOSAL LOCATIONS



Residential Collections

Special Services

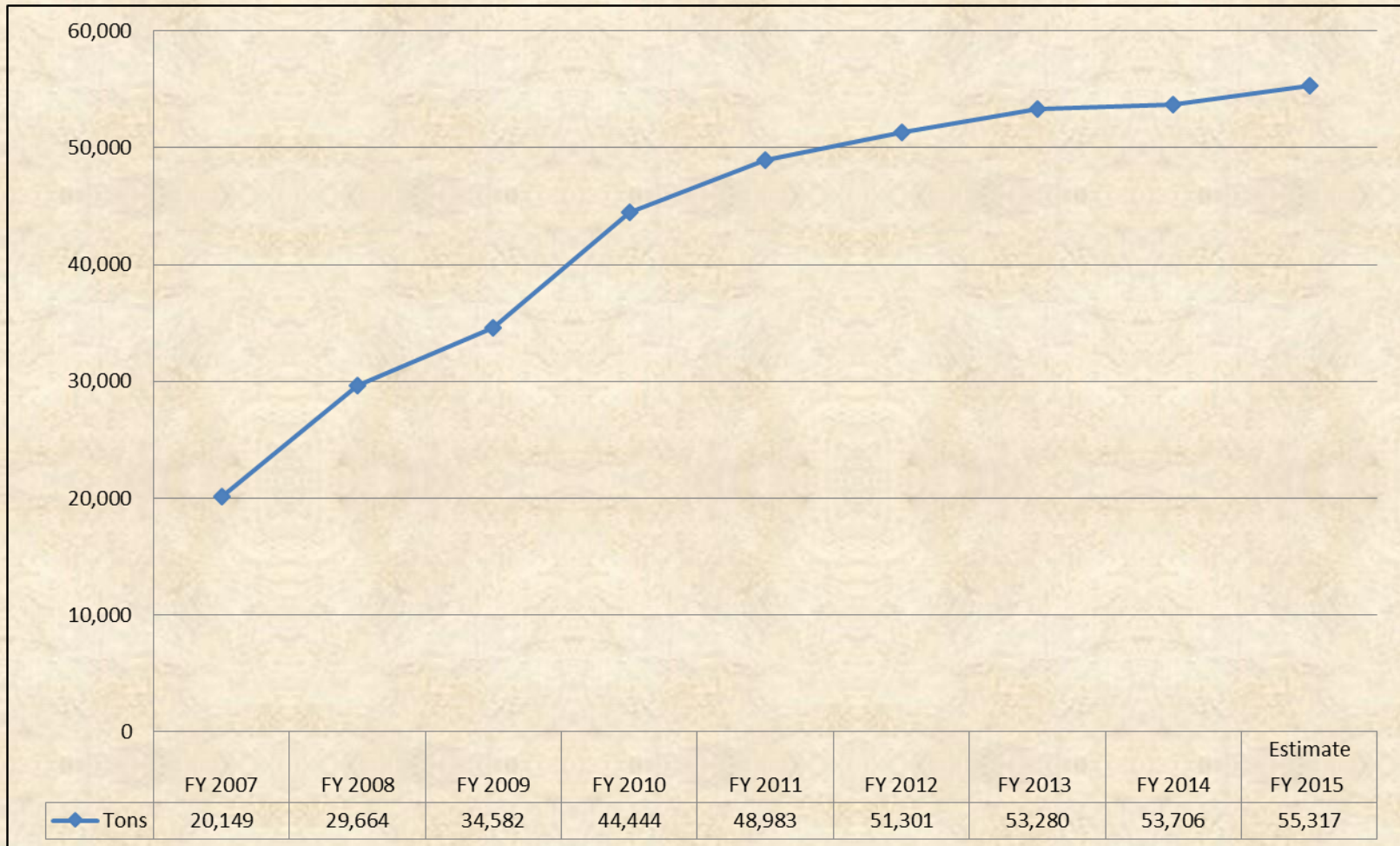
- Delivery of over 100 new or replacement roll-carts daily
- Daily roll-cart repair
- Weekly City facility collections
 - Approximately 200 City facility locations
- Daily property damage repair (minor)
- Dead animal collection (ROW, animal shelter, veterinary clinics)
 - 16,000 service request annually
 - 27,000 dead animals collected annually
 - 7 days a week service
- Provide monthly BOPA (Batteries, motor Oil, latex Paint, Antifreeze) events citywide

Residential Collections

Waste Diversion

- Manage City's recycle processing contract
 - Currently produces annual revenue of \$2M
- Manage 150 recycling drop off locations throughout the city
- Attend over 200 outreach events annually
- Manage UNT contract for in school education curriculum (w/DISD)
- Manage contract with Dallas County for Household Hazardous Waste collection and disposal
 - Including annual regional collections
- Hold bi-annual Recycling Round-up events

Historical Recycling Tonnages



McCommas Bluff Landfill Operations

McCommas Bluff Landfill



McCommas Bluff Landfill

Serves a Type I regional landfill accepting municipal solid waste from the City's residential collections, citizens self haul, cash customers and commercial solid waste haulers

- Gate rate of \$21.50
 - Discounted rates for contracted long-term/guaranteed tonnage customers
- Over 830 permitted acres with almost 100M cubic yards of available space (approximately 50 yrs.)
- Contract with Dallas Clean Energy McCommas Bluff for landfill gas recovery, processing and eventual sale
- Utilizes an enhanced leachate recirculation system for accelerated waste decomposition (faster settlement for recapturing useful airspace and quick landfill gas generation for processing and sale)

McCommas Bluff Landfill

McCommas Bluff Landfill

- Receive approximately 1.4M tons annually
 - Second largest in the state based on annual tonnage received
- Over 300,000 scale house transactions annually
 - ~1,000 daily transactions
- \$17.5M in annual tipping fee revenue
- \$2.4M in annual landfill gas revenue
- Operating 6 days – Monday thru Saturday

Recent Plan Completions

- February 2013 – Council adopted the City’s long range Local Solid Waste Management Plan
 - 50 year plan to move away from landfilling to more of a resource recovery and waste diversion operation
 - Plan calls for “zero waste” goals
 - 40% diversion by 2020
 - 60% diversion by 2030
 - 80% diversion by 2040 (“zero waste”)
- June 2014 – Resource Recovery Planning study completed
 - Evaluated waste diversion and waste conversion technologies
 - Plan recommends continued focus on single stream recycling and potential material recovery facility at McCommas Bluff landfill
 - Re-evaluate waste conversion technology every 5 years

McCommas Bluff Gate Rate

Gate Rate Change Overview

- Current rate is \$21.50 per ton
- Compared to area landfills, the McCommas Bluff Landfill has the lowest posted gate rate
 - Many posted gate rates at area landfill are over \$30/ton
 - Private area landfills can negotiate discounts of posted gate rates and these rates are not published
- The gate rate has remained the same since FY 2010-11 due to economic conditions and to minimize the risk of losing major non-contracted commercial customers
- A gate rate increase poses a risk of losing some cash and large commercial customers, but regional rates may warrant change

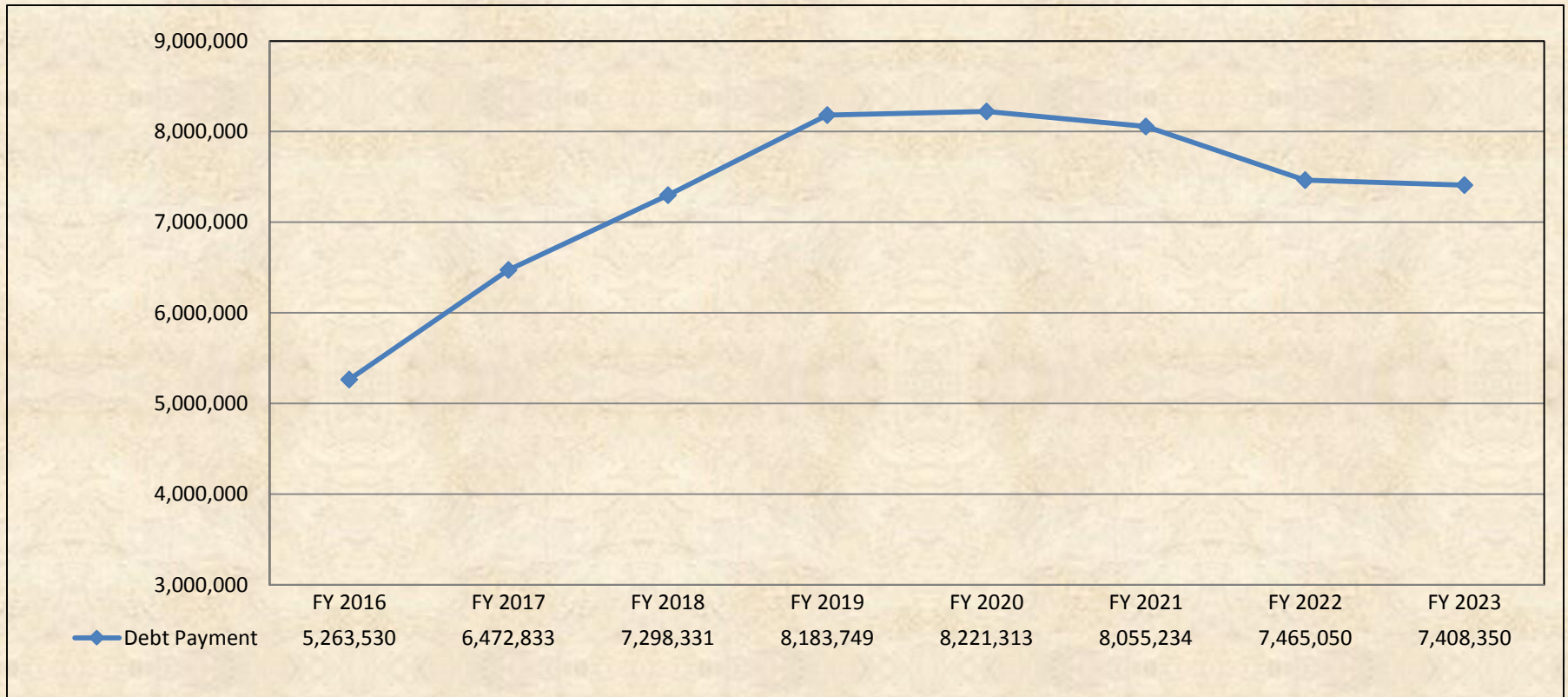
Gate Rates For Area Landfills

Site	Location	Operator	Gate Rate	Notes
McCommas Bluff	Dallas, TX	City of Dallas	\$21.50 per ton	
Skyline	Ferris, TX	Waste Management	\$85.99 min charge for first 5 yds. or less; \$9.50 for each additional yard	Avg \$\$/ton for 30yds = Compacted - \$32.67 Uncompacted - \$63.41
DFW Lewisville	Lewisville, TX	Waste Management	\$68 min/load, \$9.50/yd. for uncompact, \$12/yd for compacted	Avg \$\$/ton for 30yds = Compacted - \$36.36 Uncompacted - \$55.88
Camelot	Lewisville, TX	Republic Waste Services	\$30.36/ton	
Lewisville Landfill (C&D Only)	Lewisville, TX	Republic Waste Services	\$18.96/ton \$9.80/yd	
Arlington Landfill	Arlington, TX	Republic Waste Services	\$35/ton (inside City) \$52/ton (outside City)	
EDC	Ennis, TX	Republic Waste Services	\$30.28/ton	
Hunter Ferrell Municipal	Irving, TX	City of Irving	\$40/ton	
C.M. Hinton Regional	Garland, TX	City of Garland	\$35/ton (automated) \$52.50/ton(non-automated)	
Grand Prairie	Grand Prairie, TX	City of Grand Prairie	\$32.00/ton	
Denton Landfill	Denton, TX	City of Denton	\$44/ton (\$25 min)	\$10/ton - Concrete, asphalt, brick or \$35/ton for a dump truck load

Other Long Term Outlooks

SAN: Long-term Debt Outlook

(assuming level equipment purchase of \$6M annually)



Capital Construction Fund Outlook

(assumes annualized funding of \$2M beginning in FY 17)

	FY 14	FY 15	FY16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Transfer In	-	0.3	0.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cell Construction	-	-	5.3	-	3.2	-	5.4	-	-	-	4.9	-	6.4	-	-	7.5
Cash Ending Balance	6.1	6.4	1.8	3.8	2.6	4.6	1.2	3.2	5.2	7.2	4.3	6.3	1.9	3.9	5.9	0.4

Other Cities Service Levels and Fees

Rates and Services For Other Texas Cities

City	Monthly Rate	Ad'tl Cart Charge (monthly)	Cart Size	Refuse & Recycling	# of Collections (Brush/Bulky)	Household Chemicals
Dallas	\$21.31	\$10.56	48, 64, 96 gal.	1X wkly both ref. & rec.	1X per month Brush & Bulk – Limited Restrictions	Residents have access to County HHC Facility
San Antonio	\$20.93 Includes \$2.00 Environmental Fee	\$18.69	48, 96 gal.	1X wkly both ref. & rec.	2X per calendar year for Brush & Bulk – Has Restrictions	City has HHC Facility
Austin	\$22.60– 24 gal \$23.85– 32 gal \$29.00– 64 gal \$47.55 - 96 gal Includes \$7.40 Clean Community Fee	\$15.20-\$40.15 depending on cart size	24, 32, 64, 96 gal.	1X wkly ref. Bi-wkly rec.	2X per year for Brush & Bulk – Has Restrictions Weekly yard waste with restrictions	Residents have access to HHC Waste Facility
Ft. Worth	\$12.50 – 32 gal \$17.50 – 64 gal \$22.75 – 96 gal	Extra bags for refuse 5 for \$15	32, 64, 96 gal.	1X wkly ref. & rec.	1X per month Bulk and no brush – Has Restrictions Weekly yard waste with restrictions	City has HCC (open Tue, Wed, Sat)
Irving	\$19.55	No carts	No carts	2X wkly ref. 1X wkly rec.	1X wkly Brush & Bulk (same day as recycling) - Has Restrictions	Residents have access to County HHC Facility
Corpus Christi	\$22.46	\$10.00 + \$10 delivery chg.	96 gal	1Xwkly ref. and rec. includes yard waste	5X per year Heavy Brush; 2X per year Bulky Trash – Has Restrictions	Residents have access to City HHC (closed Sun)
Denton	\$32 – 96 gal \$26.75 – 65 gal \$26 - 48 gal	\$45 per month – 96 gal.	48, 65, 96 gal recycling – 95 gal	1X wkly both ref. & rec. includes yard waste	4 bulk items per month – yard waste packed up/w. ref. – Has Restrictions	On demand collection curbside
Garland	\$19.58	\$6.10	95 gal – refuse 95 gal – recycling	1X wkly ref. Bi-wkly rec.	1X wkly Brush & Bulk – Has Restrictions	County HHC Facility

Rates and Services For Other Cities (Nationwide)

City	Monthly Rate	Ad'tl Cart Charge (monthly)	Cart Size	Refuse & Recycling	# of Collections (Brush/Bulky)	Household Chemicals
Dallas	\$21.31	\$10.56	48, 64, 96 gal.	1X wkly both ref. & rec.	1X per month Brush & Bulk – Limited Restrictions	Residents have access to County HHC Facility
Phoenix, AZ	\$23.85 – 64 gal \$26.85 – 96 gal	\$13.40	64, 96 gal.	1X wkly both ref. & rec.	4X per year – Has Restrictions	No service or facility. City does conduct round up events
Miami Dade County, FL	\$439.00 a year/\$36.58 per month	One time \$79.50 fee for refuse cart. No charge for ad'tl. rec. cart	35, 96 gal Rec. – 96 gal	2X wkly refuse Bi-wkly rec.	2X per year. Residents can use 13 drop off locations	Two drop off locations for HHC. No curbside collection
Long Beach, CA	\$23.31– SFD \$20.31 – Apt.	\$10.02 – 64 gal. \$19.00 – 96 gal. No charges for ad'tl. rec. cart.	64, 100 gal.	1X wkly ref. & rec.	Free scheduled pick up twice a year	One drop off location in LBC; one drop off location in Los Angeles, CA.
San Jose, CA	29.08- 20 gal \$30.84– 32 gal \$61.68 – 64 gal \$92.54 – 96 gal	No additional carts, garbage sticker is \$6.25	20 gal (expires 1/15/15), 32 gal, 64 gal, 96 gal	1X wkly both ref. & rec. - includes yard waste	SFD – \$26.40 for 1-3 items, Apt. - \$58.36 for up to 3 items and \$19.45 for each additional item	Residents have access to County facility
Seattle, WA	\$20.60 – 12 gal \$25.25 – 20 gal \$32.90 – 32 gal \$65.75 – 64 gal \$98.65 – 96 gal	Extra garbage - \$10.20 per 60 lb bundle	12, 20, 32, 64, 96 gal	1X wkly ref. and yard waste Bi-wkly rec.	\$30.00 per item, \$28.00 per items containing CFC.	Residents can use three drop off facilities

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Dallas Water Utilities: Overview of Fiscal Year 2015-16 Budget

On June 15, 2015 the Budget, Finance and Audit Committee will be briefed on the Dallas Water Utilities Fiscal Year 2015-16 Budget and provided an update on the Fiscal Year 2014-15 Budget. The briefing will be presented by Jody Puckett, Director of Dallas Water Utilities. The briefing is attached for your review.

Please let me know if you need additional information.

for William Funch
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
Sana Syed, Public Information Officer
Jody Puckett, Director, Dallas Water Utilities
Elsa Cantu, Assistant to the City Manager

Dallas Water Utilities: Overview of Fiscal Year 2015-16 Budget

Budget Finance & Audit Committee
June 15, 2015



Purpose

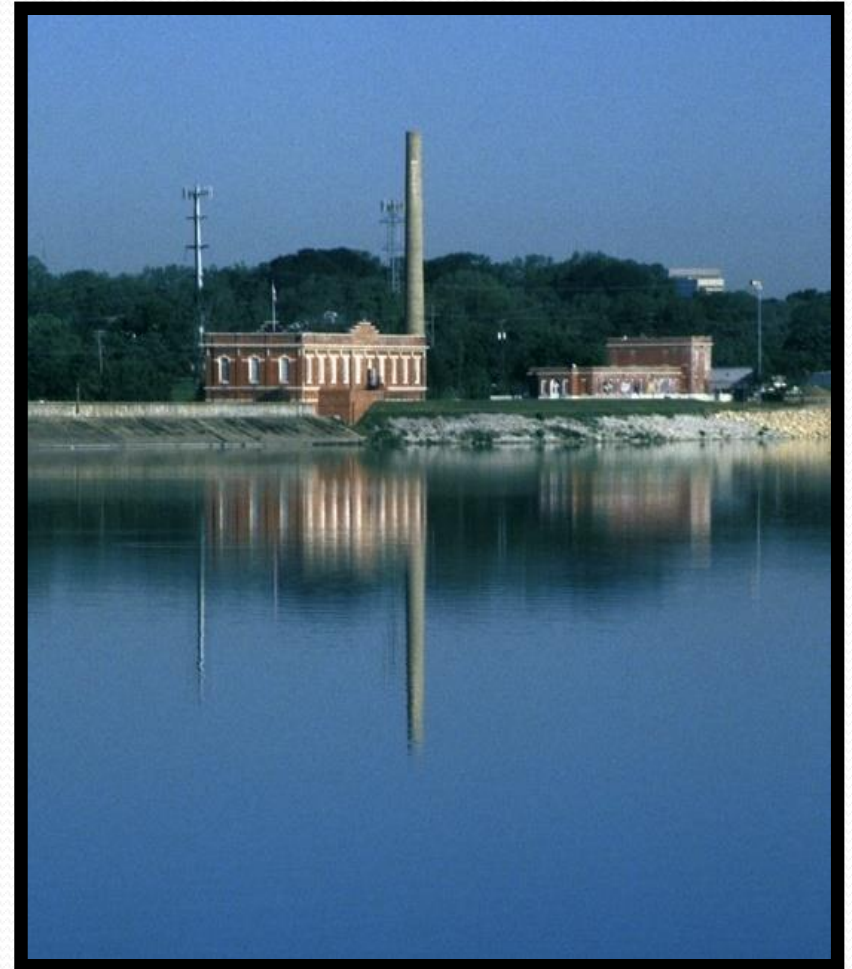
- This briefing provides an overview of Dallas Water Utilities' preliminary Fiscal Year 2015-16 Budget

Background

City of Dallas Water Utilities Fact Sheet

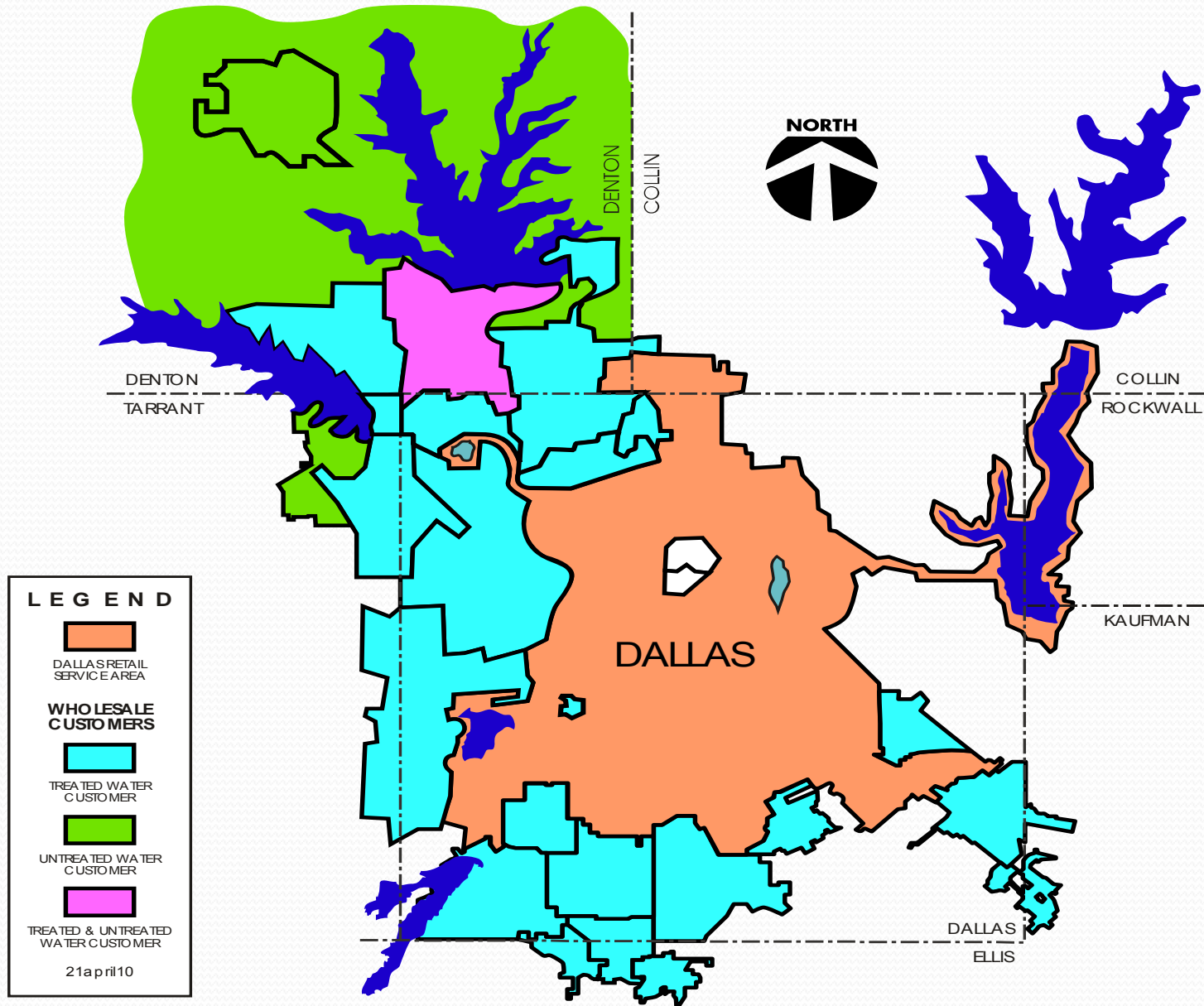
Dallas Water Utilities is a regional municipal utility owned by the City of Dallas

- Enterprise fund department
- Approximately 1,500 employees
- Population served (treated water)
 - 1.2 million - City of Dallas
 - 1.2 million wholesale customer cities
- 699 square mile service area
- 300,000+ retail customer accounts
- 4,922 miles of water mains
- 4,016 miles of wastewater mains
- 3 water treatment plants
- 2 wastewater treatment plants
- Wholesale customers
 - 23 treated water
 - 4 untreated water
 - 11 wastewater



White Rock Pump Station

Dallas Water Utilities Service Area



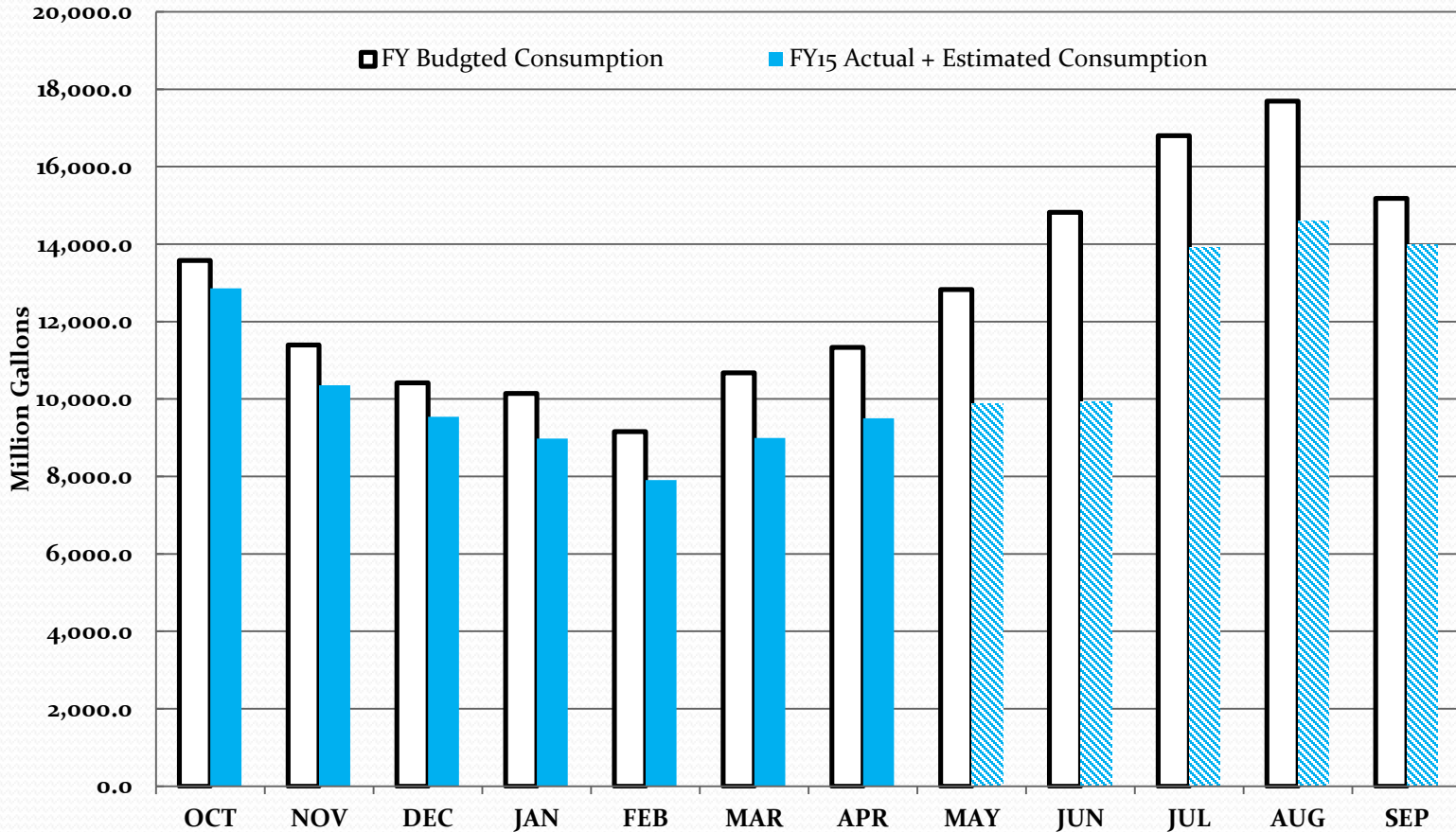
Update on FY15 Operating Budget

- Fiscal Year 2014-15 Operating Budget of \$614.5M
 - April FTA projects revenues to be 5.2% or \$31.9M under budget
 - With current long term weather forecast, revenues could be impacted by an additional \$47.1M
- Projected revenue shortfall of \$79M
- Current expense forecast is \$535.5M
 - Additional expense of \$16.1M associated with SRA escrow payment
- Balancing current year expenses to revenues by reducing:
 - Personnel expenses
 - Power costs
 - Street Rental
 - Debt Service savings from Series 2015 bond sale refunding
 - Cash transfers to construction from \$82.5M to \$18.9M
 - Defers capital projects and reduces capital program approximately \$25M

Revised Forecast of FY15 Budget

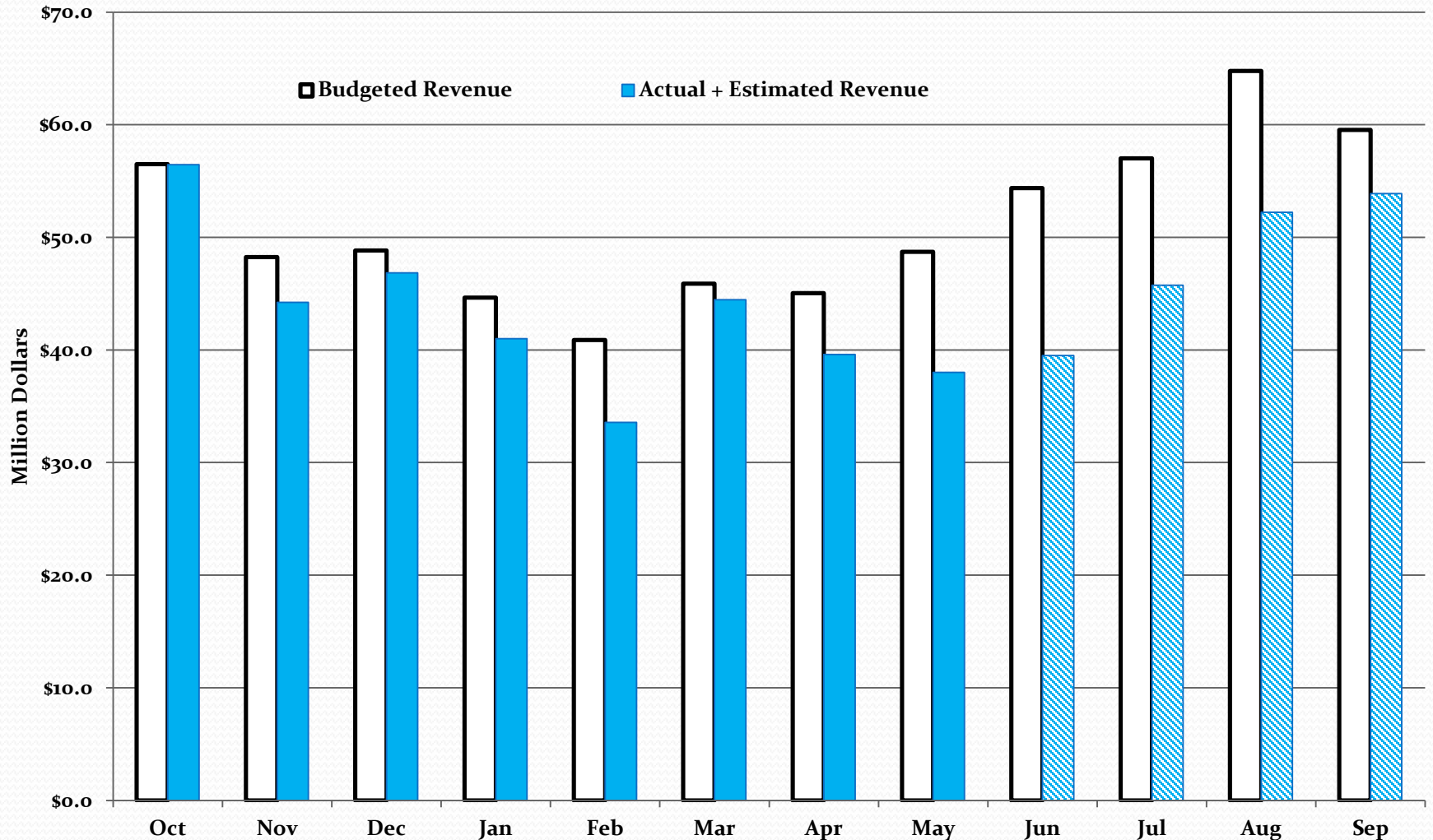
	FY15 Adopted Budget	FY15 Budget Estimate as of June 1
Salaries, Benefits & Pension Obligation Bonds	\$ 103,991,400	\$ 95,812,530
Power, Chemicals & Fuel	56,005,203	51,005,203
Other Supplies & Services*	66,658,016	81,551,248
General Fund: CIS, City Forces, GFICR	28,997,398	28,997,398
Street Rental	25,447,000	22,789,216
Payment in Lieu of Taxes	21,725,000	21,725,000
Professional & Contractual Svcs	5,908,862	5,908,862
Equipment	<u>4,801,056</u>	<u>4,801,056</u>
Operating and Maintenance Expenses	\$ 313,533,935	\$ 312,590,513
Debt Service	\$ 197,265,242	\$ 182,819,429
Transfers to Construction	82,500,000	18,850,508
Integrated Pipeline Project	<u>21,222,000</u>	<u>21,222,000</u>
Capital Funding Expenses	<u>\$ 300,987,242</u>	<u>\$ 222,891,937</u>
Preliminary Fiscal Year 2015-16 Operating Budget	\$ 614,521,177	\$ 535,482,450
* Includes SRA Escrow payment		

FY15 Consumption Comparison



As of May 31, consumption is 13.2% or 11.8 BG below budgeted forecast

FY15 Revenue Comparison



April FTA preliminary estimate through May projected revenues to be \$31.9M under budget

Dallas Water Utilities Budget Focus

FY 2015-16 Budget Focus



- Dallas Water Utilities is municipally owned retail and regional wholesale water/wastewater supplier
 - Costs are driven by infrastructure requirements for both growth and renewal
 - Dallas is responsible for meeting future water requirements for service area
 - Self-supporting
- Proposed budget continues the focus on maintaining the infrastructure and conserving resources through:
 - Water and wastewater systems maintenance/replacement
 - Annual replacement of aged water and wastewater mains
 - Pro-active detection of water system leaks
 - Water conservation efforts



Rehabilitation Focus Show Results

- Goals and Benefits
 - Efficient use of water supply
 - Recovers production capacity and costs
 - Reduced liability and damage to property
 - Improved environmental quality
- Unaccounted For Water was 7.37% for FY14 and 9.41% year to date for FY15 with an industry goal of 10%
- Sanitary sewer spills per 100 miles of main are 0.8% compared to the industry standard of 6.2%
- Water main breaks/leaks per 100 miles of main were 34 in Fy14 compared to 43 in FY11

Fiscal Year 2015-16 Operating Budget

Fiscal Year 2015-16 Preliminary Budget

- The March Preliminary Budget proposal has been updated to include:
 - Additional \$18.1M to fully fund SRA rate dispute escrow amount of \$24.1M in FY16
- Preliminary FY 2015-16 Budget includes:
 - Operating Budget of \$651.0M
 - An increase of \$36.5M from FY15
 - Capital Budget of \$219.3M
 - Revenue bond sale of \$125M
- Total retail revenues projected to increase by 6.7%
 - Wholesale cost of service studies currently being finalized
- Continue commitment to provide high quality and sufficient water and wastewater service to meet customer needs
- Forecasted Max Year coverage based on FY15 revenues limits Capital Program to \$219.3M (Previously planned program of \$319.9M)

FY 2015-16 Budget Provides the Following Services

- 151.5 BG of water treated and delivered
- 60.0 BG of wastewater treated
- Capital Improvement Program of \$219.3M
- Continuation of plant expansion at Eastside Water Treatment Plant and replacement of aged water and wastewater mains
- Meets all State and Federal water and wastewater quality requirements
- Meets all Financial Management Performance Criteria
 - Based on year end forecast for FY15's revenues and expenses
 - Maximum Year coverage for FY16 is 1.78
 - Maximum Year coverage against Prior Year Revenues is 1.30

Major Expense Increases for Preliminary FY16 Operating Budget

- Preliminary FY16 Operating Budget of \$651.0M
 - Increase of \$36.5M from FY 2015 Operating Budget of \$614.5M
- Major Expense Items
 - FY 2015 Operating Budget \$614.5M
 - Sabine River Authority Rate Dispute Escrow Fund \$ 18.1M
 - Debt Service and Capital Funding (\$ 3.1M)
 - Cash Construction Funding \$ 8.5M
 - Integrated Pipeline funding \$ 3.7M
 - Salaries & Benefits for FY16 full year funding and Merits \$ 2.6M
 - Street Rental Increase due to increased retail revenues \$ 1.3M
 - Other O&M \$ 5.4M
- Proposed Fiscal Year 2015-16 Operating Budget **\$651.0M**

Revenue Requirement

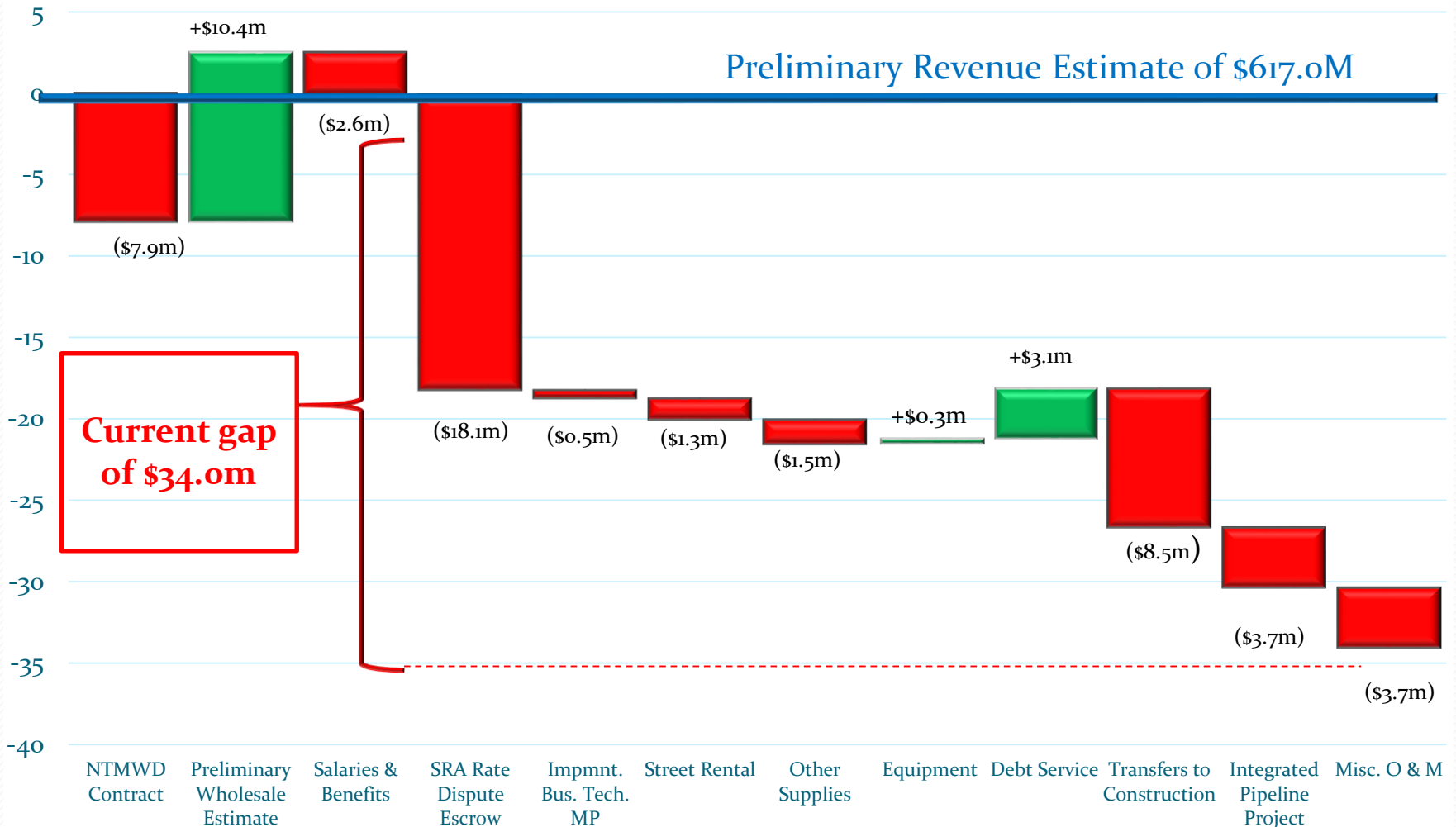
FY16 Preliminary Retail Revenue Requirement

(in millions)

Retail Revenues at Current Rates	\$508.7
Wholesale Sales	\$89.0
NTMWD Interim Contract (thru May 2016)	\$2.0
Miscellaneous Revenues	<u>\$6.9</u>
Total FY16 Preliminary Operating Revenues	\$606.6
Preliminary Wholesale Estimate	<u>\$10.4</u>
FY16 Preliminary Revenues	\$617.0
Preliminary FY16 Expenses	<u>(\$651.0)</u>
FY16 Preliminary Additional Revenue Requirement	\$34.0
Retail Rate Increase	6.7%
Retail Rate Increase if Street Rental fee raised to 6% of retail revenues	7.7%

FY 2015-16 Outlook

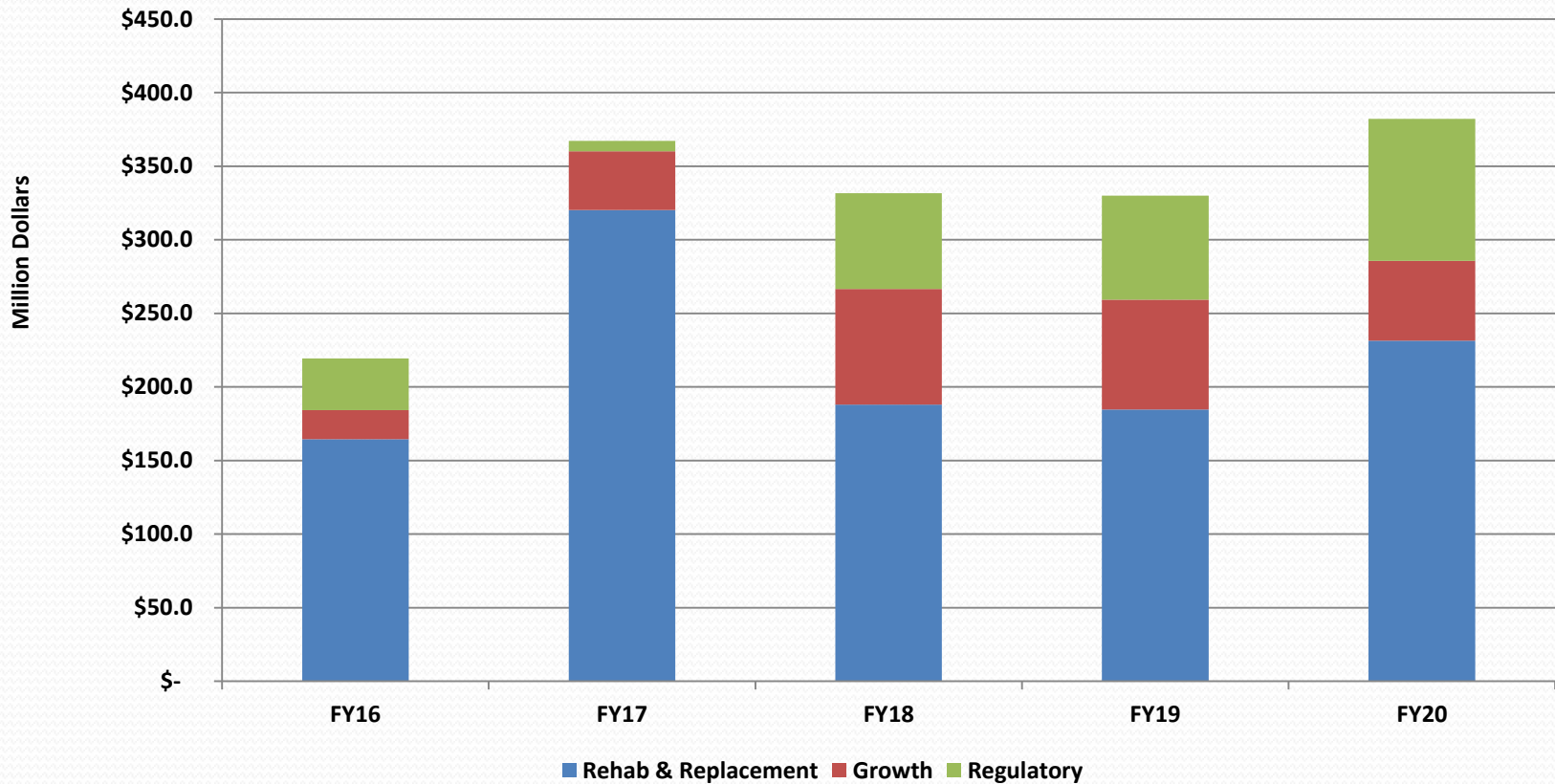
Preliminary Revenue Estimate of \$617.0M



Note: Forecasts are preliminary and are subject to change during rate development and budget process

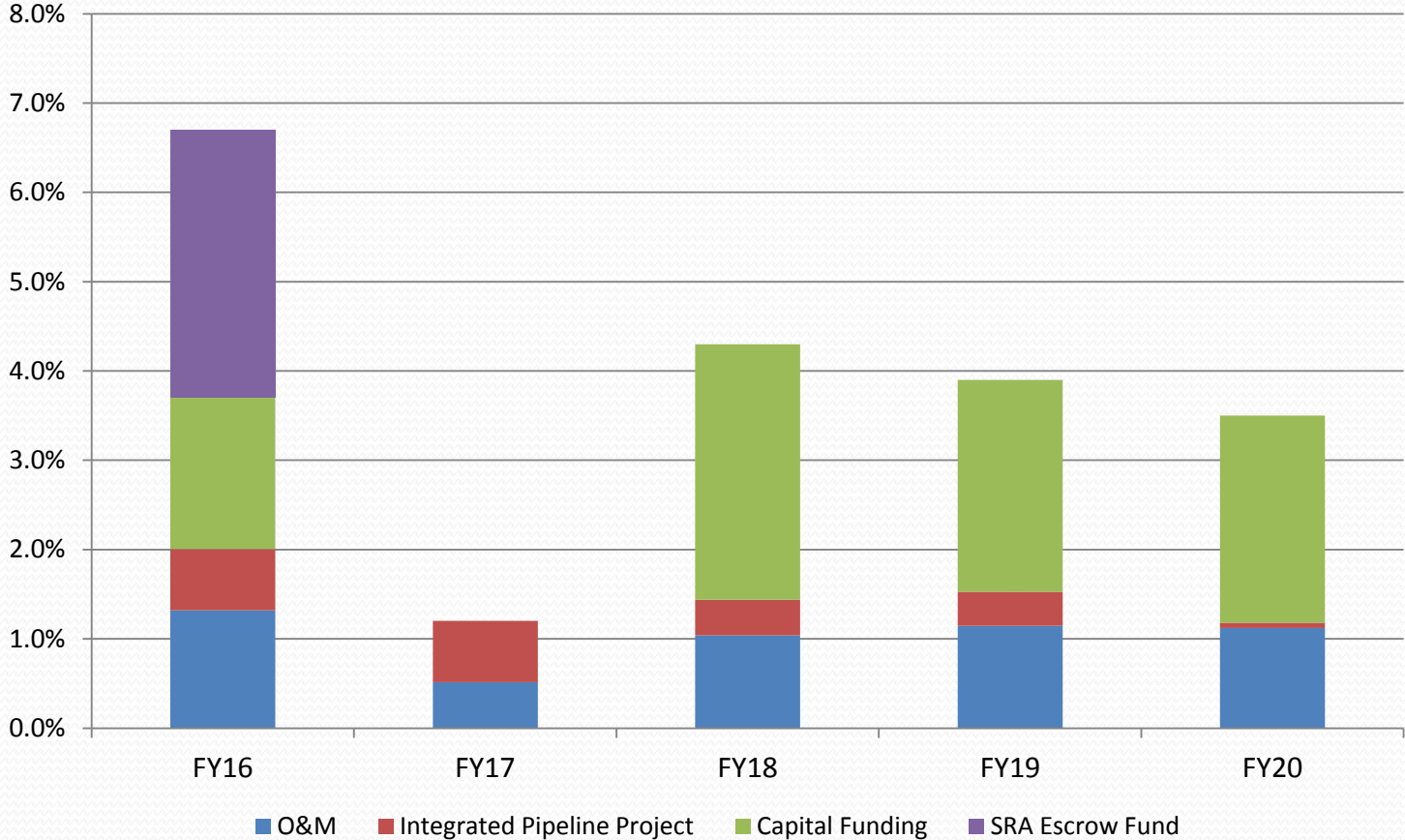
Future Outlook

Future Outlook: Capital Improvement Program



Note: Does not include cost of additional future water supply acquisitions

Future Outlook: Retail Revenue Increases



Note: Dallas Estimated Share of IPL project is \$832M; with estimated capital savings of \$196M and includes every other year revenue bond sales

Summary

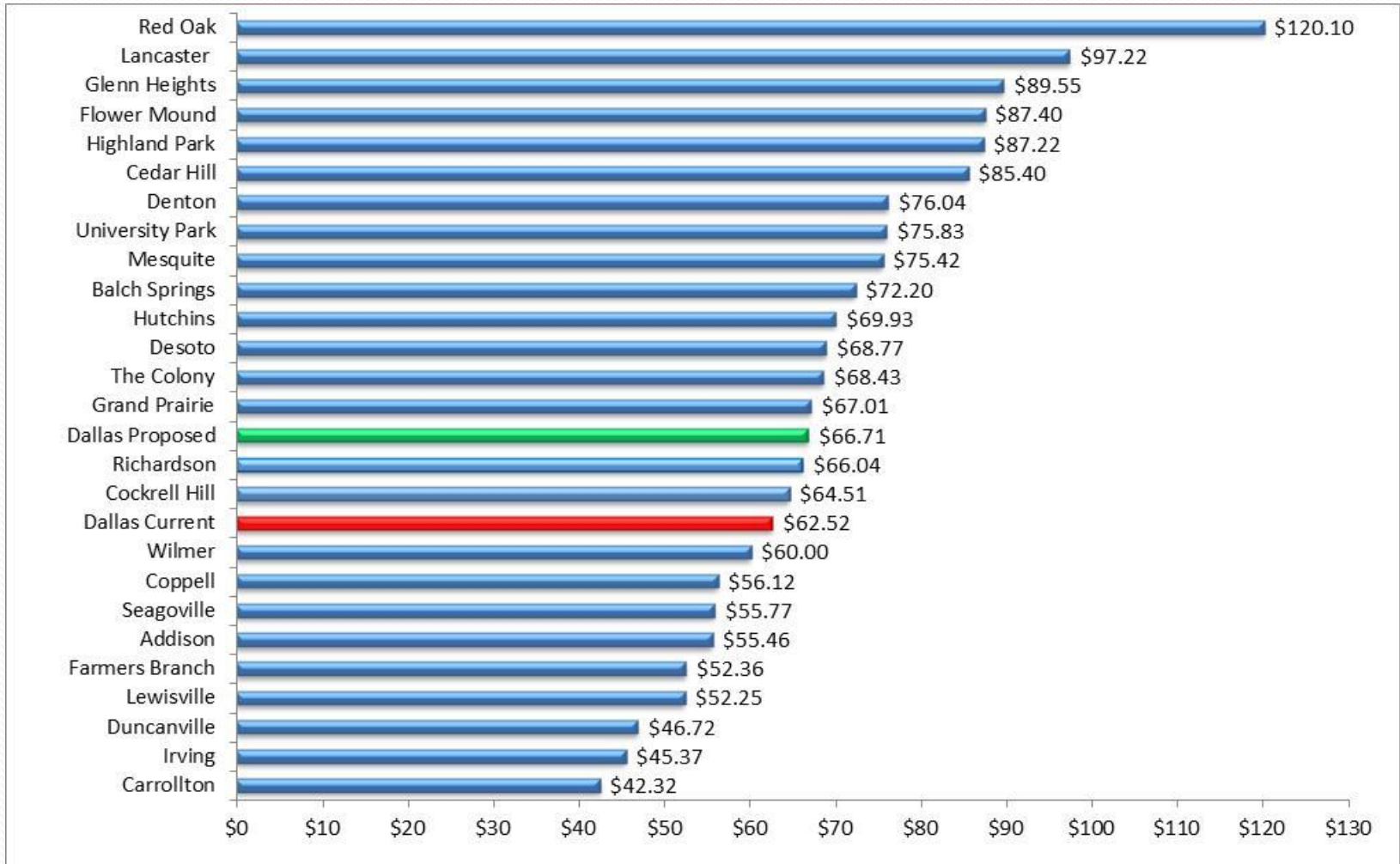
- Dallas Water Utilities is a large, municipally owned regional water/wastewater utility provider
 - Self-supporting
 - Costs are driven by infrastructure requirements for both growth and renewal
 - Responsibility for planning to meet water requirements for Dallas and service area
- Preliminary Operating Budget of \$651.0M
 - Overall retail revenue increase of 6.7%
 - Typical bill increases \$4.19 per month from \$62.52 to \$66.71
- Recommend Capital Budget of \$219.3M

APPENDIX

Impact of Proposed 6.7% Increase

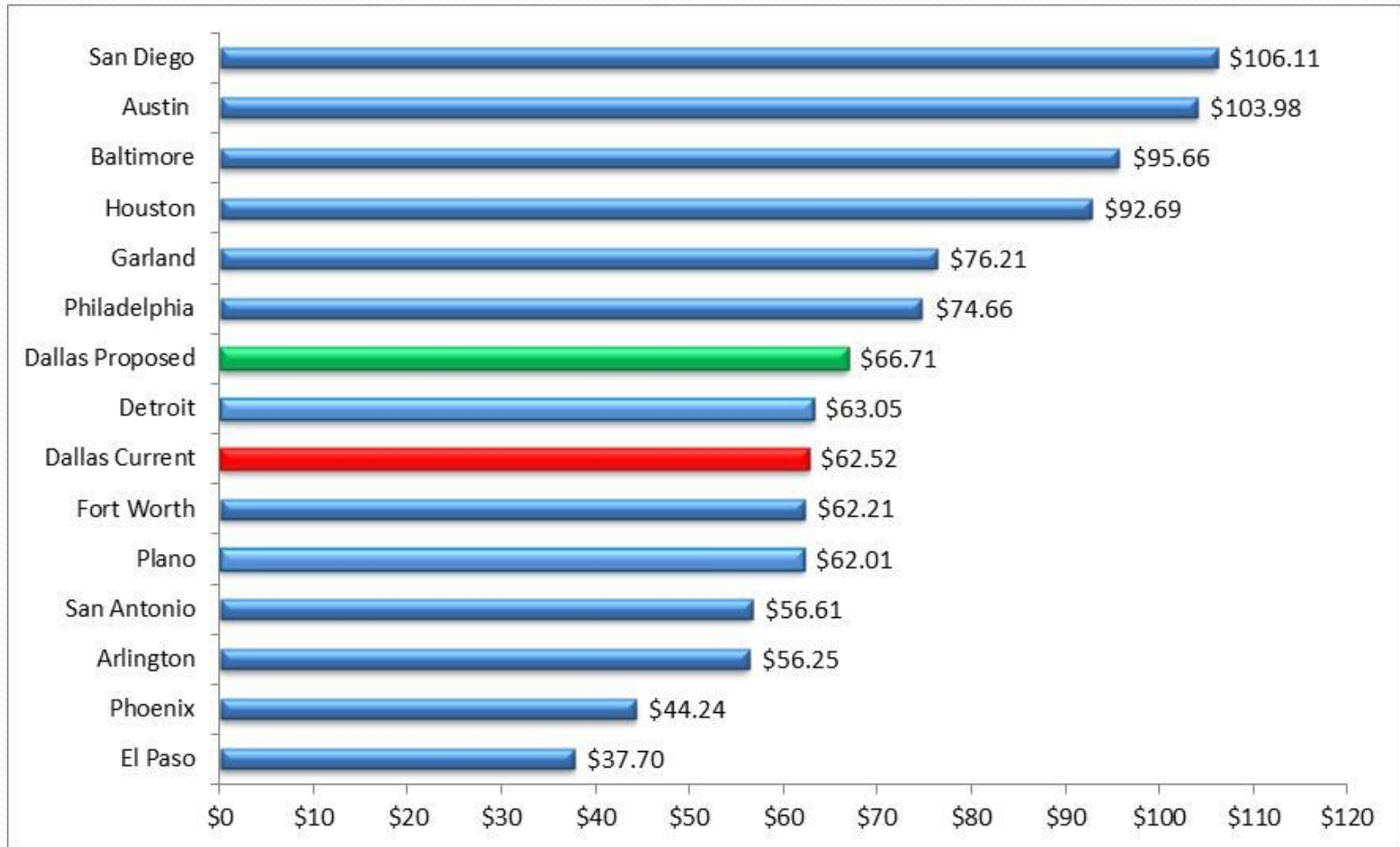
- Typical monthly residential water and wastewater bill would increase from \$62.52 to \$66.71 or \$4.19 per month
 - Based on water use of 8,300 gallons and 5,900 gallons Winter Months Average for sewer
- US EPA affordability guideline for wastewater bills is 2% of median income
 - Dallas' wastewater bills would be 0.9% of median income based on American Community Survey Data Profile

Customer Cities Comparison of Average Monthly Water & Sewer Residential Bills



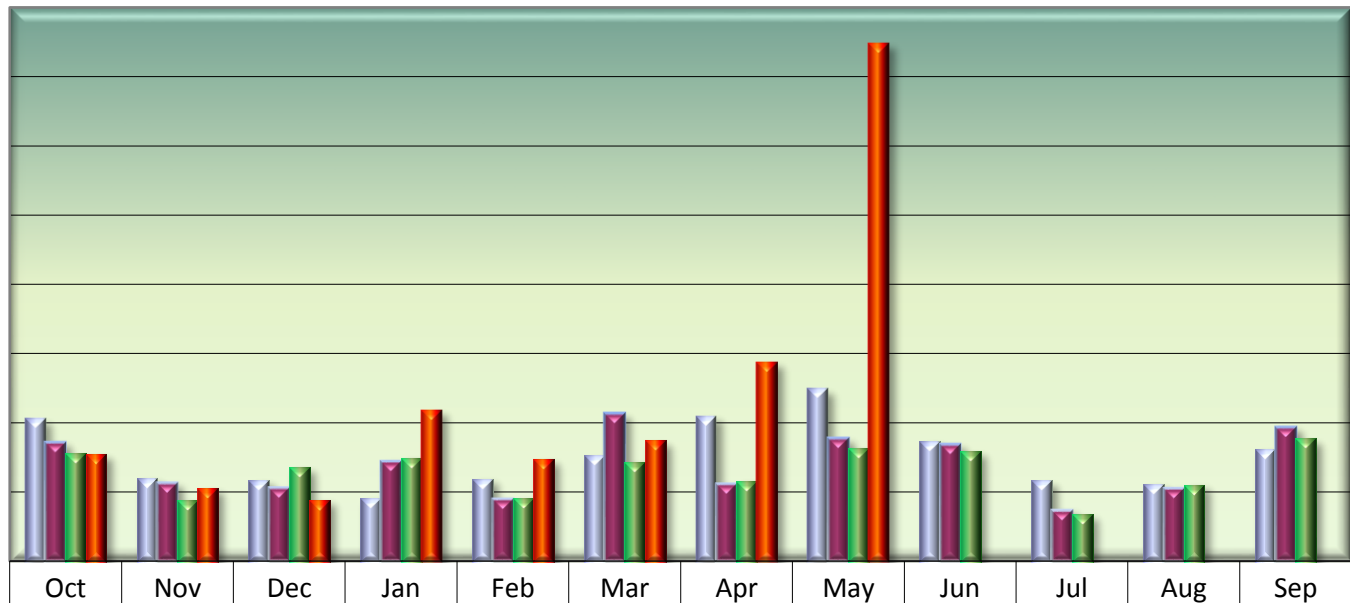
Note: Bill comparison based on rates effective March 2015; water consumption of 8,300 gallons; and 5,900 gallon Winter Months Average for sewer

Index Cities Comparison of Average Monthly Water & Sewer Residential Bills



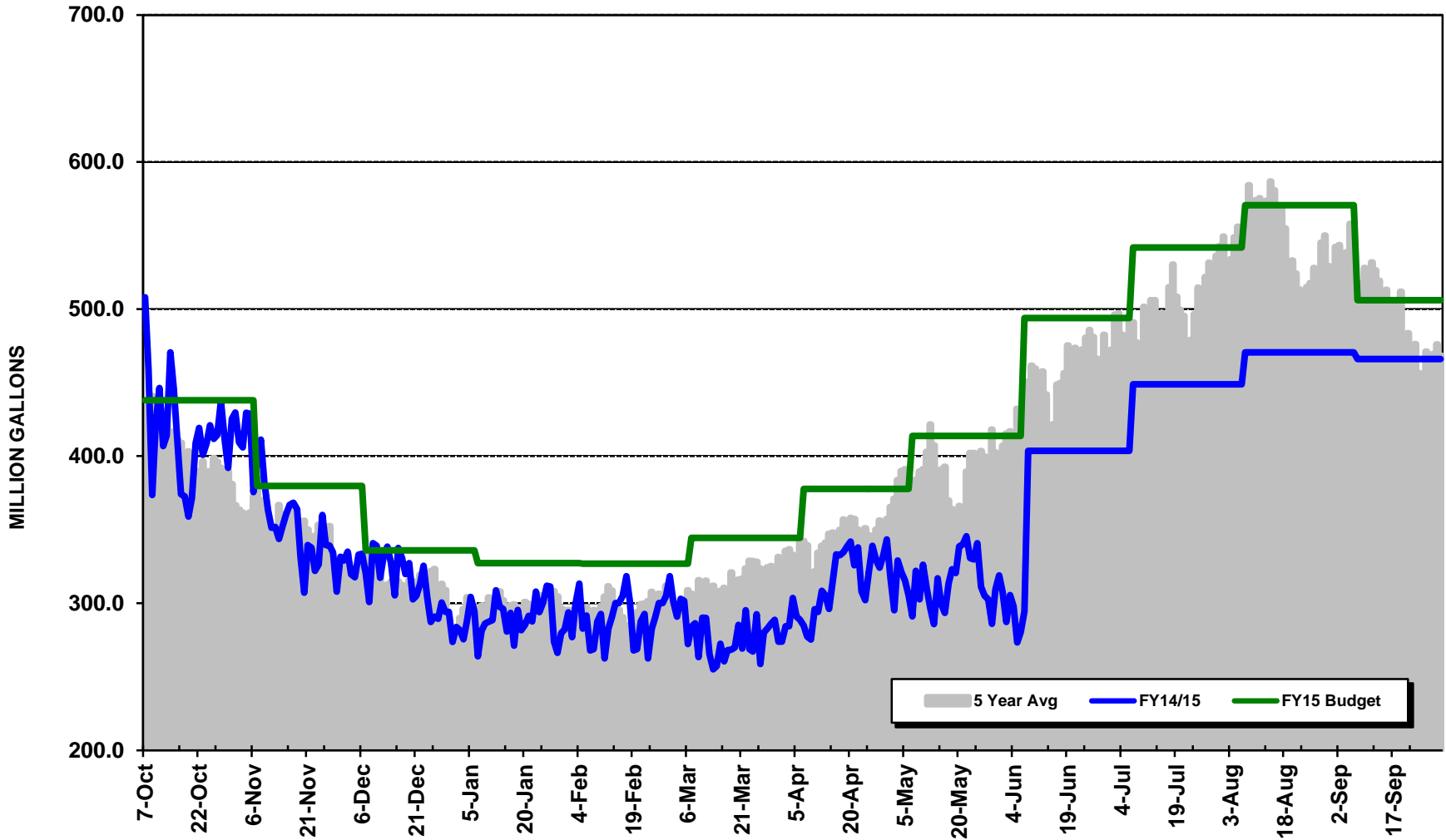
Note: Bill comparison based on rates effective March 2015; water consumption of 8,300 gallons; and 5,900 gallon Winter Months Average for sewer

Historical Rainfall Trends



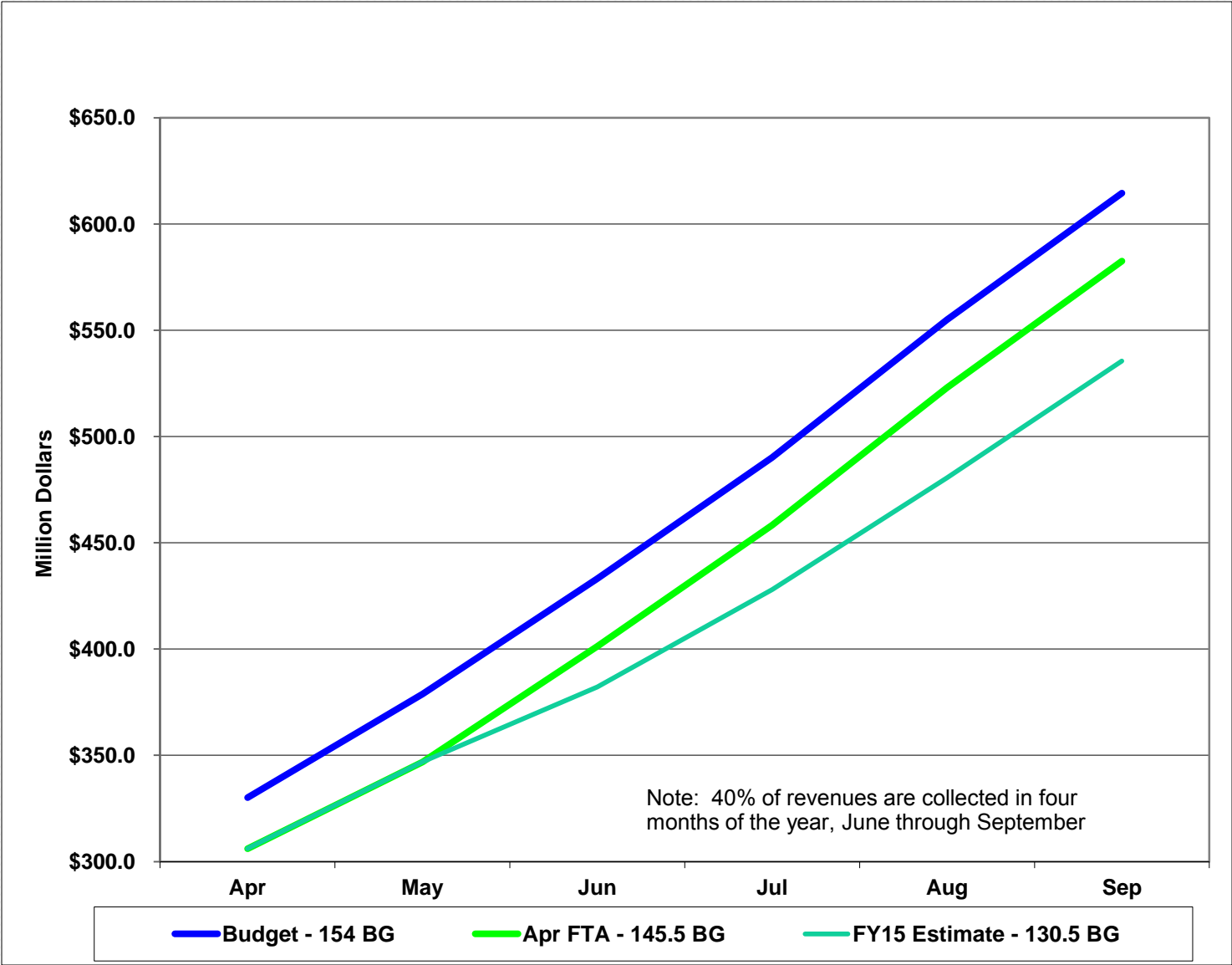
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
50 Yr Avg	4.12	2.40	2.34	1.83	2.37	3.05	4.20	4.99	3.46	2.33	2.23	3.23
10 Yr Avg	3.43	2.26	2.12	2.88	1.80	4.25	2.23	3.54	3.37	1.48	2.10	3.85
5 Yr Avg	3.10	1.76	2.72	2.98	1.81	2.87	2.31	3.27	3.17	1.36	2.20	3.54
FY15	3.10	2.12	1.76	4.37	2.96	3.49	5.74	14.98				

FY15 Consumption Trends



As of May 31, consumption is 13.2% or 11.8BG below forecast. Based on current weather conditions, revised consumption is added to year to date actuals.

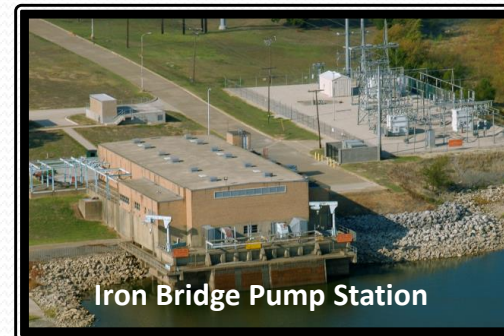
FY15 Revenue Ranges



Fiscal Year 2015-16 Capital Improvement Program

Capital Budget Overview

- Infrastructure driven operation with assets of \$5.3B
- Focus on infrastructure rehabilitation and maintenance
 - For the prior four years, approximately half of the Capital Program went for the maintenance of existing infrastructure
 - For FY16, \$164.4M of the \$219.3M capital program is budgeted for water/wastewater main replacements and infrastructure rehabilitation
- Actions are to sustain what we have, and add new sources to meet future growth



Capital Program Development



- Utilizes 10 year capital improvement program (CIP) supported by system master planning to prioritize and schedule projects
- Council approves Capital Program funding annually as part of the budget process
- Capital Program is typically funded by a combination of cash and debt
- Strict adherence to TCEQ/EPA regulations

FY2015-16 Capital Budget Funding

- Proposed Capital Budget of \$219.3M funded by:
 - Cash Transfer - \$91.0M
 - Commercial Paper (CP) for interim financing
 - Lower interest rates
 - Greater financing flexibility
 - Revenue bond sale of \$125M
 - Approved by City Council
 - Used to pay off short term debt (CP)
 - 30 year term
- Meets all FMPC requirements
 - Max Year Bond Coverage budgeted at 1.78 with Prior Year Coverage at 1.30
 - Equity Funding of 41.5%



FY 2015-16 Capital Improvement Program

- Major FY 2015-16 projects include: Currently being finalized
 - W & WW Pipeline Replacement and Pump Station Program –
 - Renewal of aging assets that are beyond or nearing their life expectancy for improved reliability
 - Improvement projects in support of development and sustainable growth
 - East Side and Elm Fork WTP Improvements
 - Process change at treatment facilities to enhance treated water quality and meet regulatory requirements as it relates to the chemical and biological stability of the treated water
 - Replacement of equipment and chemical feed facilities to realize savings in power and chemical use
 - Renewal of aging infrastructure for improved reliability
 - Central and Southside WWTP Improvements
 - Process improvements to meet regulatory requirements
 - Renewal and/or replacement of aging infrastructure for improved reliability
 - Replacement of equipment and automation improvements to realize savings in power and chemical use
- CIP includes
 - Rehab and Replacement \$164.4M
 - Growth \$19.9M
 - Regulatory \$35.0M
 - \$219.3M

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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: Master Agreement for Office Supplies

The June 17, 2015 Council Agenda includes an item for your consideration to authorize a five-year master agreement for office supplies with Office Depot, Inc. through Public Sourcing Solutions in an amount not to exceed \$5,625,143 - Financing: Current Funds.

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

This master agreement will provide office supply products for all City departments. The master agreement will allow the City to purchase approximately twenty-five hundred City core office supply products at a significant discount off manufacturer's list price. In an attempt to reduce the cost of office supplies and to promote a green initiative, this contract will be structured in a manner where "store brand" and "green" items will be offered where available. The City currently purchases 99% of all office supply items utilizing web-based ordering, this process provides efficient ordering and delivery of products.

The agreement includes terms such as:

- Web-based ordering
- Next-day desktop delivery
- Consolidated billing
- Quarterly reports on City buying trends
- Restrictions on City identified products
- Opportunity to purchase comparable environmentally-friendly items

In order to capture the best price for the City, Business Development and Procurement Services requested pricing from four office supply vendors. The pricing provided by these vendors was based on the City's last 12 months of usage and included item description, quantity purchased and the Universal Product Code as an additional identifier. Additionally, vendors were requested to submit pricing for the national brand name items as well as their comparable "store brand" items. Office Depot, Inc. through Public Sourcing Solutions (PSS) provided the best overall submittal.

PSS is a cooperative purchasing organization, which leverages the collective purchasing power of government agencies nationwide and establishes cost-effective volume pricing. This agreement provides the City the lowest available pricing discounts from the vendor regardless of the size of the order.

PSS conforms to the requirements of Texas statutes that are applicable for competitive bids and proposals, in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code. In addition, PSS receives bids from manufacturers and dealers throughout the United States.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

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
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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 Items: Wastewater Treatment Plant Engineering Services Contract and Construction of Water and Wastewater Main Relocations

The June 17, 2015 Council Agenda will include two agenda items for your consideration and approval. Provided below are brief summaries for each and associated costs.

Agenda Item #68 – Authorize an engineering services contract, in an amount not to exceed \$1,988,925, with Freese and Nichols, Inc. for the rehabilitation of the Central Wastewater Treatment Plant Effluent Pump Station. The pump station is used to discharge treated plant effluent to the Trinity River during rain events when the river is elevated and the gravity discharge cannot be utilized. The pump station was constructed in 1975 and has a capacity of 310 million gallons per day. This project will rehabilitate the aging structure to extend its service life and take advantage of newer, more efficient technologies.

Agenda Item #69 – Authorize an Agreement for the Adjustment of Municipal Utilities (AAMU) with the State of Texas, acting through the Texas Department of Transportation, for the construction of water and wastewater main relocations in State Highway 183 (John Carpenter Freeway) from Empire Central to Round Table Drive, in an amount not to exceed \$1,779,829. This project consists of the construction of 780 feet of 8-inch, 3,670 feet of 12-inch, 3,010 feet of 16-inch, and 3,040 feet of 48-inch water main, as well as 2,790 feet of 12-inch wastewater main in conjunction with the SH 183 Managed Lanes Project. Under the agreement, Dallas Water Utilities and TxDOT will provide their respective share of funding for the water and wastewater main relocations in accordance with state and federal regulations.

Please let me know if you need additional information.

A handwritten signature in black ink that reads "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
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE June 12, 2015

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: Appropriations Increase for Social Media Archiving and Public
Information Software

The June 17, 2015 Council Agenda includes an item for your consideration to authorize an increase in appropriations in the amount of \$62,376, from \$5,649,565 to \$5,711,941 in the Office of Management Services FY2014-15 budget for the purchase of web-based social media archiving and public information act request software, in an amount not to exceed \$62,376 - Financing: Contingency Reserve Funds.

In September 2014 the City Council directed the City Manager to explore cost-effective technology purchases or contracts that would enhance efficiency, transparency and customer service for those who are seeking information through the Texas Public Information Act. FY2014-15 Contingency Reserve funds were allocated for this purpose and will be transferred to the Public Information Office, a division of the Office of Management Services, to enter into contracts for two software platforms that meet these Council goals.

ArchiveSocial is a web-based software subscription that allows online public access of all city social media accounts. The annual cost of the subscription is \$14,376. The WebQA software allows sharing of open records with the public via the city's web portal. Customers can easily submit, check the status of their public records requests, as well as retrieve their responsive documents. The WebQA software will give the City the ability to track multiple requests in one database and will allow the Public Information Office and Dallas Police to use the same system. The cost of the software is \$48,000.

Access to this information is free to the public; purchase of software or hardware is not required and citizens can make multiple requests. Contracts with ArchiveSocial and WebQA will be executed after passage of this resolution.

Please let me know if you need additional information.

for Jeanne Chipperfield
Sana Syed
Public Information Officer

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
Jeanne Chipperfield, Chief Financial Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE June 12, 2015
TO The Honorable Mayor and Members of the City Council
SUBJECT FY 2013-14 Year End Report

Attached for your review is the FY 2013-14 Year End Report. The purpose of the Year End Report is to communicate the final status of year-end total expenditures compared to appropriations, total revenues compared to budget, and significant expenditure and revenue variances (compared to budget) for all operating funds. This report is the conclusion of Financial Forecast Reports that were provided through FY 2013-14. In addition, the report provides a status of compliance with the Financial Management Performance Criteria (FMPC).

Please let me know if additional information is needed.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa Rios, City Secretary
Craig Kinton, City Auditor
Daniel 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
Elsa Cantu, Assistant to the City Manager
Jack Ireland, Director, Office of Financial Services

**General Fund
Year End FY 2013-14
Comparison of Revenues and Expenditures
(000s)**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
Revenues	\$1,130,581	\$1,126,942	(\$3,639)
Expenditures	1,130,581	1,119,249	(11,332)
Sub Total	0	7,693	7,693
Net Excess/(Deficiency) of Revenues Over Expenditures and Transfers to Reserves	<u>\$0</u>	<u>\$7,693</u>	

FY 2013-14 End of Year Report Variance Explanations

General Fund

REVENUES:

- Total General Fund revenues are \$3,639,000 below budget.
 - Atmos Energy revenues are \$3,485,000 above budget primarily due to cooler winter and spring weather which resulted in higher natural gas consumption.
 - Time Warner revenues are \$382,000 below budget due to a decrease in the number of subscribers.
 - Licenses and Permits revenues are \$670,000 above budget primarily due to an increase in taxi cab permits and licenses granted for use of the public rights-of-way.
 - Interest revenues are \$93,000 below budget due to lower than anticipated interest rates.
 - Intergovernmental revenues are \$659,000 above budget due to higher than expected payments from Euless and Irving as part of the DFW Airport revenue sharing agreement.
 - Municipal Court revenues are \$1,007,000 above budget due to one-time revenue related to an accounting adjustment.
 - Parking Fines are \$1,991,000 below budget due to increased use of parking lots and reduced ticket issuance due in part to increased compliance as a result of pay by phone meters.
 - Red Light Camera revenues are \$773,000 above budget primarily due to an increase in the capture rate of license plates from red light cameras.
 - Public Library revenues are \$100,000 below budget due to an increase in the usage of e-materials. Fines and late fees are not collected on e-materials as they are electronically recalled on the due date.
 - Park revenues are \$1,378,000 above budget primarily due to higher than anticipated demand for contract classes and athletic field rentals.
 - Private disposal fee revenues are \$1,935,000 above budget due to increased landfill activities due in part to the spring storm and landfill usage by Trinity Watershed Management for the Upper Chain of Wetlands project.
 - Emergency Ambulance revenues are \$6,731,000 below budget due to a reduction in the reimbursement from the State of Texas as a result of the increased number of ambulance service providers requesting reimbursement.
 - Street Lighting revenues are \$357,000 below budget due to a reduction in expenses that are reimbursable by TxDOT.
 - Interfund Revenues are \$6,227,000 below budget primarily due to deferred transfers from internal City funds.

EXPENDITURES:

- Total General Fund expenditures are \$11,332,000 below budget.
 - Business Development and Procurement Services is \$168,000 below budget primarily due to salary savings as a result of vacancies.
 - Civil Service is \$250,000 below budget due to salary savings as a result of vacancies.
 - Human Resources is \$226,000 below budget primarily due to salary savings as a result of vacancies.
 - Judiciary is \$442,000 below budget primarily due to salary savings as a result of vacancies.
 - Office of Financial Services is \$379,000 below budget primarily due to lower than anticipated costs for consultants to review franchise rate case and delays in hiring.
 - Sustainable Development and Construction is \$132,000 below budget due to delays in hiring.
 - Trinity Watershed Management is \$70,000 below budget due to salary savings as a result of vacancies.

Other Funds

- Sustainable Development/Construction revenues are \$1,622,000 above budget primarily due to increases in multi-family remodel construction activity. Expenses are \$2,572,000 below budget due to delays in purchasing computer software licenses and delays in hiring.
- Municipal Radio revenues are \$509,000 below budget primarily due to the sale of commercials being less than planned. Expenses are \$385,000 below budget due to vacancies and a reduction in sales commissions.
- Communication and Information Services expenses are \$5,516,000 below budget primarily due to vacancies and lower than expected debt service payments.
- Express Business Center expenses are \$287,000 and revenues are \$461,000 below budget primarily due to decreased postage and mailing by departments.
- Employee Benefits administrative expenses are \$493,000 below budget primarily as a result of lower than expected costs for outside legal consulting related to the Affordable Care Act.
- Risk Management expenses are \$238,000 below budget due to vacancies.
- 9-1-1 System Operations expenses are \$9,373,000 below budget primarily due to a reduction in the reimbursements to the Police Department and Dallas Fire Rescue. Revenues are \$1,009,000 below budget primarily due to a decline in wireless phone revenue allocation from the State of Texas and a decline in the collections of wireline phone revenues.
- Storm Water Drainage Management expenses are \$4,475,000 below budget due to salary savings and department reimbursement requests being lower than anticipated.

**General Fund
Year End FY 2013-14 Revenues
(000s)**

	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
TAXES			
Ad Valorem Tax	\$483,898	\$483,297	(\$601)
Sales Tax	255,519	255,716	197
FRANCHISE REVENUES			
Oncor Electric	51,110	52,472	1,362
AT&T	13,422	13,747	325
Atmos Energy	12,228	15,713	3,485
Time Warner Cable	6,376	5,994	(382)
Other	20,773	21,536	763
TOTAL TAXES & FRANCHISE REVENUES	843,325	848,475	5,149
LICENSES AND PERMITS	9,090	9,760	670
INTEREST EARNED	632	539	(93)
INTERGOVERNMENTAL	6,203	6,862	659
FINES AND FORFEITURES			
Municipal Court	13,779	14,787	1,007
Vehicle Towing and Storage	6,957	6,888	(69)
Parking Fines	5,070	3,079	(1,991)
Red Light Camera Fines	6,867	7,641	773
Public Library	553	453	(100)
TOTAL FINES	33,227	32,848	(379)
CHARGES FOR SERVICE			
Sanitation Service	62,010	62,481	471
Parks	9,716	11,093	1,378
Private Disposal Fees	17,694	19,629	1,935
Emergency Ambulance	42,982	36,250	(6,731)
Security Alarm	4,500	4,465	(35)
Street Lighting	1,000	643	(357)
Vital Statistics	1,581	1,536	(45)
Other	20,182	19,719	(463)
TOTAL CHARGES FOR SERVICE	159,665	155,817	(3,848)
INTERFUND REVENUE	67,330	61,102	(6,227)
MISCELLANEOUS	11,109	11,538	429
TOTAL REVENUE	\$1,130,581	\$1,126,942	(\$3,639)

**General Fund
Year End FY 2013-14 Expenditures
(000s)**

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Building Services	\$25,709	\$25,536	(\$174)
Business Development and Procurement Services	2,654	2,487	(168)
City Attorney's Office	14,456	14,355	(101)
City Auditor's Office	2,391	2,371	(20)
City Controller's Office	4,471	4,309	(162)
City Manager's Office	1,671	1,670	(1)
City Secretary's Office	1,848	1,779	(68)
Civil Service	2,126	1,876	(250)
Code Compliance	33,720	32,397	(1,323)
Court Services	11,325	10,860	(466)
Elections	1,096	1,047	(49)
Fire	221,718	221,469	(249)
Housing / Community Services	11,373	10,917	(455)
Human Resources	4,121	3,895	(226)
Independent Audit	919	919	0
Judiciary	3,528	3,086	(442)
Library	22,370	21,906	(464)
Management Services	5,568	5,565	(2)
Mayor and Council	3,911	3,748	(162)
Non-Departmental	38,455	36,682	(1,773)
Office of Cultural Affairs	16,916	16,882	(34)
Office of Economic Development	1,122	1,120	(2)
Office of Financial Services	2,826	2,447	(379)
Park and Recreation	78,764	78,764	(0)
Police	428,943	428,306	(637)
Public Works and Transportation	7,121	6,979	(142)
Sanitation Services	74,797	74,795	(2)
Street Lighting	18,201	17,390	(812)
Street Services	61,742	60,147	(1,595)
Sustainable Dev/Construction	1,613	1,480	(132)
Trinity Watershed Management	641	571	(70)
OTHER			
Jail Contract - Lew Sterrett	8,714	8,714	0
RESERVES AND TRANSFERS			
Contingency Reserve	3,248	3,248	0
Liability/Claims Fund	11,531	11,531	0
Salary and Benefit Reserve	970	0	(970)
TOTAL EXPENDITURES	\$1,130,581	\$1,119,249	(\$11,332)

Proprietary Funds
Year End FY 2013-14 Revenues and Expenditures
(000s)

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
AVIATION			
Revenues	\$66,853	\$67,971	\$1,118
Expenditures	66,853	66,811	(41)
Net Excess of Revenues Over Expenditures	<u><u>\$0</u></u>	<u><u>\$1,159</u></u>	<u><u>\$1,159</u></u>
CONVENTION & EVENT SERVICES			
Revenues	\$75,607	\$78,237	\$2,630
Expenditures	75,607	73,421	(2,186)
Net Excess of Revenues Over Expenditures	<u><u>\$0</u></u>	<u><u>\$4,816</u></u>	<u><u>\$4,816</u></u>
SUSTAINABLE DEVELOPMENT & CONSTRUCTION			
Revenues	\$26,780	\$28,403	\$1,622
Expenditures	25,262	22,690	(2,572)
Net Excess of Revenues Over Expenditures	<u><u>\$1,518</u></u>	<u><u>\$5,712</u></u>	<u><u>\$4,194</u></u>
MUNICIPAL RADIO			
Revenues	\$2,409	\$1,900	(\$509)
Expenditures	2,379	1,995	(385)
Net Excess of Revenues Over Expenditures	<u><u>\$29</u></u>	<u><u>(\$95)</u></u>	<u><u>(\$124)</u></u>
WATER UTILITIES			
Revenues	\$595,315	\$564,750	(\$30,565)
Expenditures	595,315	572,892	(22,423)
Net Excess of Revenues Over Expenditures	<u><u>\$0</u></u>	<u><u>(\$8,142)</u></u>	<u><u>(\$8,142)</u></u>
COMMUNICATION & INFORMATION SVCS			
Revenues	\$58,765	\$57,512	(\$1,253)
Expenditures	61,459	55,943	(5,516)
Net Excess of Revenues Over Expenditures	<u><u>(\$2,695)</u></u>	<u><u>\$1,569</u></u>	<u><u>\$4,263</u></u>
EQUIPMENT SERVICES			
Revenues	\$54,466	\$54,532	\$66
Expenditures	54,466	53,590	(877)
Net Excess of Revenues Over Expenditures	<u><u>\$0</u></u>	<u><u>\$942</u></u>	<u><u>\$942</u></u>
EXPRESS BUSINESS CENTER			
Revenues	\$4,117	\$3,656	(\$461)
Expenditures	3,812	3,524	(287)
Net Excess of Revenues Over Expenditures	<u><u>\$305</u></u>	<u><u>\$132</u></u>	<u><u>(\$173)</u></u>

Other Funds
Year End FY 2013-14 Revenues and Expenditures
(000s)

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
EMPLOYEE BENEFITS	\$1,339	\$846	(\$493)
RISK MANAGEMENT	\$2,441	\$2,203	(\$238)
9-1-1 SYSTEM OPERATIONS			
Revenues	\$14,046	\$13,037	(\$1,009)
Expenditures	19,758	10,386	(9,373)
Net Excess of Revenues Over Expenditures	<u>(\$5,712)</u>	<u>\$2,652</u>	<u>\$8,363</u>
STORM WATER DRAINAGE MANAGEMENT			
Revenues	\$50,111	\$49,352	(\$759)
Expenditures	55,011	50,536	(4,475)
Net Excess of Revenues Over Expenditures	<u>(\$4,900)</u>	<u>(\$1,184)</u>	<u>\$3,716</u>

Debt Service Fund
Year End FY 2013-14 Revenues and Expenditures
(000s)

DEPARTMENT	AMENDED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Beginning Balance	\$5,027	\$5,300	\$272
Revenues	233,212	229,986	(3,226)
Expenditures	234,511	233,781	(730)
Ending Balance	\$3,729	\$1,505	(\$2,224)

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2014

Operating Program Status

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of undesignated fund balance accumulated through prior year surplus. Nonrecurring or one-time revenues should, to the extent possible, only be used for one-time expenditures (expenditures not expected to reoccur and requiring future appropriations) to avoid future shortfalls.

2. The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not exceed 8%:

- Excluding taxable value gained through annexation or consolidation;
- Excluding the value gained through new construction;
- Excluding expenditure increases mandated by the voters or another governmental entity; and
- Not excluding the valuation gained through revaluation or equalization programs.

3. Debt will not be used to fund current operating expenditures.

4. All retirement systems will be financed in a manner to systematically fund liabilities. The City will assure sufficient funds are provided to pay current service plus interest on unfunded liabilities plus amortization of the unfunded liabilities over a programmed period. No less than annual reviews will be provided to Council by the pension funds.

Status

In Compliance

In Compliance

The % change in base revenue (from FY 2012-13 to FY 2013-14) was 0.26%

Adjusted revenues cannot exceed "base" revenues more than 8%.

Base revenues = FY 2012-13 actual revenues from current tax roll (in 000's)	\$ 650,553
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FY 2013-14 Actual Ad-Valorem Tax Revenue	\$ 678,229
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Less: Voter Mandated-Debt Service	\$ 18,419
Growth from Annexation	\$ 0
Growth from New Construction	<u>\$ 7,598</u>

Adjusted revenue recommendation:	\$ 652,212
% Change from base revenues:	0.26%

In Compliance

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Operating Program Status (Continued)

Status

5. Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits and contributions will be authorized only after meeting the test of actuarial soundness. All health plans should have actuarial reviews performed bi-annually to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims.

In Compliance

6. Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the utility. In addition, each Enterprise Fund and Internal Service Fund should maintain at least 30 days of budgeted operations and maintenance expense in net working capital, and avoid cash deficits.

Not In Compliance

Equipment and Building Services does not have sufficient fund balance to meet the 30 day guideline.

7. The Emergency Reserve shall be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, a 5% decline in property values, or an unexpected liability created by Federal or State legislative action. Funds shall be allocated from the Emergency Reserve only after an analysis has been prepared by the City Manager and presented to City Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years. Prior to allocating funds from the Emergency Reserve, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds. Funds shall be allocated each year in the budget process to replace any use of the Emergency Reserve funds during the preceding fiscal year to maintain the balance of the Emergency Reserve levels.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Operating Program Status (Continued)

8. The Contingency Reserve, a component of unassigned fund balance, shall be used to provide for unanticipated needs that arise during the year: for example, expenses associated with new service needs that have been identified after the budget process, new public safety or health needs, revenue shortfalls, service enhancements, or opportunities to achieve cost savings. Funds shall be allocated from the Contingency Reserve only after an analysis has been prepared by the City Manager and presented to the City Council outlining the initial and recurring costs associated with the proposed expenditure. Additionally, these funds would be used prior to use of the Emergency Reserve funds. Funds shall be allocated each year in the budget process to replace any use of the Contingency Reserve funds during the preceding fiscal year and to maintain the balance of the Contingency Reserve at a level ranging from ½% to 1% of budgeted departmental expenditures.

9. The unassigned fund balance of the General Fund, which includes the Emergency Reserve and the Contingency Reserves, shall be maintained at a level not less than 5% of the General Fund operating expenditures less debt service. (The Risk Reserve is not included in this calculation.)

Status

In Compliance
 0.50% of the General Fund budget is \$5,700,000.
 The Contingency Reserve ending balance was \$6,200,000 on 9/30/14.

In Compliance	
Emergency Reserve 9/30/14 (actual)	\$ 17.6M
Contingency Reserve 9/30/14 (actual)	\$ 6.2M
Fund Balance 9/30/14 (actual)	<u>\$ 98.9M</u>
Combined	\$ 122.7M
General Fund expenditures (actual)	\$1,119.2M
\$122.7M is 11.0% of \$1,119.2M	

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Operating Program Status (Continued)

10.A Risk Reserve shall be maintained at a level, which, together with purchased insurance policies, adequately protects the City's assets against loss. An analysis shall be conducted every three years or when the deductible level of the City's property insurance is modified (whichever is earlier), to determine the appropriate level of this reserve.

Status

In Compliance

The Risk Reserve was funded at \$1,250,000. The ending balance was \$1,250,000 on 9/30/14.

11.A General Fund liability fund shall be budgeted annually to provide for outstanding and anticipated claims expense and resulting liabilities during the budget year. An individual judgment settlement cap is set at \$5,000,000. The Emergency Reserve will be accessed should the cap be exceeded. An independent actuarial analysis shall be conducted every two years to determine the appropriate level of this fund.

In Compliance

12. Consider the establishment of a Landfill Closure / Post-Closure Reserve to provide for any future potential liabilities. Analysis will be performed periodically to determine appropriate timing and amount of funding needs. Funds could be allocated from an increase in user fees.

Establishment of reserve not recommended at this time.

13. Operating expenditures will be programmed to include current costs of fully maintaining City facilities, including parks, streets, levees, vehicles, buildings, and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term cost of any potential deferred maintenance cost. Normal maintenance will be funded through the operating budget.

Not In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Operating Program Status (Continued)

Status

14. An annual assessment and five year projection for all equipment and maintenance needs should be performed, and a maintenance and replacement schedule developed based on the projection.

In Compliance

15. An annual review of selected fees and charges will be conducted to determine the extent to which the full cost of associated services is being recovered by revenues. All fees and charges will be reviewed at least once every four years.

In Compliance

A fees and charges study was completed for approximately 25% of all fees in FY 2013-14.

Capital and Debt Management

16. Any capital projects financed through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project. (Bonds issued for street resurfacing shall be financed for a period not to exceed 10 years.)

In Compliance

17. The net (non self-supporting) General Obligation (G.O.) Debt of Dallas will not exceed 4% of the true market valuation of the taxable property of Dallas.

In Compliance

1.7%

18. Total direct plus overlapping debt shall be managed so as to not exceed 8% of market valuation of taxable property of Dallas. All debt, which causes total direct plus overlapping debt to exceed 6% of market valuation, shall be carefully planned and coordinated with all overlapping jurisdictions.

In Compliance

5.2%

19. Interest expenses and other capital related expenses incurred prior to actual operation will be capitalized only for facilities of enterprise activities.

In Compliance

20. Average (weighted) General Obligation bond maturities (exclusive of Pension Obligation Bonds) shall be kept at or below 10 years.

In Compliance

6.3 Years

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Capital and Debt Management (Continued)

Status

<p>21. Annual General Obligation debt service (contribution) including certificates of obligation debt for risk management funding shall not exceed 20% of the total governmental fund expenditures (comprised of general fund, special funds, debt service funds and capital project funds).</p>	<p>In Compliance 12.5%</p>
<p>22. Per Capita General Obligation Debt including Certificates of Obligation, Equipment Acquisition Notes and General Obligation Bonds will be managed to not exceed 10% of the latest authoritative computation of Dallas' per capita annual personal income.</p>	<p>In Compliance 2.8% - Total Debt 2.2% - GO Bond Debt</p>
<p>23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions:</p> <ul style="list-style-type: none"> • the original improvement is at or near the end of its expected service life; • the betterment extends the life of the original improvement by at least one third of the original service life; • the life of the financing is less than the life of the betterment; • the betterment is financed through either C.O.'s or G.O.'s. 	<p>In Compliance</p>
<p>24. Interest earnings from G.O. Bonds shall be used solely to fund capital expenditures, debt service, or used to fund a reserve for capital contingencies.</p>	<p>In Compliance</p>
<p>25. Certificates of Obligation should be used only to fund tax-supported projects previously approved by the voters; or for risk management funding as authorized by the City Council; or non-tax revenue-supported projects approved by City Council.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

<u>Capital and Debt Management (Continued)</u>	<u>Status</u>
<p>26. Certificates of Obligation (C.O.) Debt including that for risk management funding supported by an ad valorem tax pledge should not exceed 15% of total authorized and issued General Obligation (G.O.) Debt.</p> <ul style="list-style-type: none"> • All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt. 	<p>In Compliance 1.5%</p>
<p>27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.</p>	<p>In Compliance</p>
<p>28. Certificates of Obligation for an enterprise system will be limited to only those projects, which can demonstrate the capability to support the certificate debt either through its own revenues, or another pledged source other than ad valorem taxes.</p>	<p>In Compliance</p>
<p>29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.</p>	<p>In Compliance</p>
<p>30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.</p>	<p>In Compliance</p>
<p>31. Tax Increment Financing zones should be established where revenues will recover 1.25 times the public cost of debt in order to provide an adequate safety margin.</p>	<p>In Compliance</p>
<p>32. No more than 10% of the property (i.e. parcels) in a Tax Increment Financing zone, excluding property dedicated for public use, may be used for residential purposes. "Residential purposes" includes property occupied by a house, which has less than five living units.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Capital and Debt Management (Continued)

Status

33. Pursuant to the provisions of the Texas Tax Code, the City creates reinvestment zones both for tax increment financing ("TIF RZ") and for the tax abatement ("TA RZ"). TA RZs are created for the purpose of granting tax abatement on real or business personal property or both located in the TA RZ. For the FMPC, TIF RZs and TA RZs shall be referred to as Reinvestment Zones ("RZ").

In Compliance

No RZ can be created if the total property tax base of certain TIF RZs plus the total real property and business personal property tax base (if there is business personal property tax being abated) of TA RZs exceeds 10% of the total tax base (all real and business personal property) of the City. Reinvestment zones that are no longer collecting tax increment or abating taxes (i.e. now contributing 100% to the City of Dallas property tax revenues) will be excluded from the calculation.

34. All PID and TIF proposals, even "pay-as-you-go" projects, will be evaluated for service impact. A five-year fiscal note must accompany any request to establish a PID or TIF including repayment terms of any inter-fund borrowing.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Status

In Compliance

Capital and Debt Management (Continued)

35. All adopted PID or TIF debt issuances supported by a district's revenues, are subject to the following criteria:

- Coverage Tests - The project should provide for revenues, net of overlapping taxes, of 1.25 times maximum annual debt service requirement. The issuance of TIF bonds may be considered prior to achieving coverage ratio of 1.25 if:

< a developer or property owner provides a credit enhancement such as a letter of credit or bond insurance from an AAA-rated financial institution for the entire amount of the debt issue; and

< in the event that there is insufficient TIF increment revenues to retire TIF bonds, which event consequently requires that the credit enhancement mechanism be called upon to service the TIF bonded indebtedness, contingent liability to reimburse a credit-enhancer would be the sole liability of the developer or its affiliates; and

< in the event that there are changes in the rating of the financial institution providing credit enhancement, then that institution shall be replaced with an AAA-rated financial institution within 90 days; and

< in the event that no replacement of an AAA-rated institution is provided, no further TIF bonds in advance of the 1.25 coverage ratio will be provided for any additional TIF projects undertaken by the developer or its affiliates.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Capital and Debt Management (Continued)

Status

In Compliance

- Additional Bonds Test - the project should include an additional bonds test parallel to the coverage test.
- Reserve Fund - the project should include a debt service reserve fund equal to the maximum annual debt service requirements.
- Limitations on Amount of PID/TIF Bonds- The total amount of PID/TIF indebtedness will be included and managed as part of the City's overlapping debt, and
- The total amount of PID/TIF debt outstanding should generally not exceed 20% of the City's outstanding general obligation indebtedness.
- PID/TIF bonds should be limited to projects consistent with the City's previously adopted Financial Management Performance Criteria for debt issuance.
- PID bonds should be limited to those projects, which can demonstrate the ability to support the debt either through its own revenues or another pledge source other than ad valorem taxes.
- PID/TIF bond authorizations should remain in effect for no more than five years from the date of City Council approval.

36. All adopted PID or TIF debt issuances must mature on or before the termination date of the respective PID or TIF district and, further, all bonds must also conform to the district's Financial Plan by maturing on or before the plan's projected date by which all district expenses would be paid, including repayment of bonds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Capital and Debt Management (Continued)

Status

- | | |
|--|---------------|
| 37. The City will not propose the issuance of any unrated, high yield PID/TIF bond which could be labeled a "high risk bond" except for small (less than \$5 million) private placements coordinated with the City's Financial Advisor. | In Compliance |
| <ul style="list-style-type: none">• All projects must be carefully evaluated for credit-worthiness and meet the criteria above whether or not a credit rating is obtained. | |
| 38. The City should use PID/TIF bonds only when other options have been considered. | In Compliance |
| 39. Advance refunding and forward delivery refunding transactions should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 4%. | In Compliance |
| Current refunding transactions should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 3%. | |
| 40. Each Enterprise Fund (where applicable) will maintain fully funded debt service reserves. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Year Ending September 30, 2014

Accounting, Auditing, and Financial Planning

41. The City will establish and maintain a high degree of accounting practices; accounting practices will conform to generally accepted accounting principles as set forth by the authoritative standard setting body for units of local government.

Status

In Compliance

The basis of budgeting for all funds essentially follows the basis of accounting (modified accrual for government funds and full accrual for enterprise and internal service funds). The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than assigned, committed, or restricted fund balance (accounting basis); 2) compensated absences (accrued but unused leave) and other long-term liabilities are not reflected in the budget; 3) depreciation expense is not included in the budget; 4) change in fair value of investments is not recognized as income (expenditure) in the budget.

42. An annual audit will be performed by an independent public accounting firm, with the subsequent issue of an official Comprehensive Annual Financial Report (CAFR) within 120 days of the City's fiscal year end.

Not in Compliance

FY 2013-14 CAFR was issued May 28, 2015.

43. Full disclosure will be provided in the annual financial statements and bond representations.

In Compliance

Budget

44. Revenues and expenditures will be projected annually for at least three years beyond the current budget projections.

In Compliance

45. Financial systems will be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.

In Compliance

46. Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Budget (Continued)

47. A report reflecting end of fiscal year status of performance against these criteria will be prepared within 60 days after official presentation of the Comprehensive Annual Financial Report to the City Council. A pro forma report reflecting Proposed budget status will be submitted with the City Manager's Proposed Budget each year.

Status

In Compliance

Cash Management

48. Investments will be made in conformance with the City's investment policy, with the primary objectives of preservation of capital, maintenance of sufficient liquidity and maximization of return on the portfolio.

In Compliance

49. The accounting system and cash forecasting system will provide regular information concerning cash position and investment.

In Compliance

50. Internal Service Funds and Enterprise Funds will maintain positive cash balances.

In Compliance

Grants and Trusts

51. All grants will be managed to comply with the laws, regulations and guidance of the grantor; and all gifts and donations will be managed and expended according to the wishes and instructions of the donor.

In Compliance

52. Prior to acceptance of proposed gifts and donations and governmental grants a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donation or grants meet the strategic goals of the City, and any potential impact of loss of funds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Dallas Water Utilities

Status

- | | |
|---|---------------|
| 1. Current revenues will be sufficient to support current expenses including debt service and other obligations of the system. | In Compliance |
| 2. Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses. | In Compliance |
| 3. Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects which result in capital improvements. The authorization of tax-exempt commercial paper will be limited to 20% of the 10-year capital improvement program in effect at the time of the commercial paper authorization. No commercial paper program will be authorized for more than ten years. Outstanding tax-exempt commercial paper will never exceed the amount authorized by Council. | In Compliance |
| 4. Contingency reserves will be appropriated at a level sufficient to provide for unanticipated, nonrecurring expenditures. | In Compliance |
| 5. Debt financing for capital projects will not exceed the useful life of the asset, and in no case shall the term exceed 30 years. | In Compliance |
| 6. An unreserved cash balance will be maintained such that it provides a minimum quick ratio of 1.50 and at least 30 days of budgeted expenditures for operations and maintenance in net working capital. | In Compliance |
| 7. Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
Year Ending September 30, 2014

Dallas Water Utilities (Continued)

Status

8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes.

In Compliance

9. Funds available from current rates in each fiscal year for system rehabilitation, replacement, and expansion will be appropriated equal to or more than financial statement depreciation expense reasonably estimated in the same year.

In Compliance

10. Capital financing will be provided through a combination of revenue bonds, current revenues, contributed capital, and short-term debt. An equity to debt ratio of at least 20% should be maintained on all capital projects.

In Compliance

11. Retail cost of service studies will be performed at least every two years and reviewed annually. Rate adjustments will be recommended when required, but, normally, no more frequently than annually.

In Compliance

12. Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement currently in effect. Wholesale wastewater and untreated water rates will be determined on the basis of contractual agreements with wholesale customers. Rates shall be adjusted annually if cost of service studies indicates a need therefore.

In Compliance; current agreement approved by Council in 2010.

13. Funds generated by Dallas Water Utilities will be used solely for the development, operation, and maintenance of the water and wastewater utility system.

In Compliance