

CITY COUNCIL BUDGET AMENDMENTS

Operating Budget Amendments

Expenditure Adjustments:

\$331,668	Increase funding for Jail Contract
\$191,224	Ex-Offender Program
\$350,000	Sidewalk Replacements in CDBG eligible areas (no cost to owners)
\$250,000	Increase funding for DCTV
\$150,000	Mow Clean Program
\$196,721	Graffiti Program
\$379,806	Enhance City Hall entry
\$120,000	Additional Community Prosecution Team
\$25,000	Increase funding to support Arts Organizations
\$200,000	Four additional Animal Control Officers
\$1,632,966	Staffing for Red Light Camera program
\$50,000	Enhance Neighborhood Street Lighting at up to 60 locations
\$248,800	Enhance cross-walk and turn arrow painting
\$220,000	Replace signs at 200 traffic signals
\$207,200	Install reflective pavement markers
\$50,000	Install pedestrian "count down" signals at 200 signalized crosswalks
\$114,800	Install painted edge lines and wider street stripes
\$62,500	New guardrails
\$75,000	Funding for 50 road humps
<u>\$4,855,685</u>	

Revenue Adjustments:

\$2,425,661	Increase Sales Tax revenue forecast
\$9,866,613	Red Light Camera revenue - 60 cameras
<u>(\$7,436,589)</u>	Increase proposed Property Tax Rate decrease from .25¢ to 1.25¢
\$4,855,685	

BUDGET PROCESS CALENDAR

The City of Dallas' budget process consists of a nine-month schedule of presentations, hearings, and deliberations. The FY 2006-07 budget process dates are as follows:

<u>January, 2005</u>	Various Consolidated Plan Public Hearings
<u>January 21</u>	City Council Planning Session – Refinement of key focus areas for FY 2006-07 budget
<u>February 7-8</u>	Budget kick-off. City departments given instructions on development of their FY 2006-07 budgets for all services using Zero-Based Budgeting
<u>March 4</u>	City Managers Office, Department Directors and Budget staff attended workshop by authors of <u>Price of Government</u>
<u>March 9</u>	Public Hearing on the Operating, Capital, and Grants and Trusts Budgets
<u>April – August 5</u>	City Manager's Office budget deliberations included individual department presentations, and two series of deliberations organized by Key Focus Areas.
<u>April 6</u>	City Council Budget Workshop – FY 2006-07 General Fund Budget Outlook
<u>April 7</u>	Community Development Commission amendments and approval of Consolidated Plan Budget
<u>May 10</u>	Public hearing on the Operating, Capital, and Grants and Trust Budget
<u>May 18</u>	City Council Budget Workshop – FY 2005-06 General Fund Budget Outlook and FY 2005-06 Consolidated Plan Budget
<u>June 1</u>	City Council Budget Workshop – Council amendments to FY 2005-06 Consolidated Plan Budget
<u>June 8</u>	City Council preliminary adoption of Consolidated Plan Budget

BUDGET PROCESS CALENDAR

- June 21** City Council Budget Workshop – FY 2006-07 Budgeting for Outcomes: Status Report
Council can request specific budget topics for briefing and discussion. Council questions are responded to either verbally at the workshop or with follow-up written responses.
- July 25** Certified Tax Roll from Dallas Central Appraisal District
- August 9** City Council Consolidated Plan Budget Public Hearing
- August 9** City Council final adoption of Consolidated Plan Budget
- August 14** City Manager’s FY 2006-07 Proposed Budget presented to City Council in a formal Council briefing. Council feedback is received.
- August 14 - September 8** City Council Budget Town Hall Meetings – These are scheduled by the individual Councilmembers. An Assistant City Manager presents the City Manger’s recommended budget to those in attendance and the Councilmember receives comments and feedback from their constituents on the budget.
- August** Public Hearing on the Operating, Capital, and Grants and Trusts Budget
- August 23** City Council Budget Workshop – Specific budget related topics are briefed to the Council. Councilmembers provide their comments on possible changes to the recommended budget.
- September 6** City Council Budget Workshop - Specific budget related topics are briefed to the Council. Councilmembers provide their comments on possible changes to the recommended budget
- September 13** City Council adopts Budget on First Reading (requires a majority vote)
- September 19** City Council Budget Amendment Workshop – Councilmembers submit proposed amendments to the City Manager’s recommended budget. Proposed amendments should be balanced with revenue and/or expenditure changes. A majority straw vote is required for an amendment to be included in the recommended budget.

BUDGET PROCESS CALENDAR

September 20

City Council Budget Amendment Workshop (if necessary) – Councilmembers submit proposed amendments to the City Manager’s recommended budget. Proposed amendments should be balanced with revenue and/or expenditure changes. A majority straw vote is required for an amendment to be included in the recommended budget.

September 27

City Council adopts Budget on Second Reading and sets Tax Rate (requires a majority vote)

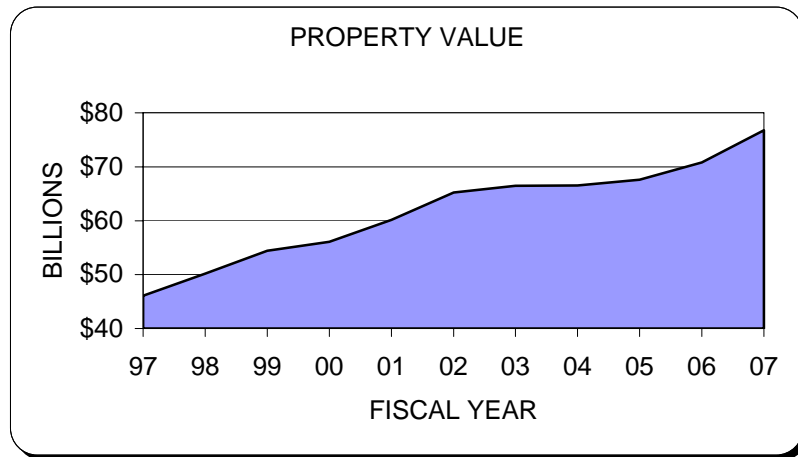
MAJOR REVENUE SOURCES

GENERAL FUND MAJOR REVENUE SOURCES

The revenue sources described in this section account for \$857,321,931 (86.1%) of the City's total General Fund operating revenues and \$140,429,580 (86.1%) of the Tax Supported Debt Service revenues.

PROPERTY TAXES

Property (ad valorem) taxes attach as an enforceable lien on property as of each January 1st. The City's property tax is levied each September on the assessed value listed as of the prior January 1st for all real property and income-producing personal property located in the City. Assessed values are established by the Dallas Central Appraisal District at 100% of the estimated market value and certified by the Appraisal Review Board. The assessed taxable value for the tax roll as of January 1, 2006 (upon which the FY 2006-07 levy is based) is \$76,792,536,880. The 2006 tax roll is 8.4% greater than the 2005 tax roll.



The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate for the year ending September 30, 2007 is adopted at 72.92¢ per \$100 of which 54.48¢ is allocated for general government operations and maintenance and 18.44¢ is allocated for general obligation debt service payments.

Taxes are due January 31st following the September levy and are considered delinquent after January 31st of each year. Based upon historical collection trends, current tax collections for the year ending September 30, 2007 are estimated to be 96.84% of levy and will generate \$405,145,384 in General Fund revenues and \$137,130,706 in Debt Service revenues for a total of \$542,276,090 in revenues. Prior year taxes, penalties, and interest are expected to produce an additional \$12,467,634 in revenues.

MAJOR REVENUE SOURCES

AMBULANCE REVENUES

The Dallas Fire Department provides emergency ambulance services within the boundaries of the City of Dallas and the City of Cockrell Hill to any person requesting aid. The emergency medical staff transports the individual or individuals to a hospital providing emergency aid for a transport charge plus itemized charges. The charge is \$600 for residents and \$700 for non-city residents, and \$125 for treatment/non- transport services.

The billing and collection of ambulance fees is provided by an outside agency through a contract with the City of Dallas. The current collection agency is Southwest General Services, Inc. To estimate the FY 2006-07 revenue, historical information is used to project the gross amount billed, and a projected rate is applied to this amount.

SANITATION SERVICES REVENUE

Sanitation Services Revenue is collected to support the cost of providing garbage collection, brush and bulky collection, and recyclables collection services for residential customers and a few small commercial customers. This revenue is based on fees, which are collected through the monthly water bills issued by Dallas Water Utilities. The FY 2006-07 estimated revenue is determined by multiplying the current residential rate (adopted increase from \$17.88 to \$18.85 per month) by the projected number of residential customers plus estimates for pack out service and commercial customers. In addition, an allowance of 1.25% is assumed for uncollectible accounts.

PRIVATE DISPOSAL REVENUE

Private Disposal Revenue is collected primarily at the McCommas Bluff Landfill for the privilege of disposing of solid waste at the site. The rates at the McCommas Bluff Landfill are \$16 per ton. The Bachman Transfer Station rate remains unchanged at \$40 per ton. City of Dallas residents hauling their own household and yard wastes are exempt from the fees. The FY 2006-07 figure is determined by projecting the estimate for the current fiscal year and then making adjustments for any other expected changes (including fee increases). In addition, an allowance of 1.25% is assumed for uncollectible accounts.

MAJOR REVENUE SOURCES

FRANCHISE FEE REVENUE

The City of Dallas maintains non-exclusive franchise agreements with utilities and other service providers that use the City's right-of-ways to provide services to the public. These franchise ordinances provide for compensation to the City in the form of franchise fees. These fees are in lieu of all other fees and charges related to the use of the right-of-ways. They are in addition to sales and ad valorem taxes.

Generally, franchise fees are calculated based on a percentage of the companies' gross receipts as a result of doing business in Dallas. Comcast Cable Communications, Inc., pays a fee equal to 5% of gross receipts, paid monthly, 30 days after the end of the period covered. Franchise fees for TXU Gas are 4% of their gross receipts, paid quarterly, by wire transfer. Projections for FY 2006-07 revenues for cable are based on historical data trended forward using regression analysis. Franchise fees for TXU Electric are based on a fee per kilowatt hour consumed and are projected for FY 2006-07 using historical data, trended forward by statistical analysis techniques and normalized for weather.

Certificated telecommunications providers no longer pay franchise fees to the City. Pursuant to Local Government Code 283 telecommunications providers must compensate the City for use of the right-of-way on a per access line basis. These fees are to be paid to the City 45 days after the end of each calendar quarter. It is anticipated that these municipal fees for all telecommunications providers in the City will total \$32,540,000 for FY 2006-07.

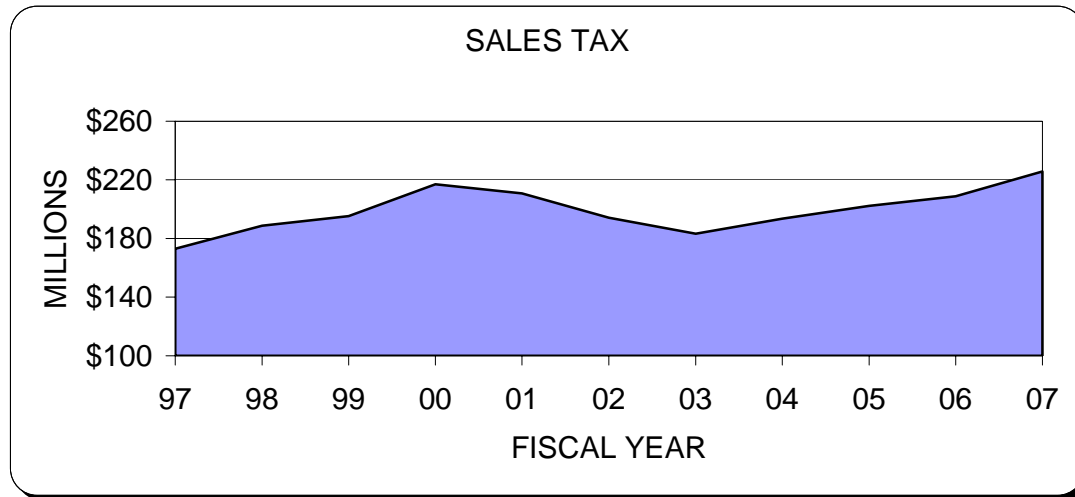
MUNICIPAL COURT REVENUES

Court and Detention Services collects fines and fees on Class C Misdemeanor citations, including moving/non-moving traffic violations and State law/City ordinance violations. Revenues are collected at cashier windows, by mail-in payments and through express mail depositories. Delinquent accounts are forwarded to a collection agency for additional collection efforts. The methodology used to project revenues is a combination of straight lining actuals, historical analysis and multi-year averaging.

MAJOR REVENUE SOURCES

SALES TAX

The sales tax rate in the City of Dallas is 8.25% of taxable goods or services sold within the City limits. The tax is collected by the retriever at the point of sale and forwarded to the State Comptroller's Office on a monthly or quarterly basis. Of the 8.25% collected, the state retains 6.25% and distributes 1% to the City of Dallas and 1% to the Dallas Area Rapid Transit transportation authority.



As illustrated in the accompanying graph, sales tax receipts have increased from \$173.0 million in FY 1996-97 to a projected \$225.7 million in FY 2006-07. Sales tax revenues are historically volatile; therefore, actual collections may differ significantly from the budgeted amount, as experienced in FY 2000-01, FY 2001-02, FY 2002-03, and FY 2003-04.

SECURITY ALARM PERMIT FEE

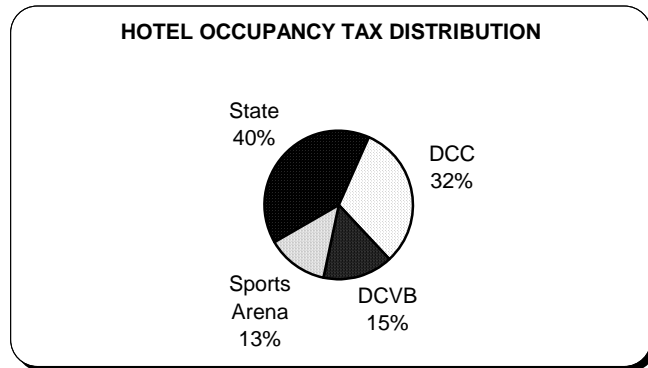
The City of Dallas charges residences and businesses \$50 for new or renewal of a security alarm permit, which must be renewed annually. For residences, a false alarm fee of \$50 for the 4th, 5th, and 6th false alarms, \$75 for the 7th and 8th, and \$100 for 9 or more false alarms notifications in a 12 month period will be assessed. For businesses \$100 for the 1st, \$200 for the 2nd, \$300 for the 3rd, and \$400 for 4 or more false alarm notifications in a 12 month period will be assessed.

MAJOR REVENUE SOURCES

ENTERPRISE FUND MAJOR REVENUE SOURCES

HOTEL OCCUPANCY TAXES

The Hotel Occupancy Tax rate in the City of Dallas is 15% of the room rate charged within the City limits. The tax is collected by the Hotel at the point of sale and forwarded to the State (6%) and City (9%) on a monthly basis. Two percent of the City's portion supports the Sports Arena Project. 32.6% of the remaining 7% collected by the City is paid to the Dallas Convention and Visitors Bureau (DCVB) to market and promote the City of Dallas as a convention and tourist destination. The remaining revenue (67.4% of the 7%) is used to support Dallas Convention Center (DCC) operations and capital improvements. The distribution of the 15% hotel occupancy tax is illustrated in the accompanying graph.



The Dallas Convention Center's portion of Hotel Occupancy Tax revenues (7%) is projected at \$36,225,962 in FY 2006-07. Hotel occupancy tax revenues are historically volatile; therefore, actual collections may differ significantly from the budgeted amount, as experienced in FY 2001-02 and FY 2002-03.

STORMWATER REVENUES

The Storm Water Drainage Utility Revenue is collected to support the cost of operating and maintaining the City's storm sewer system; creek, river and levee maintenance; monthly sweeping of the City's major thoroughfares; water quality activities required by the City's EPA storm water permit, e.g., sampling, testing, monitoring, public education, code enforcement, and hazardous spill cleanup and disposal; lake de-silting; and engineering, design and inspection of storm sewer infrastructure. The actual construction of storm sewer system infrastructure is not covered by this revenue, but instead is funded through General Obligation Bonds. This revenue is collected through the monthly water bills issued by Dallas Water Utilities. The FY 2006-07 estimated revenue is generated by rates based on the size and use of each property within Dallas. This is then multiplied by a factor that reflects amount of runoff the property is expected to generate that the City's storm sewer system must handle. In addition, an allowance of 2.0% is assumed for uncollectible accounts.

MAJOR REVENUE SOURCES

WATER/WASTEWATER REVENUES

The Water Utilities Department is owned and operated by the City of Dallas as a self-supporting enterprise fund. The department receives no tax dollars and obtains its revenues through the sale of water and wastewater services in five customer classes. These classes are Residential, General Service, Municipal, Optional General Service, and Wholesale. The wholesale customer class is comprised of 22 communities outside the City of Dallas which receives water service, and 11 communities, which receive wastewater service. Rates for each class are determined by a cost of service study that assigns costs to each class based on the department's cost to provide them with these services.

The breakdown of the source of revenues from these customer classes is as follows:

- 36.9% of the revenues come from the Residential class,
- 41.4% comes from the General class,
- 0.8% comes from the Municipal class,
- 4.2% comes from the Optional General class
- 17.0% comes from the Wholesale class.

These revenues are used to pay for the following:

- Operating and maintenance costs of providing water and wastewater service to customers,
- Debt service (principal and interest) on outstanding debt used to design and construct the facilities necessary to provide these services,
- Street Rental payment (equivalent to franchise fees assessed to other utilities) to the General Fund for the use of the City's right-of-ways,
- Cash funding for capital improvement facilities not funded through the sale of revenue bonds or other debt.

The Water Utilities Department also receives other miscellaneous revenues such as, but not limited to, interest earnings, connection fees, and system improvement contributions. In FY 2006-07, water and wastewater revenues will total \$466.2M including a 7.6% increase in the retail rate. Water revenues can fluctuate depending on the summer temperatures and the amount of rainfall in the area.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

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 to exceed 8%:
 - Excluding taxable value gained by 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.

Status

In Compliance
 Current revenues are sufficient to support current expenditures in all operating funds in FY 2006-07.

In Compliance
 The % change in base revenue (from FY 2005-06 to FY 2006-07) is 4.1%.

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

Base revenues = FY 2005-06 budgeted revenues from current tax roll (in 000's)	\$ 507,426
2006-07 Ad-Valorem Tax Revenue	\$ 542,276
Less: Voter Mandated-Debt Service	\$ 1,595
Growth from Annexation	\$ 0
Growth from New Construction	<u>\$ 12,529</u>

Adjusted revenue recommendation:	\$ 528,152
% Change from base revenues:	4.1%

In Compliance
 No debt is programmed in the Operating Budget to fund current expenses.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Operating Program Status (Continued)

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.

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.

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.

Status

In Compliance.
In May 2004, the City Council supported recommendations of the Employees' Retirement Fund Study Committee. In November 2004, voters approved City Code changes. Pension Obligation Bonds were issued in January 2005. Employee and City contribution rates increase October 1, 2005.

In Compliance

Not In Compliance

The Convention & Event Services fund does not have sufficient fund balance to meet the 30 day guideline.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Operating Program Status (Continued)

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.

Status

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Operating Program Status (Continued)

8. The Contingency Reserve 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 combined levels of the Emergency Reserve and the Contingency Reserve shall be maintained at a level which, when added to the end-of-year unreserved, undesignated fund balances of the General Fund is not less than 5% of the General Fund operating expenditures less debt service.

Status

In Compliance

The adopted Contingency Reserve level is \$5,000,000, 0.50% of the General Fund budget. It will be funded from FY 05-06 Contingency Reserve ending balance of \$3,826,122, General Fund contribution of \$1,173,378.

In Compliance

Emergency Reserve	
9/30/06 (projected)	\$ 18.3M
FY2006-07 appropriations	\$ 0.0M
Contingency Reserve	
9/30/06 (projected)	\$ 3.8M
FY2006-07 appropriations	\$ 1.2M
Fund Balance 9/30/07 (projected)	<u>\$ 39.2M</u>
Combined	\$ 62.5M

\$62.5M is 6.28% of the adopted General Fund budget

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

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

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.

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.

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.

Status

In Compliance

The adopted Risk Reserve level is \$1,250,000. It will be funded from the FY 05-06 Risk Reserve ending balance of \$1,250,000.

In Compliance

The adopted Liability Reserve will be funded at \$4,445,770. It will be funded from FY 06-07 General Fund contribution of \$3,016,278, General Fund departmental contributions of \$889,406 and other funds contributions of \$540,086.

Establishment of reserve not recommended at this time.

Not In Compliance

The adopted budget includes \$2.0M for major building maintenance. It is estimated that \$5.0M would be necessary to maintain buildings. All other aspects are in compliance. City Manager's recommended 2006 Capital Bond Program includes significant funding for major building maintenance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Operating Program Status (Continued)

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.

Status

In Compliance
Replacement and maintenance needs are funded.

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 comprehensive fees and charges study will be completed in FY 2005-06.

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
1.2%

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
3.5%

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

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Capital and Debt Management (Continued)

Status

<p>20. Average (weighted) General Obligation bond maturities (exclusive of Pension Obligation Bonds) shall be kept at or below 10 years.</p>	<p>In Compliance 7.4 Years</p>
<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 10.2%</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 3.4% - Total Debt 2.4% - 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>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Capital and Debt Management (Continued)

<u>Capital and Debt Management (Continued)</u>	<u>Status</u>
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.	In Compliance
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.	In Compliance
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.	In Compliance 1.9%
<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. 	0%
27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.	In Compliance
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.	In Compliance
29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.	In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Capital and Debt Management (Continued)

Status

- | | |
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| 30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years. | In Compliance |
| 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. | In Compliance |
| 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. | In Compliance |
| 33. No more than 5% of the City's tax base will be in Tax Increment Financing zones. | In Compliance |
| 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

FY 2006-07 Adopted Budget Status

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.

Status

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Capital and Debt Management (Continued)

Status

- 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, repayment of bonds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

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

- 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 refundings 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

FY 2006-07 Adopted Budget Status

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.

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.

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

Budget

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

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

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.

Status

In Compliance

The basis of budgeting for all funds essentially follows the basis of accounting (modified accrual). The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis); 2) compensated absences (accrued but unused leave) are not reflected in the budget; 3) depreciation expense is not included in the budget basis.

FY 2004-05 was issued October 2006.

In Compliance

In Compliance

In Compliance

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

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

FY 2006-07 Adopted Budget Status

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 10% 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 |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Dallas Water Utilities (Continued)

Status

- | | |
|--|---|
| <p>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.</p> | <p>In Compliance
1.50 times maximum annual principal and interest</p> |
| <p>8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes.</p> | <p>In Compliance</p> |
| <p>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.</p> | <p>In Compliance</p> |
| <p>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.</p> | <p>In Compliance</p> |
| <p>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.</p> | <p>In Compliance</p> |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2006-07 Adopted Budget Status

Dallas Water Utilities (Continued)

Status

- | | |
|--|---------------|
| 12. Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement of 1979. 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 indicate a need therefore. | In Compliance |
| 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 |

GLOSSARY OF BUDGET TERMINOLOGY

AD VALOREM TAX

A tax levied on the assessed valuation of real land and improvements and personal property located in the City.

APPROPRIATION

An authorization made by the City Council that permits officials to incur obligations against and make expenditures of governmental resources.

ARBITRAGE

The interest earnings derived from invested bond proceeds or debt service fund balances.

ASSESSED VALUATION

This represents the total valuation of land and improvements and personal property less all properties exempt from tax. Also identified as taxable valuation.

BOND

A written promise to pay a sum of money on a specified date at a specified interest rate. General Obligation (GO) and Revenue Bonds are used for funding permanent capital improvements such as buildings, streets, and bridges.

BUDGET

A financial plan for a specified period of time that matches all planned revenues and expenditures with various municipal services. It is the primary means by which most of the expenditure and service delivery activities of a government are controlled.

CAPITAL CONSTRUCTION FUND

Capital construction funds are used to pay for capital projects which are not debt financed. Funding is usually derived from operating fund transfers.

CAPITAL GIFTS AND DONATIONS

Contributions by individuals or organizations for the purpose of funding capital improvements within the scope of interest of the donor.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The City's plan to finance major infrastructure development and improvement. It is primarily funded through General Obligation Bonds and Revenue Bonds.

CERTIFICATE OF OBLIGATION (CO)

A written promise secured by the full faith and credit of the City. Used for funding permanent capital improvements. Debt Service is paid from ad valorem taxes or operating revenues.

GLOSSARY OF BUDGET TERMINOLOGY

COMMERCIAL PAPER

A short-term promissory note offering flexibility to borrow as needed at the time of the actual award of projects instead of sale of bond. Used for interim financing for water and wastewater improvements.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

Federal funds available to municipalities specifically for activities and programs to create viable urban communities for low and moderate income persons.

CONTINGENCY RESERVE

A budgetary reserve which provides for unanticipated expenditures of a non-recurring nature.

CONTRACTUAL SERVICE

The cost related to services performed for the City by individuals, businesses, or utilities.

DEBT SERVICE

Sometimes referred to as the Interest and Sinking Fund, it is used to account for the accumulation of financial resources to meet the requirements of general obligation debt service and debt service reserve.

DEPARTMENT

A major administrative division of the City that indicates overall management responsibility for an operation or a group of related operations within a functional area.

EMERGENCY RESERVE

A budgetary reserve which provides for temporary financing of unforeseen needs of an emergency nature, unanticipated fluctuations in revenue, and individual judgment/settlement payments exceeding a \$5,000,000 liability cap.

ENCUMBRANCE

The commitment of appropriated funds to purchase an item or service.

ENTERPRISE FUND

These funds are fully supported by charges for service. Each fund establishes revenue-based fees and charges to recoup the costs of providing the services.

EQUIPMENT ACQUISITION NOTES

Short term note financing secured by the full faith and credit of the City used for funding capital equipment purchases. Debt service requirements are met with ad valorem or operating transfers from fee supported funds.

GLOSSARY OF BUDGET TERMINOLOGY

FIDUCIARY FUND

This type of fund accounts for assets held by the City in a trustee or agency capacity.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

The City maintains Financial Management Performance Criteria (FMPC), established in the late 1970's to reflect financial policies that the City believes necessary for planning purposes and to measure sound financial condition. These criteria are applied to the ongoing management of the City's finances and covers the following aspects of financial management: operating programs; capital and debt management; accounting, auditing and financial planning; cash management; grants and trusts; and, Dallas Water Utilities.

FINES AND FORFEITURES

Charges levied by City departments to individuals and businesses that are resolved through payment or loss of property.

FISCAL YEAR

The twelve-month period beginning October 1st and ending the following September 30th to which the annual budget applies.

FRANCHISE FEE

A fee levied by the City Council on businesses that use the City's right-of-way to deliver services. This fee is usually charged as a percentage of gross receipts.

FULL TIME EQUIVALENTS (FTE)

A unit used to quantify staffing. One FTE is a full year, 40 hour per week position. A part-time position working 20 hours per week or a temporary full-time position working six months would be 0.5 FTEs.

FULL YEAR FUNDING

The additional required funding necessary for twelve full months of operations related to positions and/or program funding added in the previous fiscal year. This funding complements prior year funding.

FUND

A fiscal and accounting entity with a self-balancing set of accounts (assets, liabilities, fund balance) which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE

The difference between a fund's assets and liabilities. For the purposes of this document, two different calculations are utilized. For the General Fund, the unreserved undesignated portion of fund balance is reported. For other funds, fund balance is reported as current assets less current liabilities less reserves for encumbrances. For non-enterprise funds, sick and vacation accruals are excluded. For multi-year funds, reserves for encumbrances are not excluded.

GLOSSARY OF BUDGET TERMINOLOGY

GENERAL CAPITAL RESERVE

Depository for proceeds from property sale, abandonments, or reimbursements of prior loans/advances providing funds for Capital Improvements and/or to provide interim financing for Capital Projects.

GENERAL FUND

This is the main operating fund of the City. It accounts for basic operating services such as Police, Fire, Streets, Sanitation, Code Enforcement, Park and Recreation, Library, Environmental and Health Services, and others.

GENERAL OBLIGATION BOND

Bonds used for funding permanent public capital improvements such as buildings, streets, and bridges. The repayment of these bonds is made from the levy of property tax. Voter approval is required to issue these bonds.

GRANT

A contribution by a government or other organization to support a particular function. Typically, these contributions are made to a local government from the state or federal government.

IN SERVICE DATE

Date on which a City facility is available to the public.

INTER-DEPARTMENT FINANCING

Short-term interim financing from one City department to another City department (necessary due to timing of project with permanent financing mechanism) with the repayment of the loan plus interest once permanent financing is in place.

INTEREST EARNED

Assets collected through investment of cash.

INTERFUND REVENUE

Assets transferred from one fund to another for services rendered. These are revenues from various funds that provide indirect cost payments to the General Fund. In addition, this revenue also includes Dallas Water Utilities street rental payment and surplus property auction revenue.

INTERGOVERNMENTAL REVENUE

Money collected from other governmental entities.

KEY FOCUS AREA

Dallas City Council established the following Key Focus Areas in January 2004 as the City's top priorities -- Economic Development, Staff Accountability, Neighborhood Quality of Life, Public Safety and Homeland Security, and Trinity River Project.

GLOSSARY OF BUDGET TERMINOLOGY

KEY INDICATOR

A quantifiable measure that can be used to gauge whether progress is being made towards the result. (Proposed by the City Manger and Budget Team; approved by City Council)

LIABILITY RESERVE

Funds reserved for outstanding current and forecasted future liabilities.

LICENSE AND PERMITS REVENUE

These are revenues related to various license and permit fees.

MISCELLANEOUS REVENUE

These are miscellaneous revenues from rental, gifts and donations, and collections for damages to City property.

MODIFIED ACCRUAL BASIS OF ACCOUNTING

Basis of accounting according to which (a) revenues are recognized in the accounting period in which they became available and the measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

OBJECTIVE

A specific statement describing what is to be achieved, by how much, and within what time frame. Objectives should be results-oriented, specific, measurable, and relevant to the goals of the programs to which they relate.

ONE TIME RESOURCES

These are non-recurring revenues, which will be used for one-time expenses.

OPERATING AND MAINTENANCE COST

Operational cost incurred by a facility for one year.

OPERATING BUDGET

The personnel, supply, service, and short term capital expenditures of a department.

PROGRAM

A sub-unit of a department.

RESULT

A statement of a desired outcome that Dallas residents expect. (Proposed by the City Manger and Budget Team; approved by City Council)

COMMUNITY PROFILE

CITY OF DALLAS, TEXAS

The City of Dallas was incorporated in 1856. The City Charter was adopted in 1907. Dallas is currently the third largest city in the nation with a Council-Manager form of government. There are fourteen single-member districts and a mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and the Municipal Court Judges. The City Manager appoints all other department directors except two appointed by the Civil Service Board and the Park and Recreation Board.

Population: Dallas is the 18th fastest growing city in the nation among cities with 500,000 or greater population (2000 to 2005 growth rate), with an estimated population of 1,193,433 (2004 U.S Census Bureau American Community Survey) that places Dallas as the ninth largest city in the United States.

Population Trends (Census Data):

1950	434,462	1980	904,078
1960	679,684	1990	1,007,618
1970	844,401	2000	1,188,580

**Source: Texas Almanac, 2004-05 Edition*

The following denotes the population and racial/ethnic composition of the City of Dallas as of January 1, 2001 (provided by the United States Census Bureau):

Population by Race:

Hispanic	42.0%
White	30.0%
Black	23.5%
American Indian	0.2%
Asian	3.0%
Other	0.2%
Two or more races	1.1%

Population by Sex:

Female	49.1%
Male	50.9%

COMMUNITY PROFILE

CITY OF DALLAS, TEXAS

Population by Age:

Under 19 years	30.6%
20 to 44 years	42.4%
45 to 64 years	19.1%
65 to 85+ years	7.9%

Median Age 30.6

Land area (in square miles):

384.7

Lake Area (in square miles):

45.0

Climate:

Daily Mean Temperature, Annual Average	65.4°F
Precipitation, Average Annual Total	33.7 inches

Miles of Streets:

Paved (lane miles)	11,594
Unpaved (gravel)	11

Number of street lights (FY 2005-06 Adopted):

84,725

Fire Protection:

Number of stations	56
Number of uniformed personnel (FTEs, FY 2006-07 Proposed)	1,868.8

Police Protection:

Number of stations	6
Number of uniformed personnel (FTEs, FY 2006-07 Proposed)	3,236.5

COMMUNITY PROFILE CITY OF DALLAS, TEXAS

Parks:

Number of Parks	379
Total Park Acreage	20,500

Public Libraries:

Public Library Locations	26
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Transportation:

Love Field (2005) Total Passengers	5,950,664
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Dallas Executive (General Aviation Airport) Number of operations (annual, FY 2005)	81,177
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Dallas/Forth Worth International Airport (FY 2005) Total Domestic Revenue Passengers	53,505,430
Passenger Enplanements	29,054,321
Domestic Cargo (tons)	552,182

Construction Activity (FY 2003-04):

Permits Issued	30,745
Estimated Value	\$2,609,184,718

<i>Median Family Income:</i>	\$42,218
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<i>Unemployment Rate (May, 2006)</i>	5.5%
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COMMUNITY PROFILE CITY OF DALLAS, TEXAS

Employment:

**Largest Public Companies
(by Total Revenue - 2006)***

	Revenue (\$ Millions)
Texas Instruments	13,392
Centex Corp	12,860
Dean Foods	10,900
TXU	10,449
Tenet	10,052
Southwest Airlines	7,584
Energy Transfer Partners	6,274
Blockbuster Inc.	5,864

**Source: "Fortune 500", Fortune Magazine, April 2006*

**Largest Private Sector Employers
(by Largest Employment Site)***

	# Local Employees
Texas Instruments	12,400
Southwest Airlines	3,064
Presbyterian Hospital Dallas	2,927
Baylor University Medical Center	2,606
Medical City Hospital	2,600
Methodist Medical Center	2,300
PricewaterhouseCoopers LLP	2,000
Vought Aircraft Industries	2,000

**Source: D & B Zapdata, 2006*

COMMUNITY PROFILE CITY OF DALLAS, TEXAS

Institutions of Higher Education (Dallas Area)

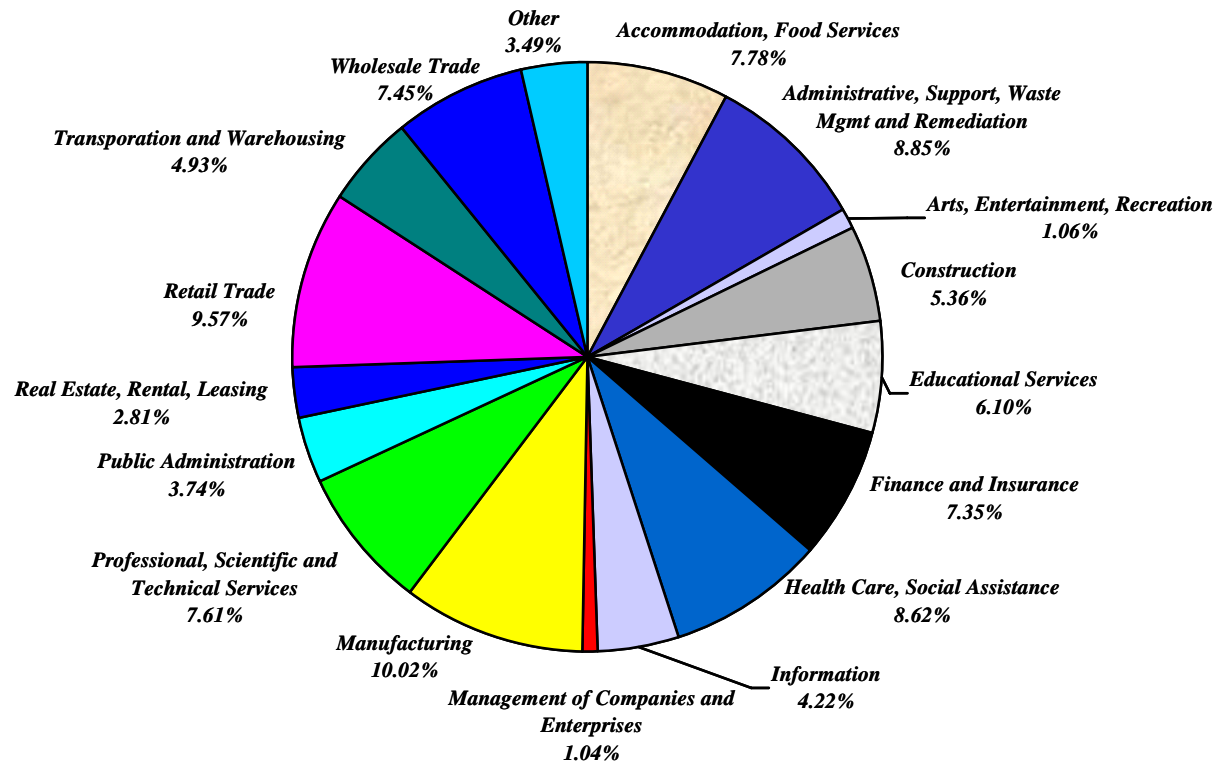
University of North Texas System Center at Dallas
University of Texas Southwestern Medical Center at Dallas
Baylor College of Dentistry (Texas A&M System)
Dallas Baptist University
Paul Quinn College
Dallas County Community College District
El Centro College
Mountain View College
Richland College

Public University
Public University
Independent Graduate
Independent Senior College
Independent Senior College
Community College

Source: Texas Higher Education Coordinating Board

COMMUNITY PROFILE CITY OF DALLAS, TEXAS

Employment by Industry
Dallas, Texas
*As of June, 2006**



*Source: Texas Workforce Commission