

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

City Council originally adopted the Financial Management Performance Criteria (FMPC) on March 15, 1978, to provide standards and guidelines for the City's financial managerial decision making and to provide for a periodic review of the criteria to maintain standards and guidelines consistent with current economic conditions. The FMPC contains 54 criteria in seven different categories, in addition to 13 criteria specific to Dallas Water Utilities.

Operating Program: Criteria 1-14

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Budgeting and Planning: Criteria 17-24

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Dallas Water Utilities: Criteria DWU 1-13

City Council approved the most recent revision to the FMPC in December 2017. The status of each criterion is updated annually and presented with the annual budget, at year-end, and for each debt issuance.

Revisions:

9/27/1978

7/8/1981

9/28/2011

10/8/2014

12/13/2017

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

OPERATING PROGRAM

Number: 1
Name: Property tax revenue limit
Type: Operating Program

Description: The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not exceed eight percent, 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.

FY 2017-18 Base Revenue:	\$901.5 million
FY 2018-19 Tax Revenue:	\$974.6 million
Less	
Voter Mandated Debt:	\$9.9 million
New Construction:	\$27.8 million
Adjusted Revenue:	\$936.9 million
Percent Change:	3.9 percent

Status: In compliance. 3.9 percent.

Number: 2
Name: Unassigned fund balance minimum
Type: Operating Program

Description: The unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained at a level not less than 40 days of the General Fund operating expenditures less debt service. Funds will be allocated from unassigned fund balance only after the City Manager has prepared an analysis and presented it to the City Council.

FY 2018-19 Emergency Reserve:	\$35 million
FY 2018-19 Contingency Reserve:	\$11.5 million
<u>FY 2018-19 Residual:</u>	<u>\$137.8 million</u>
Total:	\$184.3 million (49.3 days)

Status: In compliance. 49.3 days.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 3
Name: Contingency Reserve
Type: Operating Program

Description: 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 adopted 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 0.5 percent to 1.0 percent of budgeted departmental expenditures.

Status: In compliance. FY 2018-19 Contingency Reserve is \$11.5 million, or 0.84 percent of the FY 2018-19 proposed General Fund budget.

Number: 4
Name: Emergency Reserve
Type: Operating Program

Description: The Emergency Reserve, a component of unassigned fund balance, 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 five percent 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 adopted 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. Management shall designate up to 20 percent of the General Fund’s projected unassigned fund balance but not less than \$25 million to the Emergency Reserve. Use of the Emergency Reserve shall require a super-majority of City Council.

Status: In compliance. FY 2018-19 Emergency Reserve is \$35 million.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 5
Name: Risk Reserve
Type: Operating Program

Description: The Risk Reserve shall be maintained at a level that, 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 FY 2018-19 Risk Reserve is \$1.25 million.

Number: 6
Name: Prohibition of debt for operating expenditures
Type: Operating Program

Description: Debt will not be used to fund current operating expenditures.

Status: In compliance.

Number: 7
Name: Enterprise Funds full-cost funding and minimum net working capital
Type: Operating Program

Description: Each Enterprise Fund of the City will maintain revenues that support the full (direct and indirect) cost of the fund. In addition, each Enterprise Fund should maintain at least 30 days of budgeted operations and maintenance expense in net working capital and avoid cash deficits. Enterprise Funds will maintain positive balances.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 8
Name: Liability/Claims Fund
Type: Operating Program

Description: 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 million. 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. Additionally, the Liability Fund will include an allocation for unanticipated affirmative litigation.

Status: In compliance. FY 2018-19 Liability/Claims Fund budget is \$10.2 million.

Number: 9
Name: Landfill Closure/Post-Closure Reserve
Type: Operating Program

Description: 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.

Status: Establishment of reserve is not recommended at this time.

Number: 10
Name: Facilities replacement versus maintenance analysis
Type: Operating Program

Description: 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: Not in compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 11
Name: Annual assessment for equipment and maintenance needs
Type: Operating Program

Description: 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: Not in compliance. Fleet study underway in FY 2017-18. Report presented to City Council – December 2018.

Number: 12
Name: User fees review
Type: Operating Program

Description: 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. Where feasible and desirable, the City shall set fees and charges to achieve full cost recovery. The City may subsidize the services funded by fees or charges based on other City objectives.

Status: In compliance.

Number: 13
Name: Employee Benefits Fund minimum cash reserve
Type: Operating Program

Description: The Employee Benefits Fund will maintain a cash reserve of at least the anticipated end-of-year claims incurred but not paid, and other current liabilities. This does not include incurred but not reported (IBNR) claims. The Employee Benefits Fund will maintain a positive cash balance.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 14
Name: Internal Service Funds and Enterprise Funds cash balances
Type: Operating Program

Description: Internal Service Funds and Enterprise Funds will maintain positive cash balances.

Status: In compliance.

PENSION PROGRAM

Number: 15
Name: Sufficient funding for retirement systems
Type: Pension Program

Description: All retirement systems will be financed in a manner to systematically fund liabilities. The City will ensure 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 City Council by the pension funds.

Status: In compliance.

Number: 16
Name: Actuarial analysis required on retirement systems
Type: Pension Program

Description: 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 biannually 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.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

BUDGETING AND PLANNING

Number: 17
Name: Balanced budget
Type: Budgeting and Planning

Description: 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 unassigned fund balance accumulated through prior year surplus. Nonrecurring or one-time revenues should, to the extent possible, be used only for one-time expenditures (expenditures not expected to reoccur and requiring future appropriations) to avoid future shortfalls.

Status: In compliance.

Number: 18
Name: Five-year revenue and expenditure projection
Type: Budgeting and Planning

Description: Management will project revenues and expenditures annually for at least five years beyond the current year for the General Fund and each Enterprise Fund of the City.

Status: In compliance.

Number: 19
Name: Financial monitoring
Type: Budgeting and Planning

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

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 20
Name: Operating impact of capital improvements
Type: Budgeting and Planning

Description: 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.

Number: 21
Name: Comparison of financial performance to FMPC
Type: Budgeting and Planning

Description: 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 (CAFR) to the City Council. A pro forma report reflecting Adopted Budget status will be submitted with the City Manager’s Adopted Budget each year.

Status: In compliance.

Number: 22
Name: Two-year balanced budget
Type: Budgeting and Planning

Description: Each year, the City Manager shall develop and present to the City Council a two-year balanced budget. The City Council will adopt a one-year budget and set the property tax rate in accordance with state law annually. Expenditures shall be budgeted and controlled so as not to exceed current revenues in each year or City Council approved use of fund balance.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 23
Name: Over-65 and disabled homestead exemption modification
Type: Budgeting and Planning

Description: The City will compare the current disabled and over-65 exemption to the most recent annual Consumer Price Index (CPI) every two years and provide the analysis to City Council for consideration prior to June 30 for possible increase of this property tax exemption. Changes to property tax exemptions must be provided to the appraisal districts no later than June 30.

Status: In compliance. Calculated each odd-numbered year.

Number: 24
Name: Effective tax rate-based budget proposal
Type: Budgeting and Planning

Description: The City Manager will develop an estimated effective tax rate budget scenario and, if different from the City Manager’s recommended budget required by Chapter 11, Section 1 of the City Charter, will provide it to the City Council at the same time. The estimated effective tax rate budget scenario will include a prioritized list of services/expenses that could be funded and a prioritized list of services/expenses that could not be funded with the estimated effective tax rate.

Status: In compliance.

CAPITAL AND DEBT MANAGEMENT

Number: 25
Name: Matching of bond funds and useful life of project
Type: Capital and Debt Management

Description: 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 (for example, bonds issued for street resurfacing shall be financed for a period not to exceed 10 years).

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 26
Name: GO debt to market value of taxable property limit
Type: Capital and Debt Management

Description: The net (non-self-supporting) General Obligation (GO) debt of Dallas will not exceed four percent of the true market valuation of the taxable property of Dallas.

Status: In compliance. 1.4 percent.

Number: 27
Name: Direct and overlapping debt to market value of taxable property limit
Type: Capital and Debt Management

Description: Total direct plus overlapping debt shall be managed to not exceed eight percent of market valuation of taxable property of Dallas. All debt, which causes total direct plus overlapping debt to exceed six percent of market valuation, shall be carefully planned and coordinated with all overlapping jurisdictions.

Status: In compliance. 4.0 percent.

Number: 28
Name: Capitalization of interest expense
Type: Capital and Debt Management

Description: Interest expense incurred prior to actual operation will be capitalized only for facilities of enterprise activities.

Status: In compliance.

Number: 29
Name: Average GO bond maturities
Type: Capital and Debt Management

Description: Average (weighted) GO bond maturities (exclusive of Pension Obligation bonds) shall be kept at or below 10 years.

Status: In compliance. 6.8 years.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 30
Name: GO debt service to Governmental Fund expenditures limit
Type: Capital and Debt Management

Description: Annual GO debt service (contribution), including certificates of obligation (CO) debt for risk management funding, shall not exceed 20 percent of the total Governmental Fund expenditures (composed of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds).

Status: In compliance. 14.60 percent.

Number: 31
Name: Per capita GO debt to personal income limit
Type: Capital and Debt Management

Description: Per capita GO debt, including COs, equipment acquisition notes and GO bonds, will be managed to not exceed 10 percent of the latest authoritative computation of Dallas' per capita annual personal income as determined by the U.S. Department of Commerce Bureau of Economic Analysis.

Status: In compliance. 5.3 percent.

Number: 32
Name: Debt financing for betterment of capital improvements
Type: Capital and Debt Management

Description: Debt may be used to finance betterments intended to extend the service life of original permanent capital improvements under the following conditions: 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; and the betterment is financed through either COs or GOs.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 33
Name: Interest earnings from GO bond proceeds
Type: Capital and Debt Management

Description: Interest earnings from GO bonds shall be used solely to fund capital expenditures, debt service, or a reserve for capital contingencies.

Status: In compliance.

Number: 34
Name: Certificates of Obligation uses
Type: Capital and Debt Management

Description: COs 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.

Status: In compliance.

Number: 35
Name: CO limit as percentage of GO debt
Type: Capital and Debt Management

Description: CO debt, including that for risk management funding supported by an ad valorem tax pledge, should not exceed 15 percent of total authorized and issued GO debt. All COs issued in lieu of revenue bonds should not exceed 10 percent of outstanding GO debt.

Status: In compliance. 0.6 percent.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 36
Name: COs for enterprise projects
Type: Capital and Debt Management

Description: COs for an enterprise system will be limited to only those projects that can demonstrate the capability to support the certificate debt either through its own revenues or another pledged source other than ad valorem taxes.

Status: In compliance.

Number: 37
Name: CO authorization limit
Type: Capital and Debt Management

Description: CO authorization will remain in effect for no more than five years from the date of approval by the City Council.

Status: In compliance.

Number: 38
Name: CO authorization limit for risk management funding
Type: Capital and Debt Management

Description: COs authorized for risk management funding shall be issued for a term not to exceed 20 years.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 39
Name: Advance and current refunding criteria
Type: Capital and Debt Management

Description: 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 four percent.

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 three percent.

Status: In compliance.

Number: 40
Name: Enterprise Fund debt reserve requirements
Type: Capital and Debt Management

Description: 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.

Status: In compliance.

Number: 41
Name: GO Debt Service Fund minimum reserve
Type: Capital and Debt Management

Description: The City shall maintain a reserve in the GO Debt Service Fund equal to five percent of the following year's annual principal and interest debt service expense. The Debt Service Fund tax rate and/or future debt will be structured to maintain this debt service reserve.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

ECONOMIC DEVELOPMENT

Number: 42
Name: Tax Increment Financing zones revenue coverage
Type: Economic Development

Description: Tax Increment Financing (TIF) zones should be established where revenues will recover 1.25 times the public cost of debt to provide an adequate safety margin.

Status: In compliance.

Number: 43
Name: TIF zone residential limit
Type: Economic Development

Description: A TIF Reinvestment Zone (RZ) may not be created if more than 10 percent of the property in the adopted zone, excluding property dedicated for public use, is used for residential purposes. "Residential purposes" includes property occupied by a house, which is less than five living units.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 44
Name: RZs to total tax base limit
Type: Economic Development

Description: Pursuant to the provisions of the Texas Tax Code, the City creates RZs both for tax increment financing (TIF RZ) and for tax abatement (TA RZ). TA RZs are created to grant tax abatements 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 collectively as Reinvestment Zones (RZs).

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 15 percent of the total tax base (all real and business personal property) of the City. RZs no longer collecting tax increment or abating taxes (i.e. now contributing 100 percent to the City of Dallas property tax revenues) will be excluded from the calculation.

Status: In compliance.

Number: 45
Name: PID and TIF service impact analysis
Type: Economic Development

Description: All Public Improvement District (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.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 46
Name: PID and TIF debt issuance criteria
Type: Economic Development

Description: 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 a AAA-rated financial institution, for the entire amount of the debt issue;
 - if there is insufficient TIF increment revenues to retire TIF bonds, which consequently requires 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;
 - if there are changes in the rating of the financial institution providing credit enhancement, then that institution shall be replaced with a AAA-rated financial institution within 90 days; and
 - If no replacement of a 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.
- 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.
 - The total amount of PID/TIF debt outstanding should generally not exceed 20 percent of the City's outstanding GO indebtedness.
- PID/TIF bonds should be limited to projects consistent with the City's previously adopted FMPC for debt issuance.
- PID bonds should be limited to those projects that 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.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: 47
Name: PID and TIF debt issuances maturity limit
Type: Economic Development

Description: 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.

Status: In compliance.

Number: 48
Name: PID and TIF unrated, high-yield bond limit
Type: Economic Development

Description: The City will not propose the issuance of any unrated, high-yield PID/TIF bond that could be labeled a “high-risk bond,” except for small (less than \$5 million) private placements coordinated with the City’s Financial Advisor. All projects must be carefully evaluated for creditworthiness and meet the criteria above, whether a credit rating is obtained.

Status: In compliance.

Number: 49
Name: PID and TIF bond use
Type: Economic Development

Description: The City should use PID/TIF bonds only when other options have been considered.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

Number: 50

Name: Conformance with Generally Accepted Accounting Principles (GAAP)

Type: Accounting, Auditing, and Financial Reporting

Description: The City will establish and maintain a high degree of accounting practices that conform to GAAP as set forth by the Governmental Accounting Standards Board (GASB). GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

Status: In compliance.

Number: 51

Name: Annual independent audit and financial report

Type: Accounting, Auditing, and Financial Reporting

Description: Management will contract with an independent public accounting firm for an annual audit, with the subsequent issuance of an official CAFR in conformity with GAAP and applicable state statutes.

Status: In compliance.

Number: 52

Name: Full disclosure in financial statements and bond representations

Type: Accounting, Auditing, and Financial Reporting

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

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

GRANTS AND TRUSTS

Number: 53
Name: Grants and gifts compliance
Type: Grants and Trusts

Description: 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.

Status: In compliance.

Number: 54
Name: Pre-acceptance fiscal review
Type: Grants and Trusts

Description: Prior to acceptance of proposed gifts, 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, donations, or grants meet the strategic goals of the City, and any potential impact of loss of funds.

Status: In compliance.

DALLAS WATER UTILITIES (DWU)

Number: DWU 1
Name: Matching of current revenues and current expenses
Type: Dallas Water Utilities

Description: Current revenues will be sufficient to support current expenses including debt service and other obligations of the system.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: DWU 2
Name: Use of long-term debt
Type: Dallas Water Utilities

Description: Long-term debt will be used only for capital expansion, replacement, and improvement of plant, not for current expenses.

Status: In compliance.

Number: DWU 3
Name: Short-term debt authorization
Type: Dallas Water Utilities

Description: 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 percent 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 10 years. Outstanding tax-exempt commercial paper will never exceed the amount authorized by City Council.

Status: In compliance.

Number: DWU 4
Name: Contingency reserve sufficiency
Type: Dallas Water Utilities

Description: Contingency reserves will be appropriated at a level sufficient to provide for unanticipated, nonrecurring expenditures.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: DWU 5
Name: Debt financing maturity limit
Type: Dallas Water Utilities

Description: Debt financing for capital projects will not exceed the useful life of the asset, and in no case shall the term exceed 30 years.

Status: In compliance.

Number: DWU 6
Name: Unreserved cash balance minimum
Type: Dallas Water Utilities

Description: 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.

Status: In compliance.

Number: DWU 7
Name: Debt service coverage requirements
Type: Dallas Water Utilities

Description: 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.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: DWU 8
Name: Use of excess current revenues
Type: Dallas Water Utilities

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

Status: In compliance.

Number: DWU 9
Name: Funding from current rates relationship to depreciation expense
Type: Dallas Water Utilities

Description: 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.

Status: In compliance.

Number: DWU 10
Name: Capital financing methods and equity-to-debt ratio
Type: Dallas Water Utilities

Description: 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 percent should be maintained on all capital projects.

Status: In compliance.

Number: DWU 11
Name: Cost of service studies
Type: Dallas Water Utilities

Description: 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.

Status: In compliance.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

Number: DWU 12
Name: Wholesale water and wastewater rates
Type: Dallas Water Utilities

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

Status: In compliance.

Number: DWU 13
Name: Use of funds generated by DWU
Type: Dallas Water Utilities

Description: Funds generated by DWU will be used solely for the development, operation, and maintenance of the water and wastewater utility system.

Status: In compliance.

