

Memorandum



CITY OF DALLAS

DATE April 7, 2023

Members of the Government Performance and Financial Management Committee
TO Cara Mendelsohn (Chair), Gay Donnell Willis (Vice Chair), Adam Bazaldua, Adam McGough, Paul Ridley, Chad West

SUBJECT **Follow-up to Questions from March 21 GPFM Meeting**

On March 21, Weaver and Tidwell, L.L.P briefed the Government Performance and Financial Management Committee (GPFM) on the 2022 External Audit and the Annual Comprehensive Financial Report (ACFR). Attached are follow-up responses to questions asked during the meeting.

Please contact me or Sheri Kowalski, City Controller, if you have additional questions.

A handwritten signature in blue ink that reads "Jack Ireland".

Jack Ireland
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

Majed A. Al-Ghafry, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

Memorandum

Date March 21, 2023

To Honorable Members of the Government Performance and Financial Management Committee: Cara Mendelsohn (Chair), Gay Donnell Willis (Vice Chair), Tennell Atkins, Adam Bazaldua, Adam McGough, Paul Ridley, Chad West

Subject Responses from Weaver and Tidwell, L.L.P., in regards to their presentation to the Government Performance and Financial Management Committee on March 21, 2023.

Question No. 1- Re: DWU, what caused the increase in Income (before transfers and contributions) to go from \$55.1 million in fiscal year 2021 to \$161.6 million in fiscal year 2022, as shown on slide 17?

Dallas Water Utilities operating revenues increased \$100.4 million from increased consumption of 10 percent combined with a 9.6 percent increase in wholesale rates and a 1.5 percent increase in retail rates.

The Dallas Water Utilities contractual services expenses decreased \$24.4 million. There was an \$11.8 million decrease in bad debt expense as a result of increased collection efforts at the end of the COVID-19 pandemic. Disposal fees decreased \$12.2 million, related to the cleaning of Bachman Lake in fiscal year 2021, and this expense did not occur in fiscal year 2022. The removal of wastewater at the Elm Fork water treatment plant and other repairs and maintenance in fiscal year 2021 in the amount of \$16.5 million did not occur in fiscal year 2022. These decreases were offset by increases of \$5.8 million for street rental and \$11.5 million for maintenance and operation expenses for the integrated pipeline. Supplies and materials expense increased \$15 million, primarily due to increases in chemical costs of \$11.5 million and water supplies of \$3.9 million. Personnel expenses decreased \$17.9 million, due to a \$3.4 million increase in salaries and a \$24.3 million increase in other post-employment benefits, offset by a \$45.5 million decrease in pension expense.

In addition, investment income decreased approximately \$11.2 million, mainly due to declines in the fair value of fixed income investments in the City’s investment pool. Interest expense increased approximately \$5.5 million.

Question No. 2- Re: Sanitation, what caused the increase in Income (before transfers and contributions) to go from \$6.2 million in fiscal year 2021 to \$11.8 million in fiscal year 2022, as shown on slide 17?

Sanitation customer charges increased \$12.4 million, or 9.4 percent, due to rate increases in the sanitation residential rates of approximately 12.4 percent, offset by a decrease in user fees related to debris collection from a major winter storm that occurred in fiscal year 2021.

Sanitation expenses increased \$4.7 million. This was due primarily to an increase of \$6.5 million in contractual services related to the use of contracted services during a nation-wide labor shortage, combined with overall increases in operational costs. Additionally, there was a \$2.6 million increase in supplies and materials, mainly due to increases in fuel prices.

These increases were offset by a decrease of \$5.6 million in personnel expenses, due primarily to a \$17.7 million decrease in pension expense, offset by increases in other post-employment benefits and salaries and benefits of \$8.7 million and \$3.2 million, respectively.

In addition, investment income decreased approximately \$819 thousand and interest expense increased approximately \$1.3 million.

Question No. 3- The General Fund had a net transfer out of \$7.4 million. What makes up the transfers in and out of the General Fund in fiscal year 2022, as shown on slide 15?

Please See Attachment A.

We appreciate the opportunity to provide clarification to our presentation and are available for any additional questions you may have.

Sincerely,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.
March 21, 2023

Attachment A

**CITY OF DALLAS, TEXAS
SCHEDULE OF TRANSFERS OUT/IN GENERAL FUND
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022**

TRANSFERS OUT OF GENERAL FUND TO:

CAPITAL CONSTRUCTION FUND	(1,000,000.00)
BIKE LANE FUND	(1,700,955.00)
DALLAS STREETCAR SYSTEM FUND	(1,000,000.00)
STREET AND ALLEY IMPROVEMENT FUND	(8,499,999.96)
EQUITY FUND	(20,000,000.00)
DISASTER RESPONSE FUND	(200,000.00)
TAX AGREEMENT FUND	(611,312.00)
INFORMATION TECHNOLOGY EQUIPMENT FUND	(5,456,054.00)
DEBT SERVICE FUND	(42,950.58)
LIABILITY RESERVE FUND	(548,450.00)
TOTAL TRANSFERS OUT	<u>(39,059,721.54)</u>

TRANSFERS TO GENERAL FUND FROM:

DALLAS WATER UTILITIES	18,741,962.00
SANITATION	4,443,873.56
COMMUNICATION SERVICES	4,859,229.58
INFORMATION SERVICES	3,649,968.06
TOTAL TRANSFERS IN	<u>31,695,033.20</u>

NET TRANSFERS OUT	<u><u>(7,364,688.34)</u></u>
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