

CITY COUNCIL BUDGET AMENDMENTS

Operating Budget Amendments

Expenditure Adjustments:

(\$1,338,576)	Delay Police and Fire uniform personnel 5% pay raise to October 29, 2002
(\$2,000,000)	Maintain the "employee only" benefits premium at \$23 per month
(\$406,964)	Reduce General Fund payment to the TIFs based on final certified tax roll
\$48,000	Increase the General Fund payment to the PID based on final certified tax roll
(\$432,598)	Reduce office supplies by 25%
(\$750,000)	Delay February 2003 Bond Election to May 2003 and combine with Council Election
(\$750,000)	Delay September 2003 Charter Election to November 2003
(\$147,886)	Reduce city-wide travel and training
(\$12,500)	Reduce Council travel budget
(\$181,445)	Delay replacement of Central Library parking system
(\$60,000)	Private funding for adoption of 3 DISD After School Programs
(\$40,000)	Eliminate purchase of bottled water
(\$30,000)	Reduce Nasher Sculpture Garden perimeter maintenance (0.4 FTEs)
\$2,210,196	Restore Streets 2010 funding to FY 2001-02 level
\$438,565	Restore operations of the Dallas Aquarium (12.0 FTEs)
\$383,110	Restore Fair Parks operations maintenance (15.6 day labor FTEs)
\$441,000	Restore athletic fields maintenance
\$249,330	Restore majority of swimming pool 11 week schedule based on actual usage (3.1 FTEs)
\$371,804	Restore recreation center hours to current level of 50 hours per week (10.1 FTEs)
\$435,820	Restore Code Enforcement Section personnel to City Attorney's Office (6 FTEs)
\$327,787	Restore library hours of operations (10 FTEs)
\$300,000	Restore median mowing to 18 cycles
\$123,914	Partial restoration of cultural programming funding to 5% below FY 2001-02 level
\$162,697	Restore staffing for Neighborhood Traffic Management (2 FTEs)
\$257,000	Restore library materials budget to FY 2001-02 level
\$0	Restore 2 executive civilian positions to Police Department (2 FTEs)
\$97,831	Restore pro-active signal lamp reglobing program (1 FTE)
(\$27,920)	Eliminate remaining Intern position in Mayor and Council Office (0.5 FTEs)
<u>(\$330,835)</u>	

Revenue Adjustments:

\$521,877	Debt Service surplus from revised TIF payments based on final certified tax roll
\$212,675	Restore operations of the Dallas Aquarium
\$485,000	Revised sales tax forecast based on State audit findings
\$100,000	Increase Municipal Courts revenues for aggressive warrant round-up
(\$1,650,387)	Reduce the tax rate as proposed in the City Manager's budget from 70.24¢ to 69.98¢
<u>(\$330,835)</u>	

CITY COUNCIL BUDGET AMENDMENTS

Enterprise Fund Budget Amendments

Convention and Event Services

Expenditure Adjustments:

(\$30,000)	Reduce expenses related to miscellaneous special services
\$30,000	Increase payment to Convention and Visitors Bureau for DFW Film Commission support

Grants and Trusts Budget

Reallocation of Urban Development Action Grant (UDAG) Funds

Expenditure Adjustments:

(\$140,000)	Development Services
(\$125,000)	Park and Recreation
<u>(\$115,000)</u>	Environmental and Health Services
(\$380,000)	
\$759,000	Park and Recreation
\$45,000	Development Services
<u>\$4,000</u>	Environmental and Health Services
\$808,000	

Debt Service Budget

Expenditure Adjustments:

(\$521,877)	Revised TIF payments based on final certified tax roll
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BUDGET PROCESS CALENDAR

The City of Dallas' budget process consists of a nine-month schedule of presentations, hearings, and deliberations. The FY 2002-03 budget process dates are as follows:

<u>January</u>	Various Consolidated Plan Public Hearings
<u>January – March</u>	Office of Financial Services develops base budget numbers. Departments develop reduction options and identify new funding needs.
<u>February – August 5</u>	City Manager's Office budget deliberations are held with Office of Financial Services and individual departments.
<u>March – June</u>	Department directors brief and discuss overall department budget, new funding needs, and reduction options to designated Council Committees. Department budgets, new funding needs, and reduction options are briefed to full Council.
<u>March 27</u>	Public Hearing on the Operating, Capital, and Grants and Trusts Budgets
<u>April 4</u>	Community Development Commission approval of Consolidated Plan Budget
<u>April 17</u>	City Council Budget Workshop – FY 2002-03 Consolidated Plan Budget
<u>May 8</u>	Public hearing on the Operating, Capital, and Grants and Trust Budget
<u>May 22</u>	City Council Consolidated Plan Budget Public Hearing and preliminary adoption of Consolidated Plan Budget
<u>June 5</u>	City Council Budget Workshop – FY 2002-03 General Fund Budget Outlook 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.
<u>June 19</u>	City Council Budget Workshop – FY 2002-03 General Fund Budget Outlook 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.
<u>June 26</u>	City Council final adoption of Consolidated Plan Budget
<u>July 24</u>	Certified Tax Roll from Dallas Central Appraisal District
<u>August 12</u>	City Manager's FY 2002-03 Proposed Budget presented to City Council in a formal Council briefing. Council feedback is received.

BUDGET PROCESS CALENDAR

<u>August 12 - September 10</u>	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.
<u>August 26</u>	City Council Budget Workshop – Specific budget related topics are briefed to the Council. Councilmembers provide their comments on possible changes to the recommended budget.
<u>August 28</u>	Public Hearing on the Operating, Capital, and Grants and Trusts Budget
<u>September 4</u>	City Council Budget Workshop - Specific budget related topics are briefed to the Council. Councilmembers provide their comments on possible changes to the recommended budget.
<u>September 11</u>	City Council adopts Budget on First Reading (requires a majority vote)
<u>September 18</u>	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.
<u>September 30</u>	City Council adopts Budget on Second Reading and sets Tax Rate (requires a majority vote)

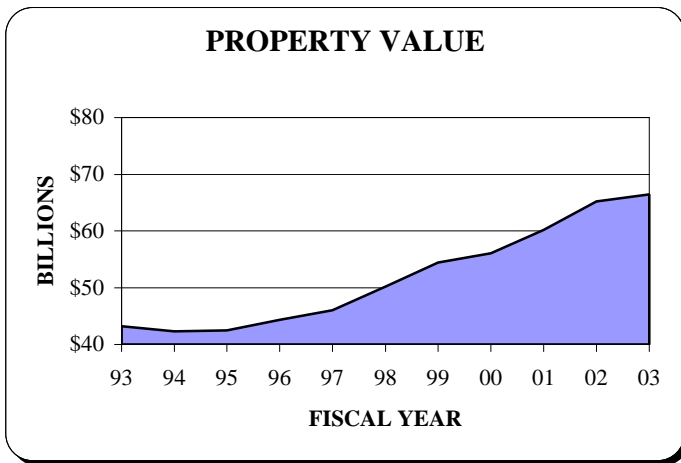
MAJOR REVENUE SOURCES

GENERAL FUND MAJOR REVENUE SOURCES

The revenue sources described in this section account for \$720,868,734 (88.49%) of the City's total General Fund operating revenues and \$129,340,230 (98.27%) 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, 2002 (upon which the FY 2002-2003 levy is based) is \$66,483,637,119. The 2002 tax roll is 1.9% greater than the 2001 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, 2003 is set at 69.98¢ per \$100 of which 51.11¢ is allocated for general government operations and maintenance and 18.87¢ 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, 2003 are estimated to be 96.94% of levy and will generate \$329,431,631 in General Fund revenues and \$124,583,435 in Debt Service revenues for a total of \$454,015,066 in revenues. Prior year taxes, penalties, and interest are expected to produce an additional \$12,254,642 in revenues.

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 \$320 for residents and \$420 for non-city residents.

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 2002-2003 revenue, historical information is used to project the gross amount billed, and a projected rate is applied to this amount. To determine the net revenue to the City, projected commissions paid to the contractor are subtracted from the projected gross collections.

MAJOR REVENUE SOURCES

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 2002-2003 estimated revenue is determined by multiplying the current residential rate (increase from \$13.88 to \$15.13 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 and Bachman Transfer Station are weight-based rates of \$15 per ton at the landfill and \$40 per ton at the transfer station. City of Dallas residents hauling their own household and yard wastes are exempt from the fees. The FY 2002-2003 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.

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. AT&T Cable pays a fee equal to 5% of gross receipts, paid monthly, 45 days after the end of the period covered. Franchise fees for TXU Electric and TXU Gas are 4% of their gross receipts, paid quarterly, by wire transfer. Projections for FY 2002-2003 revenues for cable are based on historical data trended forward using regression analysis. Franchise fees for TXU (Electric and Gas) are projected for FY 2002-2003 using historical data, trended forward by statistical analysis techniques and normalized for weather. On January 1, 2002, electric deregulation modified the way TXU franchise fees are calculated. Rather than 4% of gross receipts, fees are based on the amount of electricity delivered to customers.

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 \$38,800,000 for FY 2002-2003.

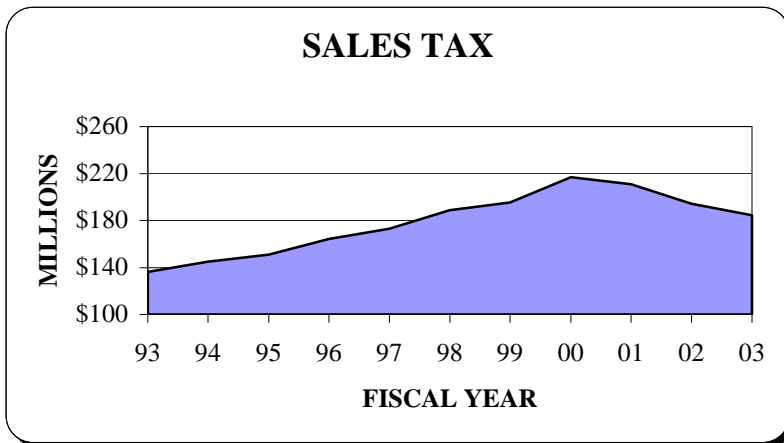
MAJOR REVENUE SOURCES

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.

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 \$136,252,909 in FY 1992-93 to a projected \$184,234,503 in FY 2002-03. The sales tax budget for FY 2002-2003 is based on a negative 5.89% growth factor, which is the growth reflected by last the 20 months of sales tax receipts. Sales tax revenues are historically volatile; therefore, actual collections may differ significantly from the budgeted amount, as experienced in both FY 2000-01 and FY 2001-02.

SECURITY ALARM PERMIT FEE

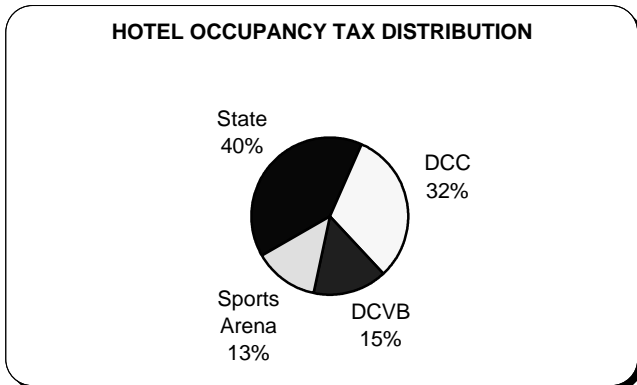
The City of Dallas charges businesses and residences \$50 for new or renewal of a security alarm permit, which must be renewed annually. It allows for the dispatch of police in response to notification from an alarm company that a security alarm has been activated. Dallas City Code Chapter 15C (Emergency Reporting Equipment and Procedures) describes the requirements and responsibility of the permit holder and the alarm company. A false alarm fee of \$50 (after the 5th false alarm in a 12 month period) will be assessed for each subsequent false alarm notification.

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%) has increased from \$20,144,209 in FY 1992-93 to a projected \$34,000,000 in FY 2002-2003. Hotel occupancy tax revenues are historically volatile; therefore, actual collections may differ significantly from the budgeted amount, as experienced in FY 2001-02.

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 2002-2003 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.

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 19 communities outside the City of Dallas which receive water services and 10 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.

MAJOR REVENUE SOURCES

WATER/WASTEWATER REVENUES (CONTINUED)

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

- 37% of the revenues come from the Residential class,
- 39% comes from the General class,
- 1% comes from the Municipal class,
- 4% comes from the Optional General class
- 19% 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. Revenues from water and wastewater rates have increased from \$247.01M in FY 1992-93 to a projected \$351.15M in FY 2002-2003. Water revenues can fluctuate depending on the summer temperatures and the amount of rainfall in the area.

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 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.

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

Status

In Compliance

Current revenues are sufficient to support current expenditures in all operating funds in FY 2002-03.

In Compliance

The % change in base revenue (from FY 2001-02 to FY 2002-03) is 3.76%.

Adjusted revenues cannot exceed “base” revenues more than 8%.

Base revenues = FY 2001-02 budgeted revenues from current tax roll (in 000's)	\$ 424,885
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2002-03 Ad-Valorem Tax Revenue	\$ 451,016
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Less: Voter Mandated-Debt Service	\$ 993
Growth from Annexation	\$ 0
Growth from New Construction	<u>\$ 9,173</u>

Adjusted revenue recommendation:	\$ 440,850
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% Change from base revenues:	3.76%
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In Compliance

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

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 Adopted Budget Status

Operating Program Status (Continued)

Status

- | | |
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| 5. Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits and contributions will be authorized only after meeting the test of actuarial soundness. All health plans should have actuarial reviews performed bi-annually to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims. | In Compliance |
| 6. Each enterprise fund of the City will maintain revenues which support the full (direct and indirect) cost of the utility. In addition, each Enterprise Fund and Internal Service Fund should maintain at least 30 days of budgeted operations and maintenance expense in net working capital, and avoid cash deficits. | In Compliance |
| 7. The Emergency Reserve shall be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, a 5% decline in property values, or an unexpected liability created by Federal or State legislative action. Funds shall be allocated from the Emergency Reserve only after an analysis has been prepared by the City Manager and presented to City Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years. Prior to allocating funds from the Emergency Reserve, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds. Funds shall be allocated each year in the budget process to replace any use of the Emergency Reserve funds during the preceding fiscal year to maintain the balance of the Emergency Reserve levels. | In Compliance |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 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 \$4,074,782. It will be funded from FY 01-02 Contingency Reserve ending balance of \$1,595,705 and General Fund contribution of \$2,479,077.

Note: Emergency Reserve, Contingency Reserve and Fund Balance total 4.30% of the General Fund.

In Compliance with five year funding plan

Emergency Reserve	
9/30/02 (projected)	\$17.7M
FY2002-03 appropriations	\$.8M

Contingency Reserve	
9/30/02 (projected)	\$1.6M
FY2002-03 appropriations	\$2.5M
Fund Balance 9/30/02 (projected)	<u>\$12.5M</u>
	<u>\$35.1M</u>

\$815.0M x 4.30% = 35.0M

FY2002-03 = 4.30%

FY2003-04 = 4.65%

FY2004-05 = 5.00%

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
FY 2002-03 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 appropriate level of this reserve.

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 01-02 Risk Reserve ending balance of \$1,250,000.

In Compliance

The adopted Liability Reserve will be funded at \$10,069,927. It will be funded from FY 02-03 General Fund contribution of \$7,787,436, General Fund departmental contributions of \$894,159 and other funds contributions of \$1,388,332.

Establishment of reserve not recommended at this time.

Not In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 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

Assessments have been performed. Replacement and maintenance needs are not 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 was completed in FY 01-02. Recommendations are included in FY02-03 Budget.

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
1.01%

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
2.27%

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

In Compliance

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

In Compliance
6.59 Years

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 Adopted Budget Status

Capital and Debt Management (Continued)

Status

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| <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
11.91%</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
1.58%</p> |
| <p>23. Debt may be used to finance betterments intended to extend service life of original permanent capital improvements under the following conditions:</p> <ul style="list-style-type: none"> • the original improvement is at or near the end of its expected service life; • the betterment extends the life of the original improvement by at least one third of the original service life; • the life of the financing is less than the life of the betterment; • the betterment is financed through either C.O.'s or G.O.'s. | <p>In Compliance</p> |
| <p>24. Interest earnings from G.O. Bonds shall be used solely to fund capital expenditures, debt service, or used to fund a reserve for capital contingencies.</p> | <p>In Compliance</p> |
| <p>25. Certificates of Obligation should be used only to fund tax-supported projects previously approved by the voters; or for risk management funding as authorized by the City Council; or non-tax revenue-supported projects approved by City Council.</p> | <p>In Compliance</p> |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 Adopted Budget Status

Capital and Debt Management (Continued)

Status

<p>26. Certificates of Obligation (C.O.) Debt including that for risk management funding supported by an ad valorem tax pledge should not exceed 15% of total authorized and issued General Obligation (G.O.) Debt.</p> <ul style="list-style-type: none"> • All C.O.'s issued in lieu of revenue bonds should not exceed 10% of outstanding G.O. Debt. 	<p>In Compliance 3.57%</p> <p>0%</p>
<p>27. Certificates of Obligation will be limited to projects consistent with Financial Management Performance Criteria for debt issuance.</p>	<p>In Compliance</p>
<p>28. Certificates of Obligation for an enterprise system will be limited to only those projects, which can demonstrate the capability to support the certificate debt either through its own revenues, or another pledged source other than ad valorem taxes.</p>	<p>In Compliance</p>
<p>29. Certificates of Obligation authorization will remain in effect for no more than five years from the date of approval by the City Council.</p>	<p>In Compliance</p>
<p>30. Certificates of Obligation authorized for risk management funding shall be issued for a term not to exceed 20 years.</p>	<p>In Compliance</p>
<p>31. Tax Increment Financing zones should be established where revenues will recover 1.25 times the public cost of debt in order to provide an adequate safety margin.</p>	<p>In Compliance</p>
<p>32. No more than 10% of the property (i.e. parcels) in a Tax Increment Financing zone, excluding property dedicated for public use, may be used for residential purposes. "Residential purposes" includes property occupied by a house, which has less than five living units.</p>	<p>In Compliance</p>
<p>33. No more than 5% of the City's tax base will be in Tax Increment Financing zones.</p>	<p>In Compliance</p>

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 Adopted Budget Status

Capital and Debt Management (Continued)

Status

34. All PID and TIF proposals, even “pay-as-you-go” projects, will be valued 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

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

In Compliance

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

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

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

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

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

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA

FY 2002-03 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, including repayment of bonds.

In Compliance

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
FY 2002-03 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 2002-03 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.

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.

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.

Field work completed January 21, 2002
Report issued March 25, 2002

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

In Compliance

Budget

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

In Compliance

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

In Compliance

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

In Compliance

**FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
FY 2002-03 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 2002-03 Adopted Budget Status

Dallas Water Utilites

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
\$1.1 million contingency |
| 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 for water supply projects, or 20 years for other types of projects. | 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 2002-03 Adopted Budget Status

Dallas Water Utilities, continued

Status

- | | |
|--|---|
| 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. | Not in Compliance
1.35 times maximum annual principal and interest |
| 8. Current revenues which are more than operating expenses and debt service will be used for capital expenditures and other water and wastewater purposes. | In Compliance |
| 9. Funds available from current rates in each fiscal year for system rehabilitation, replacement, and expansion will be appropriated equal to or more than financial statement depreciation expense reasonably estimated in the same year. | In Compliance |
| 10. Capital financing will be provided through a combination of revenue bonds, current revenues, contributed capital, and short-term debt. An equity to debt ratio of at least 20% should be maintained on all capital projects. | In Compliance
Equity to debt ratio of 22% |
| 11. Retail cost of service studies will be performed at least every two years and reviewed annually. Rate adjustments will be recommended when required, but, normally, no more frequently than annually. | In Compliance |
| 12. Wholesale treated water rates for customer cities and other governmental entities will be determined on the basis of the inter-city agreement 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 |

FINANCIAL MANAGEMENT PERFORMANCE CRITERIA
FY 2002-03 Adopted Budget Status

Dallas Water Utilities, continued

Status

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 computed from the taxable or assessed valuation of real land and improvements and personal property.

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.

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.

GLOSSARY OF BUDGET TERMINOLOGY

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.

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.

GLOSSARY OF BUDGET TERMINOLOGY

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 all other funds, fund balance is reported as current assets less current liabilities less reserves for encumbrances.

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.

GLOSSARY OF BUDGET TERMINOLOGY

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.

INTERGOVERNMENTAL REVENUE

Money collected from other governmental entities.

LIABILITY RESERVE

Funds reserved for outstanding current and forecasted future liabilities.

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.

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.

GLOSSARY OF BUDGET TERMINOLOGY

PUBLIC IMPROVEMENT DISTRICT (PID)

A specific neighborhood where property owners have petition the City to authorize a special assessment on the property within that neighborhood to generate funds for public amenities and services.

REIMBURSEMENT

Payment from one fund or department to another for a specific purpose.

REVENUE BONDS

Bonds used for funding permanent capital improvements for an enterprise fund, such as water and wastewater, aviation, and convention center improvements. The repayment of these bonds is made from the revenues of the enterprise fund.

SALES TAX

Charges levied by the City of Dallas for the purpose of funding services performed for the common good of the City.

TAX INCREMENT FINANCING (TIF)

A specific neighborhood where property tax revenue above a base value is designated for public infrastructure improvements in an effort to encourage new private development.

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 5th fastest growing city with a population of more than 1,000,000 in the nation. 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):

• Hispanic or Latino	422,587
• Caucasian	410,777
• Black or African American	304,824
• American Indian and Alaska Native	3,705
• Asian	31,626
• Native Hawaiian and Other Pacific Islander	367
• Other	1,254
• Two or more races	13,440
• Total Population	1,188,580

Median Family Income: \$66,500

Unemployment rate (2000): 4.0%

Land area (in square miles): 374.8

Miles of streets:

Paved (lane miles) 11,398

Unpaved (gravel) 14

Number of street lights: 82,963

Fire Protection:

Number of stations 55

Number of uniformed personnel: 1,673

Police Protection:

Number of stations: 6

Number of uniformed personnel: 2,980

**COMMUNITY PROFILE
CITY OF DALLAS, TEXAS**

Municipal employees: 12,992

Construction Activity (FY 2001-02)

Permits Issued 35,261
Estimated Value \$1,415,440,002

Transportation:

Dallas/Fort Worth international Airport (FY 2001-02)

Total Revenue Passengers 60,220,838
Cargo (tons) 5,797,285

Love Field (FY 2001-02)

Total Passengers 5,635,677