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CITY SECRETARY  
DALLAS, TEXAS

## City of Dallas

1500 Marilla Street,  
Council Chambers, 6th Floor  
Dallas, Texas 75201



### Government Performance and Financial Management Committee

September 27, 2021

1:00 PM

Public Notice

2 1 0 8 0 9

POSTED CITY SECRETARY  
DALLAS TX

## 2021 CITY COUNCIL APPOINTMENTS

| COUNCIL COMMITTEE  |   |
|--|---|
| <b>ECONOMIC DEVELOPMENT</b><br>Atkins (C), Arnold (VC), McGough, Narvaez, Resendez, West, Willis                               | <b>ENVIRONMENT AND SUSTAINABILITY</b><br>Blackmon(C), Ridley (VC), Arnold, Bazaldua, Resendez, Schultz, West        |
| <b>GOVERNMENT PERFORMANCE AND FINANCIAL MANAGEMENT</b><br>Mendelsohn (C), Willis (VC), Atkins, Bazaldua, McGough, Ridley, West | <b>HOUSING AND HOMELESSNESS SOLUTIONS</b><br>Thomas (C), Moreno (VC), Arnold, Blackmon, Mendelsohn, Ridley, Schultz |
| <b>PUBLIC SAFETY</b><br>McGough (C), Mendelsohn (VC), Atkins, Moreno, Resendez, Thomas, Willis                                 | <b>QUALITY OF LIFE, ARTS, AND CULTURE</b><br>Bazaldua (C), West (VC), Arnold, Blackmon, Narvaez, Ridley, Thomas     |
| <b>TRANSPORTATION AND INFRASTRUCTURE</b><br>Narvaez (C), Atkins (VC), Bazaldua, Mendelsohn, Moreno, Schultz, Willis            | <b>WORKFORCE, EDUCATION, AND EQUITY</b><br>Schultz (C), Thomas (VC), Blackmon, McGough, Moreno, Narvaez, Resendez   |
| <b>AD HOC JUDICIAL NOMINATING COMMITTEE</b><br>Resendez (C), Arnold, Bazaldua, Ridley, Thomas, West, Willis                    | <b>AD HOC LEGISLATIVE AFFAIRS</b><br>Atkins (C), McGough, Mendelsohn, Narvaez, Willis                               |
| <b>AD HOC COMMITTEE ON COVID-19 RECOVERY AND ASSISTANCE</b><br>Thomas (C), Atkins, Mendelsohn, Moreno, Ridley                  | <b>AD HOC COMMITTEE ON GENERAL INVESTIGATING &amp; ETHICS</b><br>Mendelsohn (C), Atkins, Blackmon, McGough, Schultz |

(C) – Chair, (VC) – Vice Chair

### Handgun Prohibition Notice for Meetings of Governmental Entities

"Pursuant to Section [30.06](#), Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

"De acuerdo con la sección [30.06](#) del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."

"Pursuant to Section [30.07](#), Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

"De acuerdo con la sección [30.07](#) del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."

"Pursuant to Section [46.03](#), Penal Code (places weapons prohibited), a person may not carry a firearm or other weapon into any open meeting on this property."

"De conformidad con la Sección [46.03](#), Código Penal (coloca armas prohibidas), una persona no puede llevar un arma de fuego u otra arma a ninguna reunión abierta en esta propiedad."

Note: A quorum of the Dallas City Council may attend this Council Committee meeting.

The City Council meeting will be held by videoconference and in the Council Chambers, 6th Floor at City Hall. Individuals who wish to speak in accordance with the City Council Rules of Procedure must sign up with the City Secretary's Office.

The public is encouraged to attend the meeting virtually; however, City Hall is available for those wishing to attend the meeting in person following all current pandemic-related public health protocols.

The following videoconference link is available to the public to listen to the meeting and Public Affairs and Outreach will also stream the City Council Briefing on Spectrum Cable Channel 95 and [bit.ly/cityofdallastv](https://dallascityhall.webex.com/dallascityhall/onstage/g.php?MTID=eb95c7bfacd60f66119acfea306a2bbc0):  
<https://dallascityhall.webex.com/dallascityhall/onstage/g.php?MTID=eb95c7bfacd60f66119acfea306a2bbc0>

## Call to Order

## MINUTES

[21-1707](#) Approval of the August 23, 2021 Government Performance and Financial Management Committee Meeting Minutes

**Attachments:** [Minutes](#)

## BRIEFING ITEMS

[21-1708](#) Proposed 2022 City Calendar  
[Carrie Rogers, Director, Mayor and City Council Office]

**Attachments:** [Presentation](#)  
[Proposed 2022 City Calendar](#)

[21-1710](#) Office of the City Auditor Briefing on Internal Audit Reports Released Between September 1, 2021 and September 17, 2021, and Follow-up on Prior Report Briefings  
[Mark Swann, City Auditor, City Auditor's Office]

**Attachments:** [Presentation](#)  
[Released Reports](#)

[21-1711](#) Update on Recommendations from the 2018 Fleet Efficiency Study  
[Donzell Gipson, Director, Equipment and Fleet Management]

**Attachments:** [Presentation](#)

## FYI ITEMS

[21-1714](#) Budget Accountability Report (information as of July 31, 2021)

**Attachments:** [Budget Accountability Report - July 2021](#)

[21-1716](#) City of Dallas Investment Policy Annual Review

**Attachments:** [Memo](#)  
[Proposed City of Dallas Investment Policy](#)

**ADJOURNMENT**

**EXECUTIVE SESSION NOTICE**

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex Govt. Code §551.089]



# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

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**File #:** 21-1707

**Item #:**

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Approval of the August 23, 2021 Government Performance and Financial Management Committee Meeting Minutes

# Government Performance & Financial Management Committee Meeting Record

The Government Performance & Financial Management Committee meetings are recorded. Agenda materials are available online at [www.dallascityhall.com](http://www.dallascityhall.com). Recordings may be reviewed online at <https://dallastx.swagit.com/government-performance-and-financial-management-committee>.

Note: This meeting was conducted via videoconference

**Meeting Date:** August 23, 2021

**Convened:** 1:00 p.m.

**Adjourned:** 3:09 p.m.

**Committee Members Present:**

Cara Mendelsohn, Chair  
Gay Donnell Willis, Vice Chair  
Tennell Atkins  
Adam Bazaldua  
Adam McGough  
Paul Ridley  
Chad West

**Committee Members Absent**

**Other Council Members Present**

Paula Blackmon  
Carolyn King Arnold  
Omar Narvaez  
Jaynie Schultz  
Casey Thomas II

## **AGENDA**

### **CALL TO ORDER**

**1. Consideration of the June 8, 2021 Meeting Minutes**

**Action Taken/Committee Recommendation(s):** A motion was made to approve the minutes for the June 8, 2021 Government Performance & Financial Management Committee meeting. The motion passed unanimously.

Motion made by: Paul Ridley

Motion seconded by: Chad West

### **BRIEFING**

**2. Single Room Occupancy (SRO) Housing Briefing – New Hope Housing Inc.**

**Presenter(s):** Emily Abeln, VP of Real Estate Development, New Hope Housing, Inc.

**Action Taken/Committee Recommendation(s):** Emily Abeln presented a briefing on Single Room Occupancy Housing. There were questions about how to bring Single Room Housing to Dallas. Information only.

**3. Office of the City Auditor Fiscal Year 2021 – Quarter 3 Update: April 1 – June 30, 2021**

**Presenter(s):** Mark Swann, City Auditor

**Action Taken/Committee Recommendation(s):** Mark Swann presented a briefing on Quarter 3 audit results. There were questions about specific audits and timelines associated with those audits. Information only.

**4. Civic Center Convention Complex Revenue Refunding Bonds, Series 2021**

**Presenter(s):** Sheri Kowalski, City Controller

**Action Taken/Committee Recommendation(s):** Sheri Kowalski gave a briefing on the upcoming Civic Center Convention Complex Revenue Refunding Bonds, Series 2021.

A motion was made to move the item forward to full City Council with a recommendation of approval on the September 9, 2021 Council Agenda. The motion passed unanimously.

Motion made by: Chad West

Motion seconded by: Tennell Atkins

**5. Discussion of the Amendment Process for the City Manager’s Recommended Biennial Budget for FY 2021-22 and FY 2022-23**

**Presenter(s):** Chairwoman Cara Mendelsohn; Elizabeth Reich, Chief Financial Officer

**Action Taken/Committee Recommendation(s):** Elizabeth Reich provided an overview of how budget amendments were considered in previous years. The budget amendment process was discussed further by the committee.

A motion was made to recommend to the Mayor that the budget amendment process be done by a committee of the whole with each Councilmember submitting their proposed budget amendments with a priority from one to n for each of their proposed amendments. The motion passed unanimously.

Motion made by: Paul Ridley

Motion seconded by: Tennell Atkins

**6. Discussion of the Revised Notification Process to the City Council of Certain IT Incidents**

**Presenter(s):** Bill Zielinski, Director, Information and Technology Services

**Action Taken/Committee Recommendation(s):** Bill Zielinski provided an overview of the incident response plan. There was a question about what qualified as an IT incident. Information only.

FYI

**7. House Bill 3375 – Changes to the Hardship Provisions for the Deferred Retirement Option Plan (DROP)**

**8. Quarterly Investment Report (information as of June 30, 2021)**

**9. Budget Accountability Report (information as of June 30, 2021)**

**10. Upcoming Agenda Item: General Obligation Refunding and Improvement Bonds, Certificates of Obligation, and Equipment Acquisition Contractual Obligation Notes, Series 2021**

**ADJOURN**

**APPROVED BY:**

**ATTESTED BY:**

**Cara Mendelsohn, Chair  
Government Performance & Financial  
Management Committee**

**Catherine Lee, Coordinator  
Government Performance & Financial  
Management Committee**



# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

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**File #:** 21-1708

**Item #:**

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Proposed 2022 City Calendar  
[Carrie Rogers, Director, Mayor and City Council Office]



**City of Dallas**

# *Proposed* 2022 City Calendar

**Government Performance and  
Financial Management Committee  
September 27, 2021**

**Carrie Rogers  
Director  
Mayor and City Council Office**

# Presentation Overview



- **Key dates**
  - **City Council Meetings**
  - **City Council Committee Meetings**
  - **Budget Development Schedule**
  - **Holidays (three additional Federal holidays)**
- **Next Steps**



# City Council Meetings



- Regular meetings of the City Council are scheduled each Wednesday (except 5th Wednesdays)
- 1<sup>st</sup> and 3<sup>rd</sup> Wednesdays: Briefing meetings begin at 9 a.m. at City Hall in Room 6E South; meeting in Council Chambers 5E South during emergency regulations
- 2<sup>nd</sup> and 4<sup>th</sup> Wednesdays: Agenda meetings are conducted at City Hall in the Council Chambers 5E South
- Per Council Resolution 19-1606, adopted Oct. 8, 2019:
  - First voting agenda of each month will begin at 3 p.m.
  - All other meetings will begin at 9 a.m. (with Zoning no earlier than 1 p.m.)
  - During emergency regulations, all 3 p.m. meetings will begin at 9 a.m.
- 5th Wednesday: No meetings



# City Council Meetings



- Routine online streaming access continuing
- Virtual access for meeting participants and public speakers will continue to be available following the pandemic and emergency regulations authorized by the Mayor and City Manager



# City Council Meetings (cont.)



The following City Council Meetings have been canceled or rescheduled:

| Meeting                | Event    | Action      | Reason   |
|------------------------|----------|-------------|--|
| Wednesday, February 16 | Briefing | Canceled    | Council Retreat – Replaces Council Briefing          |
| Wednesday, March 16    | Briefing | Canceled    | Spring Recess  |
| Wednesday, March 23    | Agenda   | Canceled    | Spring Recess  |
| July 2022              |          | No Meetings | Summer Recess  |
| Wednesday, October 5   | Briefing | Canceled    | Yom Kippur, Texas Municipal League Annual Conference |
| Wednesday, November 16 | Briefing | Canceled    | National League of Cities Summit                     |
| Wednesday, November 23 | Agenda   | Canceled    | Thanksgiving   |
| Wednesday, December 21 | Briefing | Canceled    | Christmas (City Holiday)                             |
| Wednesday, December 28 | Agenda   | Canceled    | New Year’s Day (City Holiday)                        |



# City Council Committee Meetings



- **Committee meetings are scheduled each Monday (except 5th Mondays) in Room 6E South; meeting in Council Chambers 5E South during emergency regulations**
- **1<sup>st</sup> Monday:**
  - **Environment & Sustainability 9 a.m.**
  - **Economic Development 1 p.m.**
- **2<sup>nd</sup> Monday:**
  - **Workforce Education & Equity 9 a.m.**
  - **Public Safety 1 p.m.**



# City Council Committee Meetings



- **3<sup>rd</sup> Monday:**
  - **Quality of Life, Arts, & Culture 9 a.m.**
  - **Transportation and Infrastructure 1 p.m.**
- **4<sup>th</sup> Monday:**
  - **Housing and Homelessness Solutions 9 a.m.**
  - **Government Performance & Financial Management 1 p.m.**
- **5<sup>th</sup> Monday: No meetings**



# Campaign Finance Reports



- **Semiannual campaign finance reports are due January 15 and July 21**
  - **Because the January 15th Campaign Finance Report falls on a Saturday, the deadline is extended to January 18, 2022.**
- **April 30, 2022, is the deadline for Personal Financial Statements**
- **City Council campaign dates are mandated by the state and subject to change**



# Budget Development Schedule



| Date                    | Event   |
|-------------------------|---|
| Wednesday, March 9      | Budget Public Hearing   |
| Wednesday, May 4        | Budget Workshop   |
| Wednesday, May 25       | Budget Public Hearing   |
| Wednesday, June 15      | Budget Workshop   |
| Tuesday, August 9       | Budget Workshop: City Manager's Recommended Budget                                    |
| Thursday, August 11-25  | Budget Town-Halls   |
| Wednesday, August 17    | Budget Workshop   |
| Wednesday, August 24    | Budget Public Hearing   |
| Wednesday, August 31    | Budget Workshop: Consider Amendments  |
| Wednesday, September 7  | Budget Workshop; Adopt Budget on First Reading  |
| Wednesday, September 21 | Adopt Budget on Second Reading, Adopt Tax Rate and Approve Other Budget Related Items |
| Saturday, October 1     | Begin Fiscal Year 2022-23   |



# 2022 City Holidays



| Date                    | Event                           |
|-------------------------|---------------------------------|
| Monday, January 17      | Martin Luther King, Jr. Day     |
| Monday, February 21     | Presidents Day                  |
| Monday, May 30          | Memorial Day                    |
| Monday, June 20         | Juneteenth Observance (NEW)     |
| Monday, July 4          | Independence Day                |
| Monday, September 5     | Labor Day / Cesar E. Chavez Day |
| Monday, October 10      | Indigenous Peoples' Day (NEW)   |
| Friday, November 11     | Veterans Day (NEW)              |
| Thursday, November 24   | Thanksgiving Day                |
| Friday, November 25     | Day after Thanksgiving          |
| Monday, December 26     | Christmas Day Observance        |
| Monday, January 2, 2023 | New Year's Day 2023 Observance  |



# Next Steps



- **Incorporate GPFM Committee feedback prior to City Council briefing and action**
- **City Council Briefing October 5, 2021**
- **Adoption of the 2022 City Calendar is scheduled for City Council consideration on October 27, 2021**





**City of Dallas**

# *Proposed* 2022 City Calendar

Government Performance and  
Financial Management Committee  
September 27, 2021

Carrie Rogers  
Director  
Mayor and City Council Office

# January 2022

Attachment A

| Sunday    | Monday  | Tuesday   | Wednesday  | Thursday   | Friday   | Saturday                                |
|-----------|---|---|--|--|--|---|
|           |   |   |  |  |  | New Year's Day<br>Kwanzaa Ends <b>1</b> |
| <b>2</b>  | <b>3</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>4</b>  | <b>5</b><br>Council Briefing<br>9 a.m.   | <b>6</b>   | <b>7</b>   | <b>8</b>                                |
| <b>9</b>  | <b>10</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                                      | <b>11</b>   | <b>12</b><br>Council Agenda<br>*3 p.m.   | <b>13</b><br>Regional Transportation Council<br>1 p.m.     | <b>14</b>  | <b>15</b>                               |
| <b>16</b> | <b>17</b><br><b>Martin Luther King, Jr. Day</b><br><b>City Holiday</b><br>Council Committee Meetings Moved to 1/18                            | <b>18</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure<br><u>Semiannual Campaign Finance Report Due</u> | <b>19</b><br>Council Briefing<br>9 a.m.<br>U.S. Conference of Mayors 90th Winter Meeting | <b>20</b><br>U.S. Conference of Mayors 90th Winter Meeting | <b>21</b><br>U.S. Conference of Mayors 90th Winter Meeting | <b>22</b>                               |
| <b>23</b> | <b>24</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>25</b>   | <b>26</b><br>Council Agenda<br>9 a.m.  | <b>27</b>  | <b>28</b>  | <b>29</b>                               |
| <b>30</b> | <b>31</b>   |   |  |  |  |   |

\*During the state of disaster issued by Mayor Johnson, all regular city council meetings will begin at 9 a.m.  
Council Agenda meetings are conducted in Council Chambers unless otherwise noted. Council Briefings and Council Committee meetings may be conducted in Room 6ES.  
For board and commission meeting dates, please visit <https://dallascityhall.com/government/citysecretary/Pages/Public-Meetings.aspx>.

# February 2022

Attachment A

| Sunday    | Monday  | Tuesday  | Wednesday   | Thursday   | Friday    | Saturday  |
|-----------|---|--|---|--|-----------|-----------|
|           |   | <b>1</b>   | <b>2</b><br>Council Briefing<br>9 a.m.                                      | <b>3</b>   | <b>4</b>  | <b>5</b>  |
| <b>6</b>  | <b>7</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>8</b>   | <b>9</b><br>Council Agenda<br>*3 p.m.                                       | <b>10</b><br>Regional Transportation Council<br>1 p.m. | <b>11</b> | <b>12</b> |
| <b>13</b> | <b>14</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                                      | <b>15</b>  | <b>16</b><br>City Council Briefing<br>Canceled<br>Council Retreat<br>9 a.m. | <b>17</b>  | <b>18</b> | <b>19</b> |
| <b>20</b> | <b>21</b><br>President's Day<br>City Holiday<br>Council Committee Meetings Moved to 2/22  | <b>22</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure | <b>23</b><br>Council Agenda<br>9 a.m.                                       | <b>24</b>  | <b>25</b> | <b>26</b> |
| <b>27</b> | <b>28</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management |  |   |  |           |           |

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# March 2022

## Attachment A

| Sunday                                   | Monday  | Tuesday  | Wednesday  | Thursday   | Friday                      | Saturday  |
|--|---|--|--|--|-----------------------------|-----------|
|  |   | <b>1</b>   | <b>2</b><br>Council Briefing<br>9 a.m.                       | <b>3</b>   | <b>4</b>                    | <b>5</b>  |
| <b>6</b>                                 | <b>7</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>8</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety      | <b>9</b><br>Council Agenda *3 p.m.<br>Budget Public Hearing  | <b>10</b><br>Regional Transportation Council<br>1 p.m. | <b>11</b>                   | <b>12</b> |
| <b>13</b><br>Daylight Saving Time Begins | <b>14</b><br>Council Recess<br>Council Committees Moved to 3/8  | <b>15</b><br>Council Recess  | <b>16</b><br>City Council Meeting Canceled<br>Council Recess | <b>17</b><br>Council Recess                            | <b>18</b><br>Council Recess | <b>19</b> |
| <b>20</b>                                | <b>21</b><br>Council Recess<br>Council Committees Moved to 3/29   | <b>22</b><br>Council Recess  | <b>23</b><br>Council Recess                                  | <b>24</b><br>Council Recess                            | <b>25</b><br>Council Recess | <b>26</b> |
| <b>27</b>                                | <b>28</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>29</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure | <b>30</b><br>Fifth Wednesday<br>No City Council Meetings     | <b>31</b>  |                             |           |

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# April 2022

## Attachment A

| Sunday              | Monday  | Tuesday   | Wednesday                               | Thursday   | Friday                                 | Saturday  |
|---------------------|---|-----------|---|--|--|---|
|                     |   |           |   |  | <b>1</b><br>Ramadan Begins             | <b>2</b>  |
| <b>3</b>            | <b>4</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>5</b>  | <b>6</b><br>Council Briefing<br>9 a.m.  | <b>7</b>   | <b>8</b>                               | <b>9</b>  |
| <b>10</b>           | <b>11</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                                      | <b>12</b> | <b>13</b><br>Council Agenda<br>*3 p.m.  | <b>14</b><br>Regional Transportation Council<br>1 p.m. | <b>15</b><br>Passover Begins at Sunset | <b>16</b>   |
| <b>17</b><br>Easter | <b>18</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure                                  | <b>19</b> | <b>20</b><br>Council Briefing<br>9 a.m. | <b>21</b>  | <b>22</b>                              | <b>23</b><br>Passover Ends  |
| <b>24</b>           | <b>25</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>26</b> | <b>27</b><br>Council Agenda<br>9 a.m.   | <b>28</b>  | <b>29</b>                              | <b>30</b><br>Ramadan Ends<br>Personal Finance Statements Due<br>15A Reports Due<br>Gift Reports Due |

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For board and commission meeting dates, please visit <https://dallascityhall.com/government/citysecretary/Pages/Public-Meetings.aspx>.

# May 2022

## Attachment A

| Sunday    | Monday  | Tuesday   | Wednesday  | Thursday   | Friday    | Saturday  |
|-----------|---|-----------|--|--|-----------|-----------|
| <b>1</b>  | <b>2</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>3</b>  | <b>4</b><br>Council Briefing<br>9 a.m.<br>Budget Workshop      | <b>5</b>   | <b>6</b>  | <b>7</b>  |
| <b>8</b>  | <b>9</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                                       | <b>10</b> | <b>11</b><br>Council Agenda<br>*3 p.m.                         | <b>12</b><br>Regional Transportation Council<br>1 p.m. | <b>13</b> | <b>14</b> |
| <b>15</b> | <b>16</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure                                  | <b>17</b> | <b>18</b><br>Council Briefing<br>9 a.m.                        | <b>19</b>  | <b>20</b> | <b>21</b> |
| <b>22</b> | <b>23</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>24</b> | <b>25</b><br>Council Agenda<br>9 a.m.<br>Budget Public Hearing | <b>26</b>  | <b>27</b> | <b>28</b> |
| <b>29</b> | <b>30</b><br>Memorial Day<br>City Holiday   | <b>31</b> |  |  |           |           |

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# June 2022

## Attachment A

| Sunday  | Monday  | Tuesday   | Wednesday   | Thursday   | Friday  | Saturday  |
|---|---|---|---|--|---|---|
|   |   |   | <b>1</b><br>Council Briefing<br>9 a.m.                      | <b>2</b>   | <b>3</b><br>U.S. Conference of<br>Mayors 90th Annual<br>Meeting | <b>4</b><br>U.S. Conference of<br>Mayors 90th Annual<br>Meeting |
| <b>5</b><br>U.S. Conference of<br>Mayors 90th Annual<br>Meeting | <b>6</b><br><u>Council Committees</u><br>9 a.m. Environment &<br>Sustainability<br>1 p.m. Economic<br>Development   | <b>7</b>  | <b>8</b><br>Council Agenda<br>*3 p.m.                       | <b>9</b><br>Regional<br>Transportation Council<br>1 p.m. | <b>10</b>   | <b>11</b>   |
| <b>12</b>   | <b>13</b><br><u>Council Committees</u><br>9 a.m. Workforce,<br>Education and Equity<br>1 p.m. Public Safety   | <b>14</b>   | <b>15</b><br>Council Briefing<br>9 a.m.<br>Budget Workshop  | <b>16</b>  | <b>17</b>   | <b>18</b>   |
| <b>19</b><br>Juneteenth   | <b>20</b><br><b>Juneteenth<br/>Observance<br/>City Holiday</b><br>Council Committee<br>Meetings Moved to<br>6/21  | <b>21</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation<br>and Infrastructure | <b>22</b><br>Council Agenda<br>9 a.m.                       | <b>23</b>  | <b>24</b>   | <b>25</b>   |
| <b>26</b>   | <b>27</b><br><u>Council Committees</u><br>9 a.m. Housing and<br>Homelessness<br>Solutions<br>1 p.m. Government<br>Performance and<br>Financial Management | <b>28</b>   | <b>29</b><br>Fifth Wednesday<br>No City Council<br>Meetings | <b>30</b>  |   |   |

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# July 2022

## Attachment A

| Sunday    | Monday   | Tuesday                     | Wednesday                   | Thursday  | Friday                      | Saturday  |
|-----------|--|-----------------------------|-----------------------------|---|-----------------------------|-----------|
|           |  |                             |                             |   | <b>1</b>                    | <b>2</b>  |
| <b>3</b>  | <b>4</b><br>Independence Day<br>City Holiday<br>Council Recess | <b>5</b><br>Council Recess  | <b>6</b><br>Council Recess  | <b>7</b><br>Council Recess  | <b>8</b><br>Council Recess  | <b>9</b>  |
| <b>10</b> | <b>11</b><br>Council Recess                                    | <b>12</b><br>Council Recess | <b>13</b><br>Council Recess | <b>14</b><br>Council Recess<br>Regional<br>Transportation Council<br>1 p.m. | <b>15</b><br>Council Recess | <b>16</b> |
| <b>17</b> | <b>18</b><br>Council Recess                                    | <b>19</b><br>Council Recess | <b>20</b><br>Council Recess | <b>21</b><br>Council Recess<br>Semiannual Campaign<br>Finance Report Due    | <b>22</b><br>Council Recess | <b>23</b> |
| <b>24</b> | <b>25</b><br>Council Recess                                    | <b>26</b><br>Council Recess | <b>27</b><br>Council Recess | <b>28</b><br>Council Recess   | <b>29</b><br>Council Recess | <b>30</b> |
| <b>31</b> |  |                             |                             |   |                             |           |

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 For board and commission meeting dates, please visit <https://dallascityhall.com/government/citysecretary/Pages/Public-Meetings.aspx>.

# August 2022

Attachment A

| Sunday    | Monday  | Tuesday  | Wednesday  | Thursday  | Friday    | Saturday  |
|-----------|---|--|--|---|-----------|-----------|
|           | <b>1</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>2</b>   | <b>3</b><br>Council Briefing<br>9 a.m.                         | <b>4</b>  | <b>5</b>  | <b>6</b>  |
| <b>7</b>  | <b>8</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                                       | <b>9</b><br>Budget Workshop:<br>City Manager's<br>Recommended Budget | <b>10</b><br>Council Agenda<br>*3 p.m.                         | <b>11</b><br>Regional Transportation Council<br>1 p.m.<br>Budget Town Hall Meetings Begin | <b>12</b> | <b>13</b> |
| <b>14</b> | <b>15</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure                                  | <b>16</b>  | <b>17</b><br>Council Briefing<br>9 a.m.<br>Budget Workshop     | <b>18</b>   | <b>19</b> | <b>20</b> |
| <b>21</b> | <b>22</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>23</b>  | <b>24</b><br>Council Agenda<br>9 a.m.<br>Budget Public Hearing | <b>25</b><br>Budget Town Hall Meetings End  | <b>26</b> | <b>27</b> |
| <b>28</b> | <b>29</b><br>Fifth Monday<br>No Council Committee Meetings  | <b>30</b>  | <b>31</b><br>Budget Workshop:<br>Consider Amendments           |   |           |           |

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# September 2022

Attachment A

| Sunday                                | Monday   | Tuesday   | Wednesday  | Thursday  | Friday    | Saturday  |
|---------------------------------------|--|---|--|---|-----------|-----------|
|                                       |  |   |  | <b>1</b>  | <b>2</b>  | <b>3</b>  |
| <b>4</b>                              | <b>5</b><br><b>Labor Day / Cesar E. Chavez Day City Holiday</b><br>Council Committee Meetings Moved to 9/6   | <b>6</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development | <b>7</b><br>Council Briefing 9 a.m.<br><b>Budget Workshop</b><br><b>Adopt Budget on First Reading</b>                                | <b>8</b><br>Regional Transportation Council 1 p.m.  | <b>9</b>  | <b>10</b> |
| <b>11</b>                             | <b>12</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety     | <b>13</b>   | <b>14</b><br>Council Agenda *3 p.m.  | <b>15</b>   | <b>16</b> | <b>17</b> |
| <b>18</b>                             | <b>19</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure | <b>20</b>   | <b>21</b><br>Council Briefing 9 a.m.<br><b>Adopt Budget on Second Reading, Adopt Tax Rate and Approve Other Budget Related Items</b> | <b>22</b>   | <b>23</b> | <b>24</b> |
| <b>25</b><br>Rosh Hashanah at Sundown | <b>26</b><br>Council Committee Meetings Moved to 9/29<br>Rosh Hashanah                                       | <b>27</b><br>Rosh Hashanah  | <b>28</b><br>Council Agenda 9 a.m.   | <b>29</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>30</b> |           |

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# October 2022

## Attachment A

| Sunday    | Monday  | Tuesday  | Wednesday  | Thursday   | Friday   | Saturday                      |
|-----------|---|--|--|--|--|-------------------------------|
|           |   |  |  |  |  | <b>1</b><br>FY 2022-23 Begins |
| <b>2</b>  | <b>3</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                                   | <b>4</b><br>Yom Kippur begins at sundown   | <b>5</b><br><b>Council Briefing Meeting Canceled</b><br>Texas Municipal League Annual Conference<br>Yom Kippur | <b>6</b><br>Texas Municipal League Annual Conference   | <b>7</b><br>Texas Municipal League Annual Conference | <b>8</b>                      |
| <b>9</b>  | <b>10</b><br>Indigenous Peoples' Day<br>City Holiday<br>Council Committee Meetings Moved to 10/11   | <b>11</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety | <b>12</b><br>Council Agenda *3 p.m.  | <b>13</b><br>Regional Transportation Council<br>1 p.m. | <b>14</b>  | <b>15</b>                     |
| <b>16</b> | <b>17</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure                                  | <b>18</b>  | <b>19</b><br>Council Briefing<br>9 a.m.  | <b>20</b>  | <b>21</b>  | <b>22</b>                     |
| <b>23</b> | <b>24</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>25</b>  | <b>26</b><br>Council Agenda<br>9 a.m.  | <b>27</b>  | <b>28</b>  | <b>29</b>                     |
| <b>30</b> | <b>31</b><br>Fifth Monday<br>No Council Committee Meetings  |  |  |  |  |                               |

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# November 2022

Attachment A

| Sunday                                   | Monday  | Tuesday   | Wednesday   | Thursday  | Friday  | Saturday  |
|--|---|---|---|---|---|-----------|
|  |   | <b>1</b>  | <b>2</b><br>Council Briefing<br>9 a.m.                      | <b>3</b>  | <b>4</b>  | <b>5</b>  |
| <b>6</b><br>Daylight Saving Time<br>Ends | <b>7</b><br><u>Council Committees</u><br>9 a.m. Environment &<br>Sustainability<br>1 p.m. Economic<br>Development | <b>8</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation<br>and Infrastructure  | <b>9</b><br>Council Agenda<br>*3 p.m.                       | <b>10</b><br>Regional<br>Transportation Council<br>1 p.m. | <b>11</b><br>Veterans Day<br>City Holiday           | <b>12</b> |
| <b>13</b>                                | <b>14</b><br><u>Council Committees</u><br>9 a.m. Workforce,<br>Education and Equity<br>1 p.m. Public Safety       | <b>15</b><br><u>Council Committees</u><br>9 a.m. Housing and<br>Homelessness<br>Solutions<br>1 p.m. Government<br>Performance and<br>Financial Management | <b>16</b><br>Council Briefing<br>Meeting Canceled           | <b>17</b>   | <b>18</b>   | <b>19</b> |
| <b>20</b>                                | <b>21</b><br>Council Committee<br>Meetings Moved to<br>11/8   | <b>22</b>   | <b>23</b><br>City Council Agenda<br>Meeting Canceled        | <b>24</b><br>Thanksgiving Day<br>City Holiday             | <b>25</b><br>Day after Thanksgiving<br>City Holiday | <b>26</b> |
| <b>27</b>                                | <b>28</b><br>Council Committee<br>Meetings Moved to<br>11/15  | <b>29</b>   | <b>30</b><br>Fifth Wednesday<br>No City Council<br>Meetings |   |   |           |

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# December 2022

Attachment A

| Sunday                       | Monday  | Tuesday   | Wednesday                                      | Thursday  | Friday    | Saturday                    |
|------------------------------|---|---|--|---|-----------|-----------------------------|
|                              |   |   |  | <b>1</b>  | <b>2</b>  | <b>3</b>                    |
| <b>4</b>                     | <b>5</b><br><u>Council Committees</u><br>9 a.m. Environment & Sustainability<br>1 p.m. Economic Development                           | <b>6</b><br><u>Council Committees</u><br>9 a.m. Quality of Life<br>1 p.m. Transportation and Infrastructure                                   | <b>7</b><br>Council Briefing<br>9 a.m.         | <b>8</b><br>Regional Transportation Council<br>1 p.m. | <b>9</b>  | <b>10</b>                   |
| <b>11</b>                    | <b>12</b><br><u>Council Committees</u><br>9 a.m. Workforce, Education and Equity<br>1 p.m. Public Safety                              | <b>13</b><br><u>Council Committees</u><br>9 a.m. Housing and Homelessness Solutions<br>1 p.m. Government Performance and Financial Management | <b>14</b><br>Council Agenda<br>*3 p.m.         | <b>15</b>   | <b>16</b> | <b>17</b>                   |
| <b>18</b><br>Hanukkah Begins | <b>19</b><br>Council Committee Meetings Moved to 12/6   | <b>20</b>   | <b>21</b><br>Council Briefing Meeting Canceled | <b>22</b>   | <b>23</b> | <b>24</b>                   |
| <b>25</b><br>Christmas Day   | <b>26</b><br>Christmas Day Observance<br>City Holiday<br>Council Committee Meetings Moved to 12/13<br>Hanukkah Ends<br>Kwanzaa Begins | <b>27</b>   | <b>28</b><br>Council Agenda Meeting Canceled   | <b>29</b>   | <b>30</b> | <b>31</b><br>New Year's Eve |

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# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

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**File #:** 21-1710

**Item #:**

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Office of the City Auditor Briefing on Internal Audit Reports Released Between September 1, 2021 and September 17, 2021, and Follow-up on Prior Report Briefings  
[Mark Swann, City Auditor, City Auditor's Office]

# Office of the City Auditor

Fiscal Year 2021 Auditor Briefing Update



September 27, 2021  
Mark S. Swann, City Auditor

Government Performance & Financial Management Committee



# Follow-Up on Prior Briefing

## Audit of City Boards and Commissions (Part 1 of 2)

### **Objectives and Scope:**

The objectives of this audit were to determine if:

- 1) Boards and commissions are in compliance with the City's Charter and Code – specifically (a) membership and vacancy; (b) meetings; (c) racial and ethnic diversity; (d) annual reports; (e) conflict of interest and financial disclosure; and, (f) protecting confidential information.
- 2) The City is monitoring the costs to operate boards and commissions.
- 3) All boards and commissions have members' roles and responsibilities defined in bylaws or another authoritative document.

The scope of the audit included management operations in Fiscal Years 2019 and 2020.

### **What We Found:**

Responsibility for ensuring compliance with City requirements is fragmented and shared among multiple offices, departments, and positions.

Processes are in place for the review of board and commission member qualifications, financial and conflict of interest disclosures, and the protection of confidential information.

(see next page)

# Follow-Up on Prior Briefing

## Audit of City Boards and Commissions (Part 2 of 2)

### **What We Found: (continued...)**

Processes could be improved to ensure:

- Compliance with City requirements.
- Transparent documentation and communication of board and commission operations.
- Monitoring of the costs to operate boards and commissions.

### **What We Recommend**

We recommend City management:

- Establish a single authority that ensures compliance with City requirements.
- Improve procedures to ensure compliance with City requirements and capture all costs to operate the boards and commissions.

# Reports Issued to Date – September 2021

## Audit of Senior Services

### **Objective and Scope:**

The audit objectives were to determine if the Office of Community Care effectively: (1) coordinates resources to prevent duplication of senior services; and, (2) monitors senior services contracts to ensure documentation of contract performance is accurate, complete; and, in compliance with contract terms. The audit scope covered the Dental Care Program, Employment Assistance Program, Ombudsman Program, and Transportation Program in Fiscal Year 2019 through 2020.

### **What We Found:**

The Office of Community care can improve its contract monitoring practices by:

- Formalizing written procedures for contract monitoring regarding monthly requests for payment and reported contractor performance.
- Better evaluating senior services programs for effectiveness.

### **What We Recommend**

We recommend the Office of Community Care update current written procedures to include work instructions specific to contract monitoring, and for:

- Verifying the accuracy of monthly requests for payment and reported contractor performance.
- Evaluating the effectiveness of senior services programs and contractor performance for each senior program.

# Reports Issued to Date – September 2021

## [Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas](#)

### **Objectives and Scope:**

The audit objective was to determine whether the City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the City Manager's *Fiscal Year 2021-22 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2021-22 Proposed Annual Budget* and the associated supporting documentation.

### **What We Found:**

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2021-22 Proposed Annual Budget*. Further, the revenue forecast methodologies and material assumptions used in developing the proposed budget revenues are reasonable and adequately supported.

### **What We Recommend**

There are no audit recommendations associated with this report.

# Reports Issued to Date – September 2021

## [Audit of Dallas Police Department Overtime – Interim Report \(Part 1 of 2\)](#)

### **Objectives and Scope:**

The audit objective of this interim report was to determine whether any unusual employee overtime usage indicates waste or abuse at the Dallas Police Department. The scope of the audit was uniform and civilian overtime from October 1, 2018 to December 31, 2020.

The Office of the City Auditor will issue a full report in the first quarter of Fiscal Year 2022 that includes the objective of whether the Dallas Police Department manages overtime in a way that limits the financial and operational impact to Department service delivery objectives.

### **What We Found:**

Interviews with Dallas Police Department unit supervisors and a review of supporting documentation for a judgmental sample of 339 overtime and compensatory time transactions showed:

- There was an overtime card for 260 of 339 transactions, or 76.7 percent.
- Of the 260 transactions that had a card, 257, or 98.9 percent were properly requested.
- Of the 257 transactions that were properly requested, 206, or 80.2 percent were approved by an appropriate supervisor.
- Of the 206 transactions that were approved by an appropriate supervisor, 151, or 73.3 percent had supporting documentation.
- Of the 151 transactions with supporting documentation, zero looked suspicious in terms of waste or abuse.

# Reports Issued to Date – September 2021

## [Audit of Dallas Police Department Overtime – Interim Report \(Part 2 of 2\)](#)

### **What We Recommend**

No recommendations were identified.

# Reports Issued to Date – September 2021

## [Audit of the Office of Homeless Solutions \(Part 1 of 2\)](#)

### **Objectives and Scope:**

The objectives of this audit were to evaluate if: (1) the Office of Homeless Solutions Rapid ReHousing Program aligns with governance requirements and meets the City's objectives for the program; and, (2) the Coronavirus Aid, Relief, and Economic Security (CARES) Act federal funding has been used appropriately. The scope of the audit was the office's operations from March 1, 2020, through February 28, 2021.

### **What We Found:**

The Office of Homeless Solutions Rapid ReHousing Program and CARES Act spending generally met requirements and have opportunities to improve.

The Rapid ReHousing Program did not have policies and procedures, and its process for requiring background checks was not effective or fully documented.

In addition, the Office of Homeless Solutions spent more than \$281,000 in CARES Act funds on unused hotel room charges not allowed by its contract with the hotel.

# Reports Issued to Date – September 2021

## [Audit of the Office of Homeless Solutions](#) (Part 2 of 2)

### **What We Recommend**

Management should:

- Require documentation of background checks for Rapid ReHousing Program participants.
- Develop and implement policies and procedures for the Rapid ReHousing Program.
- Pursue resolution of payments for unused hotel rooms, which may include requesting reimbursement.

# Links to Reports

Although reports are linked throughout the presentation, here is a list of all reports linked in one place for your convenience.

Quarter 3:

1. [Audit of City Boards and Commissions](#)
2. [Audit of Senior Services](#)
3. [Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas](#)
4. [Audit of Dallas Police Department Overtime – Interim Report](#)
5. [Audit of the Office of Homeless Solutions](#)

# Office of the City Auditor

Fiscal Year 2021 Auditor Briefing Update



September 27, 2021  
Mark S. Swann, City Auditor

Government Performance & Financial Management Committee



# Released Reports - Follow-Up

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# Audit of City Boards and Commissions

August 4, 2021

Mark S. Swann, City Auditor

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## Mayor

Eric Johnson

## Mayor Pro Tem

Chad West

## Deputy Mayor Pro Tem

Jaime Resendez

## Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Gay Donnell Willis

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# Executive Summary

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## Objective and Scope

The objectives of this audit were to determine if:

- 1) Boards and commissions are in compliance with the City's Charter and Code – specifically
  - (a) membership and vacancy;
  - (b) meetings;
  - (c) racial and ethnic diversity;
  - (d) annual reports;
  - (e) conflict of interest and financial disclosure; and,
  - (f) protecting confidential information.
- 2) The City is monitoring the costs to operate boards and commissions.
- 3) All boards and commissions have members' roles and responsibilities defined in bylaws or another authoritative document.

The scope of the audit included management operations in Fiscal Years 2019 and 2020.

## What We Recommend

We recommend City management:

- Establish a single authority that ensures compliance with City requirements.
- Improve procedures to ensure compliance with City requirements and capture all costs to operate the boards and commissions.

## Background

Approximately 500 people serve on 52 boards and commissions established by City Council, providing direction and recommendations for City operations, such as economic development, parks, libraries, arts, police oversight, and planning.

The operating requirements for board and commission membership, activities, and operations are primarily established by the City's Charter and Code but may also be established by State laws.

For Fiscal Year 2020, the City will spend over \$800,000 to support the boards and commissions.

## What We Found

Responsibility for ensuring compliance with City requirements is fragmented and shared among multiple offices, departments, and positions.

Processes are in place for the review of board and commission member qualifications, financial and conflict of interest disclosures, and the protection of confidential information.

Processes could be improved to ensure:

- Compliance with City requirements.
- Transparent documentation and communication of board and commission operations.
- Monitoring of the costs to operate boards and commissions.

## Objectives and Conclusions

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1. Are boards and commissions in compliance with the City's Charter and Code covering:  
(a) membership and vacancy; (b) meetings; (c) racial and ethnic diversity; (d) annual reports;  
(e) conflict of interest and financial disclosure; and, (f) protecting confidential information?

**Partially achieved.** Responsibility for ensuring compliance with City requirements is fragmented and shared among multiple offices, departments, and positions. This fragmentation makes it difficult to ensure compliance with City requirements. Testing samples indicated compliance can be improved for most requirements reviewed. See [Observation A](#) and [Section 2](#) for specific areas identified for improvement.

2. Is the City monitoring costs for Boards and Commissions?

**Partially achieved.** Only the City Secretary's Office and the Office of Community Police Oversight have budgeted and actual costs related to operating boards and commissions reported in the City's approved annual budget. Costs for all other offices, departments and positions responsible for ensuring compliance with City requirements and supporting boards and commission are not tracked and reported. See [Observation A](#) and [Observation B](#).

3. Do all boards and commissions have members' roles and responsibilities defined in bylaws or another authoritative document?

**Generally, yes.** Forty-two of the 52 boards and commissions have members' roles and responsibilities defined in bylaws or another authoritative document. See [Observation C](#).

## Audit Results

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As required by *City Council Resolution 88-3428*, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States pursuant to the *Federal Managers' Financial Integrity Act of 1982*. Administrative Directive 4-09, *Internal Control* prescribes the policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

### SECTION 1 – GLOBAL OBSERVATIONS

#### **Observation A:** Responsibility for Compliance

Responsibility for ensuring boards and commissions are in compliance with the City's Charter and Code is decentralized. There is not one focal point with responsibility to ensure boards and commissions comply the City's Charter and Code. The City Secretary, City Manager, City Council, department directors and boards and commissions coordinators all have responsibilities ensuring that boards and commissions comply with the City's Charter and Code requirements. This increases the risk that boards

and commissions are not in compliance with the City's Charter and Code and achieving the objectives of each board and commission.

The lack of one focal point for boards and commissions oversight, with the responsibility for ensuring compliance with the City's Charter and Code, is a contributing factor for many of the observations identified in this audit report, including: racial and ethnic diversity, annual reports, member qualification reviews, and on-time reporting of meeting documentation.

According to the City Secretary's Office and City Manager's Office, the current training the City Secretary's Office provides to boards and commissions chairs, vice-chairs, and coordinators can be improved and expanded to more boards and commissions members and coordinators to increase awareness of the City's Charter and Code requirements for boards and commissions.

#### Criteria

- ❖ Government Accountability Office, *2020 Annual Report, Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions in Financial Benefits*
- ❖ Standards for Internal Control in the Federal Government, *Principle 3 – Establish Structure, Responsibility, and Authority*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager in consultation with the City Secretary and the City Attorney:**

**A.1:** Present to the City Council, a proposal, to assign overall responsibility for ensuring boards and commissions operations comply with the City's Charter and Code to one position.

We recommend the **City Secretary:**

**A.2:** Improve and expand training on compliance with boards and commissions requirements to more boards and commissions members and coordinators.

## Observation B: Monitoring Operating Costs

The City does not track the total costs of operating board and commissions. As a result, the City Manager and City Council lack information that should be considered when assessing the performance of each board and commission and establishing new boards and commissions.

Only the City Secretary's Office and Office of Community Police Oversight, which supports the Community Police Oversight Board, have budgeted and actual costs related to operating boards and commissions reported in the City's approved annual budget. The following budgeted costs were reported during the audit period:

- City Secretary's Office Fiscal Year 2019 Budget - \$388,131
- City Secretary's Office Fiscal Year 2020 Budget - \$321,706
- Office of Community Police Oversight (new office) Fiscal Year 2020 Budget - \$475,000

Sixteen City departments and offices responsible for coordinating boards and commissions have costs related to staff time and materials to prepare for and facilitate meetings. These costs are not specific "line items" reported in the City's approved annual budget or reported individually by each board or commission to City Council.

### Criteria

- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities* and *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager**:

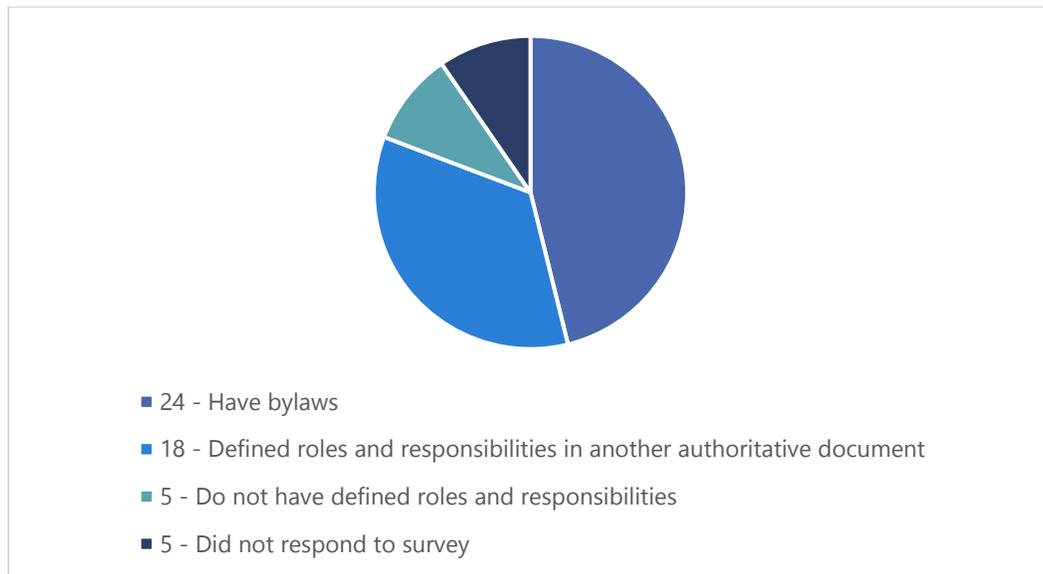
- B.1:** Establish procedures to account for all costs to operate each board and commission and report the total cost by board and commission to the City Council on an annual basis.

## Observation C: Defining Members' Roles and Responsibilities

Of the 47 board and commissions that responded to a survey, five do not have members' roles and responsibilities defined in bylaws or another authoritative document. Without members' roles and responsibilities defined in bylaws or another authoritative document there is an increased risk that boards and commissions may not operate as intended. See [Exhibit 1](#) and [Appendix B](#) for more information.

### Exhibit 1:

Boards and Commissions with Defined Roles and Responsibilities



**Source:** City Auditor's Office September 2020 survey of boards and commissions coordinators and additional documents provided by the City Attorney's Office in April 2021.

### Criteria

- ❖ The City of Kansas City, Missouri- City Auditor's Office, Governance Assessment Performance Audit Report, 2019, *Governance Assessment Checklist*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities* and *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager**:

**C.1:** Ensure all boards and commissions have defined roles and responsibilities of members either in bylaws or another authoritative document.

## SECTION 2 – COMPLIANCE WITH THE CITY’S CHARTER AND CODE

### Observation D: Racial and Ethnic Diversity

The racial and ethnic make-up of boards and commissions is not representative of the City’s population. As a result, there is an increased risk that boards and commissions will not proportionately represent the City’s residents in recommendations and decisions.

There is no procedure to ensure the racial and ethnic make-up of boards and commissions reflects the racial and ethnic make-up of the City’s population, as nearly as may be practicable, as required by City Charter, Chapter XXIV, *Sec. 13. Appointment and Tenure of Commissions and Boards (d)*. Although the City Secretary’s Office provides the City Council a demographic report every two years as part of their on-boarding process or upon request, the report provided does not include comparative information on the City’s population needed to determine compliance with the City Charter.

A high-level analysis shows Hispanic members have lower representation on boards and commissions than their percentage of the population, while white members have greater representation than their percentage of the population. Black and Asian members were represented at close to their percentage of the population. Women also have lower representation than their percentage of the population.

A detailed analysis was not performed due to differences in time period reported and how race was classified between the City Secretary’s Office demographic reports and United States Census data. See [Exhibit 2](#) for a high-level analysis.

**Exhibit 2:**

Comparison of Boards and Commissions Members to City Residents

| Population                            | Hispanic | White | Black | Asian | Other | Female | Male  |
|---------------------------------------|----------|-------|-------|-------|-------|--------|-------|
| <b>City of Dallas Residents</b>       | 41.7%    | 29.0% | 24.3% | 3.4%  | 1.6%  | 50.4%  | 49.6% |
| <b>Boards and Commissions Members</b> | 11.8%    | 62.7% | 22.5% | 2.3%  | 0.7%  | 39.9%  | 60.1% |

**Sources:** United States Census population estimates for July 1, 2019 based on the United States Census 2018 population survey and City of Dallas Board Member demographic report for 2017 through 2019.

## Criteria

- ❖ City Charter, Chapter XXIV, Sec. 13, *Appointment and Tenure of Commissions and Boards (d)*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**High**

We recommend the **Director of the Mayor and City Council Office:**

**D.1:** Develop procedures to ensure the racial and ethnic membership of boards and commissions reflect the racial and ethnic make-up of the City's population, as nearly as may be practicable.

## Observation E: Annual Reports

Not all City boards and commissions Fiscal Year 2019 annual reports comply with the City's Charter and Code requirements. Noncompliance with the City's Charter and Code requirements increases the risk that interested parties would not have enough information on activities relating to boards and commissions.

The City Manager's Office was able to provide five of the ten board and commission Fiscal Year 2019 annual reports selected for review. The annual report is required to communicate the missions, achievements, recommendations, and goals of the respective board or commission. Of the five annual reports reviewed:

- One complied with all applicable City Charter and Code requirements.
- Two did not have the required memo, including transmission to the City Council.
- All lacked documentation of the review and evaluation of the annual reports performed by the City Manager's Office.

In addition to the noncompliance with the City's Code requirements, three annual reports were not posted on the City's website.

### Criteria

- ❖ City Charter, Chapter XXIV, Sec. 19, *Reports*
- ❖ City Code, Chapter 8, Sec. 8-1.1, *Reports to the City Council*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager:**

**E.1:** Develop procedures to ensure compliance with requirements of City Code, Chapter 8, Sec. 8-1.1, *Reports to the City Council* for all applicable boards and commissions.

**E.2:** Develop procedures to ensure all board and commission annual reports are posted to the City's website.

## Observation F: Meeting Documentation

Not all City boards and commissions meeting documentation complies with the City's Code requirements. Noncompliance with the City's Code requirements increases the risk that interested parties would not have enough information on activities relating to boards and commissions.

The following instances of noncompliance with the City's Code requirements were noted from a review of meeting documentation for ten boards and commissions during Fiscal Year 2019 and 2020:

- Eleven meeting minutes of a sample of 30 meetings (31 percent) were not sent to the City Secretary's Office within five days of approval.
- Six boards and commissions did not report meeting attendance during the period.
- Four boards and commissions reported meeting attendance within the required five days 60 percent of the time.

While not exceptions to the City's Code requirements, the following observations demonstrate opportunities to improve transparency:

- Meeting minutes for 56 meetings (45 percent) out of a sample of 125 meetings were not available online.
- Two of the seven executive sessions (29 percent) did not state the reason or relevant citation for the executive session in the meeting minutes.

### Criteria

- ❖ City Code, Chapter 8, *Boards and Commissions*:
  - Sec. 8-4 (a)
  - Sec. 8-6 (a), (b), (c), (d)
  - Sec. 8-8 (a), (b)
  - Sec. 8-20 (a), (b), (c)
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager**:

**F.1:** Develop procedures to ensure compliance with requirements of City Code, Chapter 8, *Boards and Commissions*: Sec. 8-4 (a); Sec. 8-6 (a), (b), (c), (d); Sec. 8-8 (a), (b); and, Sec. 8-20 (a), (b), (c).

**F.2:** Develop procedures to ensure all meeting minutes are posted to the City's website.

## Observation G: Acceptance of Appointment

A review of 77 boards and commissions members found 15 (19 percent) did not have documentation of acceptance within 15 days or were late in acceptance of the appointment. As a result, there is an increased risk that boards and commissions members are serving in positions that should have been declared vacant and required new appointments.

The following is a breakdown of the exceptions identified:

- No documentation of timely acceptance for ten of 77 members (13 percent).
- Documentation of late acceptance for five of 77 members (6 percent).

The City Secretary's Office converted to a new system in 2017 to document the appointment acceptance procedures. However, the system did not document the date of acceptance in all cases.

The appointee must return the signed acceptance of appointment to the City Secretary within 15 calendar days from the date of receiving notice of appointment, according to the requirement. The City Secretary's Office adds days (a grace period) to allow time for the appointee to receive the notice of appointment through the mail. The grace period is still used although notifications under the new system are sent electronically, without delays.

### Criteria

- ❖ City Code, Chapter 8, Sec. 8-1.2, *Notice of Appointment; Acceptance, (a), (b)*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Secretary**:

**G.1:** Establish procedures to ensure each appointed board member's vetting file includes documentation of acceptance of appointment within 15 days or the reason for late acceptance.

### Observation H: Vacancies

Seven of the 52 boards and commissions (13.5 percent) had vacancy rates greater than 40 percent during fiscal years 2019 and 2020. As a result, there is an increased risk that high-vacancy boards or commissions will have to cancel meetings due to a lack of quorum and not represent the interests of the City's residents.

Special qualifications required for most of the high-vacancy boards and commissions make the positions difficult to fill. Two boards and commissions (Building Inspection Advisory, Examining and Appeals Board and Fire Code Advisory and Appeals Board) rely on members serving in holdover capacity after their terms have expired. Also, there is confusion among City offices and departments about their responsibilities for assisting the City Council and City Manager in the recruitment of boards and commissions members.

Exhibit 3 lists the seven boards and commissions with a vacancy rate greater than 40 percent and their vacancy rates in fiscal years 2019 and 2020.

**Exhibit 3:**

Boards and Commissions with Vacancy Rates Greater Than 40 Percent

| Board or Commission                                       | Authorized Positions | Vacant Positions and Percentage In: |          |
|---|----------------------|-------------------------------------|----------|
|   |                      | May 2019                            | May 2020 |
| Building Inspection Advisory, Examining and Appeals Board | 16                   | 8 (50%)                             | 9 (56%)  |
| Fire Code Advisory and Appeals Board                      | 9                    | 4 (44%)                             | 4 (44%)  |
| North Oak Cliff Municipal Management District             | 9                    | 4 (44%)                             | 4 (44%)  |
| North Texas Education Finance Corporation                 | 11                   | 10 (91%)                            | 8 (73%)  |
| Reinvestment Zone Five Board (City Center)                | 6                    | 3 (50%)                             | 3 (50%)  |
| Reinvestment Zone Eleven Board (Downtown Connection)      | 6                    | 3 (50%)                             | 3 (50%)  |
| Reinvestment Zone Twenty-One Board (University)           | 6                    | 6 (100%)                            | 3 (50%)  |

Source: City Auditor's Office analysis of City Secretary's Office vacancy reports as of May 31, 2019 and May 29, 2020.

The City Secretary's Office posts weekly boards and commissions vacancy reports to their website. While the boards and commissions vacancy reports are not required to be retained, the lack of past vacancy reports limited the vacancy rate analysis to the two reports used in Exhibit 3.

## Criteria

- ❖ City Charter, Chapter XXIV, Sec. 17, *Board and Commission Members (a)*
- ❖ City Code Chapter 8, Sec. 8-20, *Attendance (d)*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **City Manager and the Director of the Mayor and City Council Office in consultation with the responsible Department and Office Directors:**

**H.1:** Review the qualifications and requirements for hard-to-fill boards and commissions positions and present to the City Council a proposal to revise the qualifications and requirements.

**H.2:** Establish procedures to identify boards and commissions with high vacancy rates and communicate these boards and commissions to City Council members for their actions.

We recommend the **City Secretary:**

**H.3:** Establish a retention period for boards and commissions vacancy reports.

## Observation I: Compliance Requirements

There is no documented list of which boards and commissions must comply with the requirements of the City's Code Chapter 8, *Boards and Commissions*. As a result, there is an increased risk that City boards and commissions will not operate in a manner consistent with the City Council's and public's expectations, such as:

- Having qualified members who conduct themselves in the best interests of the City's residents.
- Conducting open and transparent meetings.
- Clearly reporting on activities and accomplishments.

City Code, Chapter 8, *Boards and Commissions* defines a board as "a board or commission of the city that is established by ordinance or the Charter of the City of Dallas." There is not a list of which boards and commissions meet that definition and must comply with City Code, Chapter 8, *Boards and Commissions* requirements.

The City Secretary's Office maintains a website which states the authority that established each board or commission. However, the website does not state whether the board or commission must comply with the City Code, Chapter 8, *Boards and Commissions* requirements.

### Criteria

- ❖ City Code Chapter 8, Sec. 8-1, *Definitions (1)*
- ❖ Standards for Internal Control in the Federal Government, *Principle 2 – Exercise Oversight Responsibility and Principle 10 – Design Control Activities*.

Assessed Risk Rating:

**Moderate**

We recommend the **City Secretary**:

**I.1:** Establish and maintain a current list of all boards and commissions and whether the board or commission must comply with City Code, Chapter 8, *Boards and Commissions*.

## Appendix A: Background and Methodology

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### Background

The City's Fiscal Year 2019-20 Annual Budget states on page 575, *"Civic participation in government is a cornerstone of representative democracy and boards and commissions offer residents an opportunity to actively participate in their local government."* Approximately 500 people serve on the City's 52 boards and commissions.

The boards and commissions are established by ordinance or the Charter of the City of Dallas to serve various roles. The roles served by the 52 boards and commissions are as follows:

- Advisory – Provides advice or recommendations to the City Council on issues or policies.
- Quasi-Judicial – Has the power to exercise sovereign functions of government, such as determining the rights of one or more parties under State law, city ordinances, regulations or general laws, largely independent of the controls of others (e.g. Park Board).
- Instrumentality – A subsidiary of local government created for a special purpose (e.g. Dallas Housing Finance Corp.).
- Municipal Management Districts – An example is Trinity River West.

Boards and commissions members are appointed by the following methods:

- The Mayor and each City Council member appoint one member and each member is confirmed by the City Council.
- The City Council collectively appoints and confirms the members. This is the method used for reinvestment zone advisory boards.
- The Mayor appoints members who are confirmed by the City Council.
- The City Manager appoints members who are confirmed by the City Council.
- Members serve on the basis of their position, such as the Mayor or Chief Financial Officer serving on certain boards and commissions.

The City Charter and Code assigns certain operational responsibilities for boards and commissions to the following City officials, offices and departments:

#### Mayor and City Council

The Mayor and City Council are responsible for appointing most board and commission members. The Mayor appoints the chair of each board subject to confirmation by the City Council. The vice-chair of every board and commission is appointed by the City Council, unless otherwise provided in State law, City Charter or City Code. The Mayor and City Council Office provides staff support to the City Council, for board and commission appointments. City Council can request boards and commissions reports.

## City Manager

The City Manager appoints members to three boards and commissions. Assistant City Managers serve on Municipal Management District boards. The City Manager can request boards and commissions reports and is required to review and evaluate all board and commission annual reports and send them to the City Council.

## City Secretary's Office

The City Secretary's Office is responsible for ensuring appointed board members meet specific qualifications for membership and obtaining the required documentation, such as appointment acceptance forms, conflict of interest disclosures, and financial disclosures. The City Secretary's Office also receives required documentation on board and commission activities including meeting schedules, annual reports, meeting agendas, meeting attendance records, and meeting minutes. The City Secretary's Office provides staff support to the Ethics Commission and Permit and License Appeal Board.

## City Departments and Offices

Eighteen City departments and offices provide support to boards and commissions through coordinators. The coordinators are responsible for:

- Ensuring compliance with Texas Open Meetings Act requirements
- Providing the City Secretary's Office with the required documentation on board and commission activities, as noted in the [City Secretary's Office](#) section above.
- All other activities needed to facilitate the boards and commissions meetings.

Six organizations outside of the City government structure also provide support to boards and commissions.

## City Attorney's Office

The City Attorney's Office provides legal opinions and guidance when needed.

## Methodology

To accomplish our audit objectives, we performed the following steps:

- Interviewed personnel from the various offices and departments responsible for performing boards and commissions functions.
- Reviewed policies and procedures, relevant City Charter and Code and State law compliance requirements, applicable Administrative Directives, and best practices guidance.
- Surveyed boards and commissions coordinators.
- Performed various analyses and reviewed documents as needed to support conclusions.
- Considered risk of fraud, waste and abuse.
- Considered all five internal control components of the *Standards for Internal Control in the Federal Government*.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Major Contributors to the Report

Dapo Juba, MBA, CISA – Auditor  
Shino Knowles, CPA – Auditor  
Dan Genz, CIA, CFE – In-Charge Auditor  
Rory Galter, CPA – Audit Manager

## Appendix B: Defining Members' Roles and Responsibilities

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A survey of the coordinators for the 52 boards and commissions was conducted in September 2020. The responses were the basis for [Observation C](#). After the survey, the City Attorney's Office provided additional authoritative documents with roles and responsibilities that were incorporated in the results. The following is a listing of each board's and commission's response.

### Members' Roles and Responsibilities Defined in Bylaws

1. Dallas Area Partnership to End and Prevent Homelessness Local Government Corporation
2. Dallas Area Rapid Transit Board
3. Dallas Housing Authority Board – Housing Solutions for North Texas
4. North Texas Education Finance Corporation
5. Reinvestment Zone Three Board (Oak Cliff Gateway)
6. Reinvestment Zone Four Board (Cedars Area)
7. Reinvestment Zone Five Board (City Center)
8. Reinvestment Zone Six Board (Farmers Market)
9. Reinvestment Zone Seven Board (Sports Arena)
10. Reinvestment Zone Eight Board (Design District)
11. Reinvestment Zone Nine Board (Vickery Meadow)
12. Reinvestment Zone Ten Board (Southwest Medical)
13. Reinvestment Zone Eleven Board (Downtown Connection)
14. Reinvestment Zone Twelve Board (Deep Ellum)
15. Reinvestment Zone Thirteen Board (Grand Park South)
16. Reinvestment Zone Fourteen Board (Skillman Corridor)
17. Reinvestment Zone Fifteen Board (Fort Worth Avenue)
18. Reinvestment Zone Sixteen Board (Davis Gardens)
19. Reinvestment Zone Seventeen Board (Transit-Oriented Development)
20. Reinvestment Zone Eighteen Board (Maple/Mockingbird)
21. Reinvestment Zone Nineteen Board (Cypress Waters)
22. Reinvestment Zone Twenty Board (Mall Area Redevelopment)
23. Reinvestment Zone Twenty-One Board (University)
24. Trinity Corridor Local Government Corporation

## Members' Roles and Responsibilities Defined in Another Authoritative Document

1. Arts and Culture Advisory Commission
2. Board of Adjustment
3. Building Inspection Advisory, Examining & Appeals Board
4. City Plan and Zoning Commission
5. Civil Service Board
6. Community Development Commission
7. Cypress Waters Municipal Management District
8. Dallas-Fort Worth International Airport Board
9. Dallas Police and Fire Pension System Board of Trustees
10. Employees Retirement Fund Board
11. Ethics Advisory Commission
12. Judicial Nominating Committee
13. Landmark Commission and Task Force
14. North Oak Cliff Municipal Management District
15. Park and Recreation Board
16. Permit and License Appeal Board
17. Senior Affairs Commission
18. Trinity River West Municipal Management District

## Members' Roles and Responsibilities not Defined

1. Animal Advisory Commission
2. Citizen Homelessness Commission
3. Martin Luther King Jr. Community Center Board
4. South Dallas/Fair Park Opportunity Fund Board
5. Youth Commission

## No Response to Survey

1. Community Police Oversight Board
2. Dallas Central Appraisal District Board
3. Fire Code Advisory and Appeals Board
4. Housing Finance Corporation
5. Municipal Library Board

## Appendix C: Management's Response

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### Memorandum



**DATE:** July 30, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to Audit of City Boards and Commissions

This letter acknowledges the City Secretary's Office received the *Audit of City Boards and Commissions* and submitted responses to the recommendations.

Unfortunately, the Audit of City Boards and Commissions was not conducted in a cohesive and collaborative manner, which resulted in unrealistic recommendations. For example, a recommendation of: ***Develop procedures to ensure the racial and ethnic membership of boards and commissions reflect the racial and ethnic make-up of the City's population.*** Members to boards and commissions are selected, nominated, and appointed by city council members and/or mayor; therefore, for city staff to develop procedures for this action to control the racial and ethnic membership is unrealistic, as it is not within their control. A second example, a recommendation of: ***Present to the City Council, a proposal, to assign overall responsibility for ensuring boards and commissions operations comply with the City's Charter and Code to one position.*** The City Code, in conjunction with the City Charter is evident that the City Secretary is to ensure compliance of boards and commissions. In addition, the City Charter and Code also provide the officers of boards and commissions with operations of their respective board.

City Boards and Commissions responsibilities are across three different city structures (city secretary, city attorney and city manager). It would have been beneficial to have all parties initially provide a collaborative overview of the process, rather than the audit be solely conducted in an isolated format.

Sincerely,

*Biliera Johnson*  
Biliera Johnson  
City Secretary

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

## Memorandum



CITY OF DALLAS

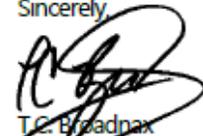
**DATE:** July 28, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to Audit of City Boards and Commissions

This letter acknowledges the City Manager's Office received the *Audit of City Boards and Commissions* and submitted responses to the recommendations in consultation with the City Secretary and the Mayor and City Council Office.

While the City Manager's Office respects the work and findings of the City Auditor's Office, we generally believe most of the recommendations are already sufficiently addressed through existing processes that the City Manager's Office and his departments follow to comply with the City Charter and the City Code. Further, we feel that any remaining risk is small and the cost to implement the controls recommended in the audit would exceed the benefit. However, the City Manager's Office and his departments will take additional steps as described in our responses to further reduce risk and facilitate effective boards and commissions.

The City Manager's Office agrees to implement the recommendations related to helping ensure boards and commissions have a quality and diverse candidate pool by reviewing the existing qualifications and requirements for hard-to-fill positions on boards and commissions with numerous vacancies and providing the City Council a proposal, as needed. Additionally, the City Manager's Office will review and edit vacancy requirements, including a review of the racial and ethnic make-up of boards and commissions, to help ensure boards and commissions can operate effectively and are representative of the City population.

Sincerely,



T. C. Broadnax  
City Manager

C: Bilierae Johnson, City Secretary  
Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer  
Carrie Rogers, Director, Mayor and City Council Office

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

## City Auditor's Response

The Office of the City Auditor conducts audits in as open, transparent, and collaborative nature as possible. As the City Secretary notes and we note in [Observation A](#), *"City Boards and Commissions responsibilities are across three different city structures (city secretary, city attorney, and city manager)."* This structure made it challenging to conduct the audit collaboratively while performing the audit virtually. However, meetings were held, weekly status reports distributed, and two discussion draft audit reports were shared with all parties to help foster a collaborative approach.

The City Auditor is responsible for reporting the observation if it is reasonable and could improve the City's operational effectiveness, efficiency, equity, or safeguarding of assets. While the auditees disagreed with 10 of the 14 recommendations and accepted the risk, six of the compliance-related recommendations not accepted will be addressed through improved compliance training.

## City Secretary's Responses to Recommendations

| Assessed Risk Rating  | Recommendation  | Concurrence and Action Plan | Implementation Date   | Follow-Up/ Maturity Date |            |
|---|---|-----------------------------|---|--------------------------|------------|
| <b>SECTION 1: GLOBAL OBSERVATIONS</b>                         |   |                             |   |                          |            |
| <b>Moderate</b>   | We recommend the <b>City Secretary:</b>   |                             |   |                          |            |
|   | <b>A.2:</b> Improve and expand training on compliance with boards and commissions requirements to more boards and commissions members and coordinators.                                     | <b>Agree:</b>               | Continue to improve training on compliance with boards and commissions requirements to boards and commissions members and coordinators. Expansion will include an online training/informational video.  | 10/01/2021               | 07/01/2022 |
| <b>SECTION 2: COMPLIANCE WITH THE CITY'S CHARTER AND CODE</b> |   |                             |   |                          |            |
| <b>Moderate</b>   | We recommend the <b>City Secretary:</b>   |                             |   |                          |            |
|   | <b>G.1:</b> Establish procedures to ensure each appointed board member's vetting file includes documentation of acceptance of appointment within 15 days or the reason for late acceptance. | <b>Agree:</b>               | Update current procedures to ensure each appointed board member's vetting file includes <b>electronic</b> documentation of acceptance of appointment within 15 days or the reason for late acceptance.  | 10/01/2021               | 07/01/2022 |
|   | <b>H.3:</b> Establish a retention period for boards and commissions vacancy reports.  | <b>Accept Risk:</b>         | A retention period for boards and commissions vacancy reports exists. (Considered a 'transitory record'.) They are produced or received in the course of routine actions, in the preparation of other records which replace them, or for convenient reference. <b>NO RISK</b> | N/A                      | N/A        |

| Assessed Risk Rating | Recommendation  | Concurrence and Action Plan  | Implementation Date | Follow-Up/ Maturity Date |
|----------------------|---|--|---------------------|--------------------------|
|                      | <p><b>I.1:</b> Establish and maintain a current list of all boards and commissions and whether the board or commission must comply with City Code, Chapter 8, <i>Boards and Commission</i>.</p> | <p><b>Accept Risk:</b></p> <p>A list of all boards and commissions, along with their appropriate authority (for compliance) is listed on the City Secretary's website.</p> <p>The City Attorney's Office needs to advise, as they develop/interpret ordinances and/or authority regulations. <b>NO RISK/HANDLED INTERNALLY</b></p> | N/A                 | N/A                      |

## City Manager and Mayor and City Council Office Responses to Recommendations

| Assessed Risk Rating                  | Recommendation  | Concurrence and Action Plan | Implementation Date  | Follow-Up/ Maturity Date |
|---------------------------------------|---|-----------------------------|--|--------------------------|
| <b>SECTION 1: GLOBAL OBSERVATIONS</b> |   |                             |  |                          |
| <b>Moderate</b>                       | We recommend the <b>City Manager in consultation with the City Secretary and the City Attorney:</b>   |                             |  |                          |
|                                       | <b>A.1:</b> Present to the City Council, a proposal, to assign overall responsibility for ensuring boards and commissions operations comply with the City's Charter and Code to one position. | <b>Accept Risk:</b>         | At this time, the City Manager does not see a need to present a proposal to the City Council and therefore is accepting the risk for this recommendation. However, the City Manager's Office will monitor respective departments to ensure compliance with the City's Charter and Code. Additionally, the City Manager's Office and the City Secretary's Office agree that the City Secretary will ensure City staff and board members will receive <i>training to help ensure compliance.</i> | N/A                      |
| <b>Moderate</b>                       | We recommend the <b>City Manager:</b>   |                             |  |                          |
|                                       | <b>B.1:</b> Establish procedures to account for all costs to operate each board and commission and report the total cost by board and commission to the City Council on an annual basis.      | <b>Accept Risk:</b>         | Currently, costs to operate boards and commissions are incorporated in the City's annual budget process. The City Manager's Office does not believe it is practical to establish additional procedures to account for and report total costs by board or commission and therefore will accept the risk for this recommendation.  | N/A                      |

| Assessed Risk Rating  | Recommendation   | Concurrence and Action Plan   | Implementation Date | Follow-Up/ Maturity Date |
|---|--|---|---------------------|--------------------------|
|   | <b>C.1:</b> Ensure all boards and commissions have defined roles and responsibilities of members either in bylaws or another authoritative document.   | <b>Accept Risk:</b><br>We will accept the risk for this recommendation. Article III, Chapter 8-9 (Chair and Vice Chair) provides guidelines for the roles of the Chair and Vice Chair of most boards and commissions. Additionally, the City Secretary's Office ensures City staff and those board members will be trained on compliance with all authorities governing boards and commissions.   | N/A                 | N/A                      |
| <b>SECTION 2: COMPLIANCE WITH THE CITY'S CHARTER AND CODE</b> |  |   |                     |                          |
| <b>High</b>   | <b>We recommend the Director of the Mayor and City Council Office:</b>   |   |                     |                          |
|   | <b>D.1:</b> Develop procedures to ensure the racial and ethnic membership of boards and commissions reflect the racial and ethnic make-up of the City's population, as nearly as may be practicable. | <b>Accept Risk:</b><br>While MCC will not be implementing the recommendation as written, we will coordinate with CMO as they implement recommendation H.2 to help mitigate the identified risk.   | N/A                 | N/A                      |
| <b>Moderate</b>   | <b>We recommend the City Manager:</b>  |   |                     |                          |
|   | <b>E.1:</b> Develop procedures to ensure compliance with requirements of City Code, Chapter 8, Sec. 8-1.1, <i>Reports to the City Council</i> for all applicable boards and commissions.             | <b>Accept Risk:</b><br>The City Secretary's Office will ensure city staff and board members will be trained on compliance with all authorities governing boards and commissions and therefore, the City Manager does not see a need to develop separate procedures to ensure compliance. Additionally, the City Manager's Office will monitor respective departments to ensure compliance and can commit to distributing an annual directive city-wide as a reminder. | N/A                 | N/A                      |

| Assessed Risk Rating | Recommendation  | Concurrence and Action Plan   | Implementation Date | Follow-Up/ Maturity Date |
|----------------------|---|---|---------------------|--------------------------|
|                      | <p><b>E.2:</b> Develop procedures to ensure all board and commission annual reports are posted to the City's website.</p>   | <p><b>Accept Risk:</b> The City Secretary's Office will ensure city staff and board members will be trained on compliance with all authorities governing boards and commissions and therefore, the City Manager does not see a need to develop separate procedures to ensure compliance. Additionally, the City Manager's Office will monitor respective departments to ensure compliance and can commit to distributing an annual directive City-wide as a reminder.</p> | N/A                 | N/A                      |
|                      | <p><b>F1:</b> Develop procedures to ensure compliance with requirements of City Code, Chapter 8, <i>Boards and Commissions</i>: Sec. 8-4 (a); Sec. 8-6 (a), (b), (c), (d); Sec. 8-8 (a), (b); and, Sec. 8-20 (a), (b), (c).</p> | <p><b>Accept Risk:</b> The City Secretary's Office will ensure City staff and board members will be trained on compliance with all authorities governing boards and commissions and therefore, the City Manager does not see a need to develop separate procedures to ensure compliance. Additionally, the City Manager's Office will monitor respective departments to ensure compliance and can commit to distributing an annual directive City-wide as a reminder.</p> | N/A                 | N/A                      |
|                      | <p><b>F.2:</b> Develop procedures to ensure all meeting minutes are posted to the City's website.</p>   | <p><b>Accept Risk:</b> The City Secretary's Office will ensure City staff and board members will be trained on compliance with all authorities governing boards and commissions and therefore, the City Manager does not see a need to develop separate procedures to ensure compliance. Additionally, the City Manager's Office will monitor respective departments to ensure compliance and can commit to distributing an annual directive City-wide as a reminder.</p> | N/A                 | N/A                      |

| Assessed Risk Rating | Recommendation  | Concurrence and Action Plan   | Implementation Date | Follow-Up/<br>Maturity Date |
|----------------------|---|---|---------------------|-----------------------------|
| Moderate             | We recommend the <b>City Manager and the Director of the Mayor and City Council Office in consultation with the responsible Department and Office Directors:</b>  |   |                     |                             |
|                      | <p><b>H.1:</b> Review the qualifications and requirements for hard-to-fill boards and commissions positions and present to the City Council a proposal to revise the qualifications and requirements.</p> | <p><b>Agree:</b> The City Manager's Office, in consultation with designated departments, will agree to review the qualifications and requirements for hard-to-fill board and commission positions will be considered should the board have numerous vacancies. The City Council will then receive a proposal to revise the qualifications and requirements when possible.</p> | 6/30/2022           | 9/30/2022                   |
|                      | <p><b>H.2:</b> Establish procedures to identify boards and commissions with high vacancy rates and communicate these boards and commissions to City Council members for their actions.</p>                | <p><b>Agree:</b> The City Manager's Office will work with stakeholders to review and edit vacancy requirements including a review to ensure the racial and ethnic make-up of boards and commissions is representative of the City's population as nearly as many be practicable. This information will be provided to City Council when possible.</p>                         | 6/30/2022           | 9/30/2022                   |

# Released Reports - September to Date

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# Audit of Senior Services

September 1, 2021

Mark S. Swann, City Auditor

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## Mayor

Eric Johnson

## Mayor Pro Tem

Chad West

## Deputy Mayor Pro Tem

Jaime Resendez

## Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Gay Donnell Willis

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## Executive Summary

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### Objective and Scope

The audit objectives were to determine if the Office of Community Care effectively: (1) coordinates resources to prevent duplication of senior services; and, (2) monitors senior services contracts to ensure documentation of contract performance is accurate, complete; and, in compliance with contract terms.

The audit scope covered the Dental Care Program, Employment Assistance Program, Ombudsman Program, and Transportation Program in Fiscal Year 2019 through 2020.

### What We Recommend

We recommend the Office of Community Care update current written procedures to include work instructions specific to contract monitoring, and for:

- Verifying the accuracy of monthly requests for payment and reported contractor performance.
- Evaluating the effectiveness of senior services programs and contractor performance for each senior program.

### Background

The Mission of the City of Dallas Office of Community Care Senior Services Program is to promote the quality of life for persons 60 and older in the City of Dallas with low-to-moderate income. There are approximately 155,000 seniors residing in the City of Dallas.

The annual operating budget for Fiscal Year 2020 was approximately \$1.3 million.

The Senior Services Program supports, through contractual agreements, the Dental Care Program, Employment Assistance Program Ombudsman Program, and Transportation Program.

In addition, the Senior Services Program provides case management and referral services through collaborations with City of Dallas departments and community agencies.

### What We Found

The Office of Community care can improve its contract monitoring practices by:

- Formalizing written procedures for contract monitoring regarding monthly requests for payment and reported contractor performance.
- Better evaluating senior services programs for effectiveness.

## Objectives and Conclusions

---

1. Does the Office of Community Care coordinate resources with other cities, counties, and City of Dallas departments/programs to prevent duplication of senior services?

**No.** However, the audit did not identify any feasible opportunities for the Office of Community Care to coordinate resources. Through contractual agreements, the Senior Services Program administers the following:

- Dental Care Program – audit research identified no other city or county program offering the same or similar dental program to senior residents of Dallas.
- Employment Assistance Program – audit research identified no other city or county program offering the same or similar employment assistance program to senior residents of Dallas.
- Ombudsman Program – sole source provider administered through the State of Texas.
- Transportation Program – coordinated with various local area cities indirectly as these cities also participate in the Dallas Area Rapid Transit (DART) program.

In addition, the audit did not identify any duplication of senior services within other City of Dallas departments or programs, nor any overlaps in services, for the above listed Office of Community Care senior services programs.

2. Does the Office of Community Care monitor senior services contracts to ensure documentation of contract performance is accurate, complete, and in compliance with contract terms?

**Generally, yes.** The Office of Community Care conducts some monitoring activities however, opportunities exist to improve and formalize current monitoring activities. See [Observation A](#).

In addition, the Office of Community Care can provide additional assurance that contractor performance complies with contract terms by evaluating and documenting the evaluation of the effectiveness of all of its contracted senior services. See [Observation B](#).

## Audit Results

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As required by *City Council Resolution 88-3428*, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States pursuant to the *Federal Managers' Financial Integrity Act of 1982*. Administrative Directive 4-09, *Internal Control* prescribes the policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

## Observation A: Contract Monitoring

The Office of Community Care has no documented process for monitoring Dental Care, Employment Assistance, Ombudsman, and Transportation contracts. As a result, the Office of Community Care cannot provide assurance of: (1) payment verification for accuracy; or (2) contractor's outcome measures and performance data compliance with contract terms.

The Ombudsman Program's contract monitoring and payment verification processes were evaluated during the audit, and the sample months of October 2019 and June 2020 were judgmentally selected for testing. In the sample, the monthly requests for payment (monthly reports) were analyzed and determined to be supported, accurate, and complete. However, the Office of Community Care does not have written instructions for verifying that:

- Contractor requests for payment were verified for payment accuracy.
- Only eligible recipients received services.
- Service delivery numbers are a true representation of what occurred each month.
- Monthly reports are accurate.
- Ombudsman Program complaints are resolved.

Other contract monitoring and compliance concerns include:

- Payments that are not timely.  
One of the two monthly requests for payment was late. The October 2019 Ombudsman Program monthly request for payment was received by the City in January 2020. The contract requires payment requests be submitted monthly, within (no more than) 15 days of the last day of the previous month in which services were provided. According to the Office of Community Care, the payment request was submitted more than two months late due to the contract not being executed until December 2019.
- Premature commencement of contract services.  
Although the contract was not executed until December 2019, the Ombudsman Program commenced services on October 1, 2019 without a required approval from the City Manager. Administrative Directive 4-05, Contracting Standards and Procedures (Interim), Section 15.1, *Contract Monitoring* states, "In situations where the time in which a contract cannot be executed and signed by all parties prior to the date work must commence, written approval must be obtained from the City Manager to begin work prior to the signing of a contract."

## Criteria

- ❖ Administrative Directive 4-05, Contracting Standards and Procedures (Interim), Section 15.1, *Contract Monitoring*
- ❖ Standards for Internal Control in the Federal Government:
  - *Principle 12.01– Implement Control Activities*
  - *Principle 12.02 – Documentation of Responsibilities Through Policies*
  - *Principle 12.05 – Periodic Review of Control Activities*
  - *Principle 16.01 – Perform Monitoring Activities*
  - *Principle 16.09 – Evaluation of Results*

Assessed Risk Rating:

**Moderate**

We recommend the **Director of the Office of Community Care:**

**A.1:** Update written procedures to include work instructions with descriptions of monitoring processes, documentation standards, and verification methods for ensuring the:

1. Accuracy of payments requested by contractors.
2. Compliance of contractor's outcome measures and performance data with contract terms. Specifically, address how to ensure:
  - a. Only eligible recipients received services.
  - b. Service delivery numbers are a true representation of what occurred each month.
  - c. Contractor monthly payment requests and supporting documents are accurate.
  - d. Ombudsman Program complaints are resolved.

**A.2:** Ensure that evidence of verifying the accuracy and timeliness of payments requests and the accuracy of contractor performance reports is documented, reviewed, and approved by management.

**A.3:** Ensure a written approval is obtained from the City Manager to begin work prior to the signing of contracts in accordance with Administrative Directive 4-05, *Contracting Standards and Procedures (Interim)*.

## Observation B: Program Effectiveness

The Office of Community Care does not always evaluate whether: 1) senior services contracts have achieved the desired outcomes, or 2) the demand for particular senior services has changed. Specifically, there is limited historical or current data regarding the success of the senior Dental Care, Employment Assistance or Ombudsman programs or how recipients benefitted from such programs. As a result, the Senior Affairs Commission may not have accurate information to be able to recommend program improvements.

The Office of Community Care has: 1) no outcome-based performance measure to evaluate the success of senior services programs and contracts; and 2) no written procedures for determining the overall success for any of its senior services programs or evaluating contractors' performance.

Examples of outcomes-based performance evaluation standards include:

- Evaluating against a set of pre-established standard criteria.
- Retaining the documented evaluation of contract performance for future use.
- Analyzing the demand for program services based upon contractual outcomes.

### Dental Care, Employment Assistance, and Ombudsman Programs

There are no retained records of prior contractor evaluations regarding the success or recipient benefit from the Dental Care, Employment Assistance, and Ombudsman programs. Specifically, there is no evidence to support: (1) the Dental Care Program was evaluated to determine how recipients benefitted from services; (2) the Employment Assistance Program was evaluated to determine the number or recipients who received employment after completing the program; or, (3) the Ombudsman Program was evaluated to determine the effectiveness of follow-up efforts to resolve complaints.

### Transportation Program

The Transportation Program, on the other hand, underwent a rigorous evaluation in Fiscal Year 2018 which resulted in the implementation of the Dallas Area Rapid Transit (DART) Rider Assistance Program. Prior to DART, the Transportation Program was provided by another contractor. The Transportation Program evaluation included information related to:

- Program History
- Specific use of the program
- Review of the senior medical transportation program
- Client Assessment
- Program Implementation Improvements
- Program Development Updates
- DART Rides (subsidized fare program)
- Pilot Program Overview
- Transportation Survey

## Criteria

- ❖ The National Association of State Auditors, Comptrollers, and Treasurers, *Best Practices in Contracting for Services* recommends evaluation of the contractor's performance against a set of pre-established, standard criteria.
- ❖ Standards for Internal Control in the Federal Government:
  - *Principle 16.01 – Perform Monitoring Activities*
  - *Principle 16.09 – Evaluation of Results*

Assessed Risk Rating:

**Low**

We recommend the **Director of the Office of Community Care:**

- B.1:** Update written procedures to include work instructions for evaluating outcome-based performance measures and the effectiveness of senior services programs and contractor performance for each senior services program.
- B.2:** Ensure the evaluation of the effectiveness of senior services programs and contractor performance is documented and retained.

## Appendix A: Background and Methodology

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### Background

The Office of Community Care Senior Services Program promotes the quality of life for persons 60 and older in the City of Dallas with low-to-moderate income. Some areas of emphasis are: (1) health and safety, (2) housing, (3) public benefits, (4) social needs, and (5) trends in aging and transportation. These areas are addressed through community collaborations, coordination of services, educational programs, outreach, and casework based on referral and information. The Senior Affairs Commission addresses areas of emphasis for persons 60 and older and communicates concerns to City Council.

### The Senior Affairs Commission

Members of the Senior Affairs Commission are council-appointed. Each member serves a two-year term on a 15-member advisory board tasked with identifying programs and addressing needs related to elderly issues. The Senior Affairs Commission is comprised of members who are over the age of 55, show a concern about senior affairs; and are willing to represent the senior community. The Senior Affairs Commission served a key role in the implementation of the Age-Friendly Dallas Plan.

### Age-Friendly Dallas Plan

The Senior Service Program collaborates with community agencies to expand limited City of Dallas resources and enhance services offered to the senior population through contractual agreements and collaborating with community agencies through referral services and outreach activities.

Dallas City Council adopted the Age-Friendly Dallas Plan in Fiscal Year 2019. The Age-Friendly Dallas Plan focuses on enriching the lives of, and improving community livability for, Dallas seniors. The plan establishes the criteria for programs or support services, provided by the Senior Services Program. Through the Age-Friendly Dallas plan, the Office of Community Care identified a need for, and supports through contractual agreements, the following senior services programs:

- Dental Care
- Employment Assistance
- Ombudsman
- Transportation

### Dental Care Program

Dental care is one of the top three unmet needs in the Dallas area, for seniors. The Dental Care Program provides free, basic dental health services to older Dallas residents who may not have access to or cannot afford dental care. Dental procedures are performed for low to moderate level income Dallas seniors, aged 60 and older, at North Dallas Shared Ministries Clinic and Agape Clinic. This program was included in the audit's evaluation of program effectiveness.

## Employment Assistance Program

The Employment Assistance Program provides employment assistance offered at Mountain View College. Participants complete a 5-week course in areas focused on: (1) one-on-one career counseling; (2) resume-writing assistance; (3) interviewing skills; (4) job search technique training; (5) basic computer skills; and, (6) networking group meetings. The employment assistance program was placed on-hold during the COVID-19 pandemic. This program was included in the audit's evaluation of program effectiveness.

## Ombudsman Program

The Ombudsman Program seeks to enhance the quality of life and quality of care for seniors in assisted living programs or nursing home facilities. The City's contractual agreement with the Ombudsman Program provides additional funding to help the Ombudsman be more active in the City of Dallas and provide more contacts to residents, in nursing homes and assisted living facilities, aged 60 and older. This program was included in the audit's evaluation of payment verification, contract monitoring and program effectiveness.

## Transportation Program

The Transportation Program evaluated during this audit was implemented in May 2020. Through the DART program, seniors who are not eligible for existing transportation programs are eligible for the Senior Transportation Program. Participants are required to pay a percentage of the ride fee to remain eligible. This program was included in the audit's evaluation of program effectiveness.

## Operation Water Share

Operation Water Share provides financial assistance to Dallas senior residents experiencing hardships due to water leaks or other unforeseen expenses related to water utilities. The Office of Community Care assesses and determines eligibility and makes recommendations to Dallas Water Utilities for financial assistance. This program was not evaluated during the audit.

## Texas RAMP Project

The Texas RAMP Project is a statewide volunteer program that provides wheelchair ramps for low-income persons with disabilities. There is no cost for participants, but a referral must be completed on behalf of the recipient. This program was not evaluated during the audit.

## Casework and Outreach

In addition to supporting programs through contractual agreements, financial assistance referrals, and statewide volunteer programs, the Senior Services Program provides referrals and information to at-risk seniors who have a need for elder abuse prevention, housing, health care or utility services resources. Seniors receive educational materials, training; and attend seminars and presentations facilitated through partnerships with community groups, neighborhood associations and senior centers. Through

the Senior Service Program's outreach activities, seniors, and the public, are informed on the issues affecting older adults and the resources available to them. Casework and outreach activities provided by the Senior Services Program were not evaluated during the audit.

## Methodology

To achieve the audit objectives, the following steps were performed: (1) interviewed personnel from the Office of Community Care; (2) reviewed policies and procedures, vendor contracts, Administrative Directive 4-05, *Contracting Standards and Procedures (Interim)* and the *Standards for Internal Control in Federal Government*; and, (3) performed various analyses and reviewed documents as needed to support conclusions, including review of surrounding cities' participation in the DART Rider Assistance, Dallas County's Older Adult Services; and, Dental Care and Employment Assistance programs of other local area cities.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Major Contributors to the Report

Lina Wang, CPA – In-Charge Auditor  
Anatoli V. Douditski, CIA, MPA, ACDA – Engagement Manager  
Yzalida Hiley, MBA

## Appendix B: Management's Response

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### Memorandum



**DATE:** August 30, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to Audit of Senior Services

This letter acknowledges the City Manager's Office received the *Audit of Senior Services* and submitted responses to the recommendations in consultation with the Office of Community Care.

We recognize the importance of providing equitable service and promoting a high quality of life for Dallas' senior residents. Further, we are proud of the Office of Community Care's efforts and accomplishments in providing and coordinating needed services for our City's residents.

While the Office of Community Care has thorough and effective contract compliance processes in place, we recognize there are opportunities for improvement. To continue improving our processes around contract compliance, the Office of Community Care's contract compliance staff has completed the first level of the Dallas Contracting Officer Representatives (D-COR) training and is currently completing the second level of D-COR training. Additionally, the Office of Community Care will document its existing processes in written procedures and has developed a revised checklist to ensure consistent documentation is reviewed and retained. Further, the new procedures and revised checklist will ensure that payments are processed timely and adherence to the City's administrative directives is clearly documented.

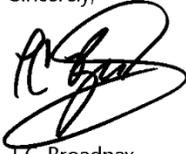
Similarly, the Office of Community Care has established a monthly performance checklist for staff to document their evaluation of the effectiveness of the contractor's performance.

While the Office of Community Care agrees in principle to the auditor's recommendation to retain documentation pertaining to evaluating the effectiveness of programs and contractors, the Office of Community Care will accept the risk associated with this recommendation. The Office of Community Care will retain the evaluation checklists and data for evaluating the program overall, as applicable. However, the Office of Community Care's review of client files during onsite contractor compliance reviews contains sensitive client information. Therefore, the Office of Community Care will observe but not retain documentation supporting the results of the checklists that contain sensitive client information.

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

Response to Audit of Senior Services  
August 30, 2021  
Page 2 of 2

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax', enclosed within a large, loopy circular flourish.

T.C. Broadnax  
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer  
Jessica Galleshaw, Director, Office of Community Care

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

| Assessed Risk Rating | Recommendation  | Concurrence and Action Plan  | Implementation Date | Follow-Up/ Maturity Date |
|----------------------|---|--|---------------------|--------------------------|
| <b>Moderate</b>      | We recommend the <b>Director of the Office of Community Care:</b>   |  |                     |                          |
|                      | <p><b>A.1:</b> Update written procedures to include work instructions with descriptions of monitoring processes, documentation standards, and verification methods for ensuring the:</p> <ol style="list-style-type: none"> <li>1. Accuracy of payments requested by contractors.</li> <li>2. Compliance of contractor's outcome measures and performance data with contract terms. Specifically, address how to ensure:               <ol style="list-style-type: none"> <li>a. Only eligible recipients received services.</li> <li>b. Service delivery numbers are a true representation of what occurred each month.</li> <li>c. Contractor monthly payment requests and supporting documents are accurate.</li> <li>d. Ombudsman Program complaints are resolved.</li> </ol> </li> </ol> | <p><b>Agree:</b> The Office of Community Care (OCC) has been working to update various <b>departmental protocols and work instructions to better outline the processes for monitoring and ensuring consistent documentation</b> standards and verification methods of expenditures as part of our practice to continually improve service delivery and contract oversight. OCC has developed a draft, revised monitoring checklist to be put into place during FY 2022, following a thorough review. Additionally, OCC has developed a new monthly review checklist form for contract compliance staff to utilize in reviewing payments, performance metrics, client data, and other critical information, which will also be put into place during FY 2022.</p> | 3/31/2022           | 9/30/2022                |
|                      | <p><b>A.2:</b> Ensure that evidence of verifying the accuracy and timeliness of payments requests and the accuracy of contractor performance reports is documented, reviewed, and approved by management.</p>   | <p><b>Agree:</b> OCC will implement this recommendation as part of the above-described checklists and work instructions.</p>   | 3/31/2022           | 9/30/2022                |

| Assessed Risk Rating | Recommendation   | Concurrence and Action Plan  | Implementation Date | Follow-Up/<br>Maturity Date |
|----------------------|--|--|---------------------|-----------------------------|
|                      | <p><b>A.3:</b> Ensure a written approval is obtained from the City Manager to begin work prior to the signing of contracts in accordance with Administrative Directive 4-05, <i>Contracting Standards and Procedures (Interim)</i>.</p>    | <p><b>Agree:</b> OCC does not direct programs to begin offering services or authorize payments prior to contract execution. However, OCC has authorized payments, after the contract is fully executed, for services performed during the contract period but prior to execution with appropriate supporting documentation.</p> <p>OCC will consult with the City Manager's Office, as needed, and request written authorization in the event that billable contract work may begin prior to the completion of contract execution.</p> | 3/31/2022           | 9/30/2022                   |
| Low                  | We recommend the <b>Director of the Office of Community Care:</b>  |  |                     |                             |
|                      | <p><b>B.1:</b> Update written procedures to include work instructions for evaluating outcome-based performance measures and the effectiveness of senior services programs and contractor performance for each senior services program.</p> | <p><b>Agree:</b> OCC has established a monthly performance checklist, inclusive of work instructions, for contract compliance staff to utilize upon receipt of each vendor's, contractor's, or subrecipient's Monthly Target Analysis Form. The checklist outlines allowable variances and will prompt compliance staff to follow up if a contractor is outside of the allowable variance. OCC will implement this added review to its monthly contract compliance process beginning FY2022.</p>                                       | 3/31/2022           | 9/30/2022                   |

| Assessed Risk Rating   | Recommendation  | Concurrence and Action Plan | Implementation Date | Follow-Up/ Maturity Date |
|--|---|-----------------------------|---------------------|--------------------------|
|  | <p><b>B.2:</b> Ensure the evaluation of the effectiveness of senior services programs and contractor performance is documented and retained.</p>  | <p><b>Accept Risk:</b></p>  | <p>N/A</p>          | <p>N/A</p>               |
|  | <p>OCC receives and maintains documentation of performance, expenditures, and client data through our monthly review process for each contract and maintains such data in accordance with records retention policies.</p> <p>Additionally, OCC performs onsite compliance testing of programs that includes reviewing client files. OCC does not retain individual client files for all programs for a variety of reasons, including concerns related to client privacy. Through its onsite monitoring activity, OCC compliance staff are able to view client records, client data, client files, etc. and confirm the metrics presented by the contractor in their reporting.</p> <p>OCC will enhance its checklist used for onsite monitoring to better illustrate the activity performed, but will not be retaining copies of sensitive client files.</p> <p>OCC believes that the strengthening of our program monitoring protocols, including the checklist, will enable us to adequately ensure client records' accuracy.</p> |                             |                     |                          |



# Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas

September 10, 2021  
Mark S. Swann, City Auditor

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## Mayor

Eric Johnson

## Mayor Pro Tem

Chad West

## Deputy Mayor Pro Tem

Jaime Resendez

## Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Gay Donnell Willis

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## Executive Summary

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### Objective and Scope

The audit objective was to determine whether the City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the City Manager's *Fiscal Year 2021-22 Proposed Annual Budget*.

The audit scope was the major revenue sources included in the *Fiscal Year 2021-22 Proposed Annual Budget* and the associated supporting documentation.

### What We Recommend

There are no audit recommendations associated with this report.

### Background

The City Council approved *Fiscal Year 2021 Audit Work Plan* prescribed the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2021-22 Proposed Annual Budget*. The \$282.5 million budgeted from the American Rescue Plan Act of 2021 for the *Fiscal Year 2021-22 Proposed Annual Budget* was not part of the review since the funds have been granted and are not estimated.

### What We Found

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2021-22 Proposed Annual Budget*. Further, the revenue forecast methodologies and material assumptions used in developing the proposed budget revenues are reasonable and adequately supported.

## Audit Results

The Office of the City Auditor reviewed major revenue sources totaling \$2.72 billion, or 78 percent of the \$3.49 billion of the proposed budget revenues included in the *Fiscal Year 2021-22 Proposed Annual Budget*. The remaining \$772 million, which are mainly derived from department reimbursements, and City of Dallas employee and retiree contributions for retirement and health benefits, were excluded from the review. The major revenue sources reviewed are identified in [Exhibit 1](#).

### Exhibit 1:

#### Revenue Sources Included in the Office of the City Auditor's Review

| Revenue Sources  | Fiscal Year<br>2020-21<br>Amended Budget | Fiscal Year<br>2020-21<br>Forecast Revenues | Fiscal Year<br>2021-22<br>Proposed Revenues |
|--|--|---|---|
| <b>General Fund</b>                                    |  |   |   |
| Ad Valorem Taxes                                       | \$825,006,993                            | \$842,253,328                               | \$876,483,968                               |
| Sales Tax  | 305,073,041                              | 336,011,501                                 | 344,283,066                                 |
| Franchise Fees   | 83,444,095                               | 85,412,871                                  | 85,146,984                                  |
| <b>Enterprise Fund</b>                                 |  |   |   |
| Water Utilities  | 692,146,200                              | 672,903,109                                 | 713,732,650                                 |
| Aviation - Concessions & Rentals                       | 94,234,713                               | 92,427,523                                  | 111,964,255                                 |
| Sanitation Services                                    | 127,062,910                              | 125,943,184                                 | 137,982,207                                 |
| Convention and Event Services -<br>Hotel Occupancy Tax | 36,500,000                               | 36,438,189                                  | 58,310,171                                  |
| Storm Water Fees                                       | 66,355,747                               | 66,332,748                                  | 69,314,586                                  |
| <b>Debt Service</b>                                    |  |   |   |
| Ad Valorem Taxes                                       | 301,028,221                              | 306,222,303                                 | \$321,279,574                               |
| Revenue Sources Reviewed                               | \$2,530,851,920                          | \$2,563,944,756                             | \$2,718,497,461                             |
| Revenue Sources Not Included                           | 750,799,171                              | 729,777,705                                 | 772,268,150                                 |
| <b>Total Revenues</b>                                  | <b>\$3,281,651,091</b>                   | <b>\$3,293,722,461</b>                      | <b>\$3,490,765,611</b>                      |

**Source:** Fiscal Year 2021-22 Proposed Annual Budget (Unaudited)

The City of Dallas has methodologies in place for forecasting revenues. The common methodologies used by the City of Dallas consist of regression analyses and/or historical trends, professional judgements, along with expertise from external consultants. [Exhibit 2](#) (on pages 3 and 4) shows the total General Fund variance between budgeted revenues compared to actual revenues for Fiscal Years 2018 through 2020 were less than 3 percent for all three years.

While common methodologies were used to forecast revenues for Fiscal Year 2021-22 revenues, the methodologies were adjusted as appropriate to consider the effects the COVID-19 pandemic could have throughout the remainder of Fiscal Year 2020-21 and all of Fiscal Year 2021-22. A conservative approach was taken to forecast the revenues.

**Exhibit 2:**

Fiscal Years 2018 Through 2020 General Fund Budgeted Revenues  
Compared To Actual Revenues  
(in thousands)

| General Fund                 | Fiscal Year                 | Fiscal Year               | — Variance —    |             |
|------------------------------|-----------------------------|---------------------------|-----------------|-------------|
|                              | 2017-18<br>Budgeted Revenue | 2017-18<br>Actual Revenue | Dollar          | Percent     |
| Ad Valorem Taxes             | \$652,068                   | \$652,462                 | \$394           | 0.1%        |
| Sales Tax                    | 303,349                     | 305,398                   | 2,049           | 0.7%        |
| Franchise Fees and Other Tax | 135,320                     | 141,897                   | 6,577           | 4.9%        |
| License and Permits          | 4,669                       | 4,824                     | 155             | 3.3%        |
| Intergovernmental            | 9,548                       | 10,194                    | 646             | 6.8%        |
| Service to Others            | 116,117                     | 126,963                   | 10,846          | 9.3%        |
| Fines and Forfeitures        | 36,515                      | 35,171                    | -1,344          | -3.7%       |
| Investment Income            | 2,017                       | 4,450                     | 2,433           | 120.6%      |
| Other Revenues               | 6,580                       | 9,640                     | 3,060           | 46.5%       |
| <b>Total Revenues</b>        | <b>\$1,266,183</b>          | <b>\$1,290,999</b>        | <b>\$24,816</b> | <b>2.0%</b> |

| General Fund                 | Fiscal Year                 | Fiscal Year               | — Variance —   |             |
|------------------------------|-----------------------------|---------------------------|----------------|-------------|
|                              | 2018-19<br>Budgeted Revenue | 2018-19<br>Actual Revenue | Dollar         | Percent     |
| Ad Valorem Taxes             | \$727,886                   | \$729,596                 | \$1,710        | 0.2%        |
| Sales Tax                    | 311,645                     | 313,461                   | 1,816          | 0.6%        |
| Franchise Fees and Other Tax | 133,348                     | 135,697                   | 2,349          | 1.8%        |
| License and Permits          | 5,671                       | 6,349                     | 678            | 12.0%       |
| Intergovernmental            | 9,563                       | 10,178                    | 615            | 6.4%        |
| Service to Others            | 122,048                     | 114,016                   | -8,032         | -6.6%       |
| Fines and Forfeitures        | 34,245                      | 35,823                    | 1,578          | 4.6%        |
| Investment Income            | 2,435                       | 8,236                     | 5,801          | 238.2%      |
| Other Revenues               | 6,320                       | 9,744                     | 3,424          | 54.2%       |
| <b>Total Revenues</b>        | <b>\$1,353,161</b>          | <b>\$1,363,100</b>        | <b>\$9,939</b> | <b>0.7%</b> |

| General Fund                 | Fiscal Year                 | Fiscal Year               | — Variance —     |              |
|------------------------------|-----------------------------|---------------------------|------------------|--------------|
|                              | 2019-20<br>Budgeted Revenue | 2019-20<br>Actual Revenue | Dollar           | Percent      |
| Ad Valorem Taxes             | \$787,420                   | \$789,114                 | \$1,694          | 0.2%         |
| Sales Tax                    | 325,566                     | 310,737                   | -14,829          | -4.6%        |
| Franchise Fees and Other Tax | 129,340                     | 120,944                   | -8,396           | -6.5%        |
| License and Permits          | 5,154                       | 4,486                     | -668             | -13.0%       |
| Intergovernmental            | 11,383                      | 15,670                    | 4,287            | 37.7%        |
| Service to Others            | 127,077                     | 104,353                   | -22,724          | -17.9%       |
| Fines and Forfeitures        | 27,222                      | 24,313                    | -2,909           | -10.7%       |
| Investment Income            | 4,664                       | 5,544                     | 880              | 18.9%        |
| Other Revenues               | 6,685                       | 7,530                     | 845              | 12.6%        |
| <b>Total Revenues</b>        | <b>\$1,424,511</b>          | <b>\$1,382,691</b>        | <b>-\$41,820</b> | <b>-2.9%</b> |

**Source:** City of Dallas 2018-2020 Comprehensive Annual Financial Reports

In preparing the proposed budget revenues, City management develops revenue forecast methodologies, such as regression analyses and/or historical trends, and documents significant assumptions used to support the methodologies. The Office of the City Auditor’s assessment considers the reasonableness of these revenue forecast methodologies; however, neither City management nor the Office of the City Auditor guarantees the achievement of the Fiscal Year 2021-22 proposed budget revenues.

## Methodology

We interviewed department personnel, reviewed revenue forecast methodologies and material assumptions for reasonableness, verified consistency of the budget documents, and performed various analyses. The five internal control components of the *Standards for Internal Control in the Federal Government* were considered in this engagement.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Major Contributors to the Report

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Lee Chiang, CIA, CISA, ACDA – In-Charge Auditor

Rory Galter, CPA – Engagement Manager

Enrique J. Fuentes, CFE

Carron Perry, CIA

Mamatha Sparks, CIA, CISA, CRISC

# Management's Response

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## Memorandum



CITY OF DALLAS

**DATE:** September 2, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas

This letter acknowledges the City Manager's Office and the Office of Budget & Management Services received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2021-22 Proposed Annual Budget for the City of Dallas*.

The City has strong internal controls in place to ensure reasonable proposed budget revenues are included in the proposed annual budgets. We are pleased, but not surprised, that the City Auditor concluded that the City's revenue forecast methodologies are reasonable and adequately supported.

We appreciate the professionalism and quality of work demonstrated by your staff throughout this engagement.

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax'.

T.C. Broadnax  
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer  
Jack Ireland, Director, Office of Budget & Management Services

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity



# Audit of Dallas Police Department Overtime – Interim Report

September 10, 2021

Mark S. Swann, City Auditor

---

## Mayor

Eric Johnson

## Mayor Pro Tem

Chad West

## Deputy Mayor Pro Tem

Jaime Resendez

## Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Gay Donnell Willis

## Executive Summary

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### Objective and Scope

The audit objective of this interim report was to determine whether any unusual employee overtime usage indicates waste or abuse at the Dallas Police Department.

The scope of the audit was uniform and civilian overtime from October 1, 2018 to December 31, 2020.

The Office of the City Auditor will issue a full report in the first quarter of Fiscal Year 2022 that includes the objective of whether the Dallas Police Department manages overtime in a way that limits the financial and operational impact to Department service delivery objectives.

### What We Recommend

No recommendations were identified.

### Background

During the audit period of October 1, 2018 to December 31, 2020, The City's payroll system shows that the Dallas Police Department incurred a total of 1,305,750 overtime hours, and the City of Dallas paid a total of \$78,695,699 in overtime pay to both uniform and civilian Dallas Police Department employees. In addition, during the same period, Dallas Police Department uniform employees earned 316,166 hours of compensatory time with an estimated cost to the City of \$13,848,954.

According to the Dallas Police Department, overtime peaks in Fiscal Year 2020 and Fiscal Year 2021 are due to civil protests, natural disasters, and COVID-19. Over 1,200 officers were personally impacted by COVID-19 from March 2020 to February 2021.

### What We Found

Interviews with Dallas Police Department unit supervisors and a review of supporting documentation for a judgmental sample of 339 overtime and compensatory time transactions showed:

- There was an overtime card for 260 of 339 transactions, or 76.7 percent.
- Of the 260 transactions that had a card, 257, or 98.9 percent were properly requested.
- Of the 257 transactions that were properly requested, 206, or 80.2 percent were approved by an appropriate supervisor.
- Of the 206 transactions that were approved by an appropriate supervisor, 151, or 73.3 percent had supporting documentation.
- Of the 151 transactions with supporting documentation, zero looked suspicious in terms of waste or abuse.

## Objective and Conclusion

---

1. Was there any unusual employee overtime usage that indicates waste or abuse at the Dallas Police Department during the audit period of October 1, 2018 to December 31, 2020?

**No.** Interviews with Dallas Police Department unit supervisors and a review of supporting documentation for a judgmental sample of 339 overtime and compensatory time transactions showed:

- There was an overtime card for 260 of 339 transactions, or 76.7 percent.
- Of the 260 transactions that had a card, 257, or 98.9 percent were properly requested.
- Of the 257 transactions that were properly requested, 206, or 80.2 percent were approved by an appropriate supervisor.
- Of the 206 transactions that were approved by an appropriate supervisor, 151, or 73.3 percent had supporting documentation.
- Of the 151 transactions with supporting documentation, zero looked suspicious in terms of waste or abuse.

See [Appendix A](#) for more information about overtime procedures at the Dallas Police Department.

## Appendix A: Background and Methodology

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### Background

As of September 30, 2020, there were a total of 3,656 employees at the Dallas Police Department. This number includes a total of 3,149 uniform employees.

[Exhibit 1](#) below illustrates the Dallas Police Department's staffing levels in Fiscal Year 2019 through Fiscal Year 2021, broken down by employee classification (uniform and civilian).

#### Exhibit 1:

##### Dallas Police Department Staffing Levels: Uniform Employees

| Fiscal Year      | Authorized | Year Begin | Year End |
|------------------|------------|------------|----------|
| Fiscal Year 2019 | 3,094      | 3,028      | 3,067    |
| Fiscal Year 2020 | 3,053      | 3,067      | 3,149    |
| Fiscal Year 2021 | 3,095      | 3,149      | 3,095    |

##### Dallas Police Department Staffing Levels: Civilian Employees

| Fiscal Year      | Authorized | Year Begin | Year End |
|------------------|------------|------------|----------|
| Fiscal Year 2019 | 762        | 571        | 550      |
| Fiscal Year 2020 | 761        | 550        | 507      |
| Fiscal Year 2021 | 856        | 507        | 651      |

During the audit period of October 1, 2018 to December 31, 2020, The City's payroll system shows that the Dallas Police Department incurred a total of 1,305,750 overtime hours, and the City of Dallas paid a total of \$78,695,699 in overtime pay to both uniform and civilian Dallas Police Department employees. In addition, during the same period, Dallas Police Department uniform employees earned 316,166 hours of compensatory time with an estimated cost to the City of \$13,848,954.

### Overtime Trends

[Exhibit 2](#) below illustrates the Dallas Police Department's overtime expenditures in Fiscal Year 2019 through Fiscal Year 2021, broken down by employee classification (uniform and civilian). According to the Dallas Police Department, overtime peaks in Fiscal Year 2020 and Fiscal Year 2021 are due to civil protests, natural disasters, and COVID-19. Over 1,200 officers were personally impacted by COVID-19 from March 2020 to February 2021.

**Exhibit 2:**

Overtime Trends: Uniform Employees – General Fund

| Fiscal Year      | Budget       | Actual        | Variances    |      | Overtime Hours | Compensatory Hours Earned |
|------------------|--------------|---------------|--------------|------|----------------|---------------------------|
| Fiscal Year 2019 | \$25,631,301 | \$30,060,429  | \$4,429,128  | 17%  | 463,078        | 142,113                   |
| Fiscal Year 2020 | \$26,497,894 | \$33,134,326  | \$6,636,432  | 25%  | 500,162        | 136,730                   |
| Fiscal Year 2021 | \$17,284,425 | *\$34,799,348 | \$17,514,923 | 101% | **             | **                        |

Overtime Trends: Civilian Employees – General Fund

| Fiscal Year      | Budget      | Actual       | Variances   |     | Overtime Hours |
|------------------|-------------|--------------|-------------|-----|----------------|
| Fiscal Year 2019 | \$2,243,415 | \$2,764,950  | \$521,535   | 23% | 86,361         |
| Fiscal Year 2020 | \$2,327,071 | \$3,276,055  | \$948,984   | 41% | 101,165        |
| Fiscal Year 2021 | \$3,659,615 | *\$3,384,487 | (\$275,128) | -8% | **             |

**Notes:** \* Fiscal Year 2021 actual data in the charts above are projections.

\*\* Overtime and compensatory hours earned time entry for the complete Fiscal Year 2021 are not within the audit scope period.

Dallas Police Department Overtime Procedures

Uniform Dallas Police Department employees ranked Captain and below are eligible to receive compensation of 1.5 times their regular rate of pay for any time worked in excess of 40 hours per work week after the deduction of only sick leave and leave without pay taken during the same work week.<sup>1</sup> Uniform Dallas Police Department employees ranked Captain and below are also eligible to earn compensatory time (instead of overtime pay) at 1.5 times for every hour worked in excess of 40 hours per week.

Non-exempt civilian Dallas Police Department employees are eligible to receive compensation of 1.5 times their regular rate of pay for any time worked in excess of 40 hours per week after the deduction of all leave taken during the same work week except for holiday leave, mandatory city leave, and court leave.<sup>2</sup> Non-exempt civilian Dallas Police Department employees are not eligible to earn compensatory time. Different approaches to calculating overtime hours for uniform and civilian personnel at the Dallas Police Department are illustrated in [Exhibit 3](#) on page 4:

<sup>1</sup> Dallas City Code § 34-19 (a) (3)

<sup>2</sup> Dallas City Code § 34-17 (b)

**Exhibit 3:**

Overview of Overtime or Compensatory Leave Earned for Uniform and Civilian Employees

| Type of Work   | Counts as Time Worked<br>for Overtime or Compensatory Leave<br>Earned |          | Non Exempt Employee<br>Example in Hours |          |
|--|---|----------|---|----------|
|  | Uniform   | Civilian | Uniform                                 | Civilian |
| Regular Hours  | ✓   | ✓        | 38                                      | 38       |
| Holiday Leave  | ✓   | ✓        |   |          |
| Court Leave  | ✓   | ✓        |   |          |
| Mandatory City Leave   | ✓   | ✓        |   |          |
| Vacation Leave   | ✓   | ✗        | 16                                      | 16       |
| Compensatory Leave   | ✓   | ✗        |   |          |
| Attendance Incentive Leave   | ✓   | ✗        |   |          |
| Military Leave   | ✓   | ✗        |   |          |
| Death-in-family Leave  | ✓   | ✗        |   |          |
| Approved Leave With Pay<br>(Excused Absence)   | ✓   | ✗        |   |          |
| Approved Leave Without Pay<br>(Excused Absence)  | ✗   | ✗        |   |          |
| Sick Leave   | ✗   | ✗        |   |          |
| <b>Hours Paid for Week</b>   |   |          | 54                                      | 54       |
| <b>Hours Worked for Computation<br/>of Overtime Pay or<br/>Compensatory Leave Earned</b> |   |          | 54                                      | 38       |
| <b>Overtime Hours Earned</b>   |   |          | 14                                      | 0        |
| <b>Compensatory Leave Earned<br/>(instead of overtime pay for<br/>uniform only)</b>      |   |          | 21                                      | 0        |

**Source:** Office of the City Auditor

### Overtime Request, Authorization, and Recording

Most overtime at the Dallas Police Department is unplanned and therefore does not require a formal pre-authorization. Only planned overtime is usually part of a crime fighting initiative or grant funded overtime. Dallas Police Department employees must record all overtime or compensatory time earned by the employee's next work day. The majority of Dallas Police Department employees record overtime manually on handwritten overtime cards (pink) and compensatory time on compensatory (white) cards.

Employees are required to write down the following information on the cards:

- Name
- Badge number
- Date and time overtime was worked
- The reason for overtime
- Employee signature

Employees' supervisors then must review and sign the cards. At some Dallas Police Department units, employees record their overtime and compensatory time, and supervisors approve it electronically in the Intelligent Workforce Management system (IWM).

Daily attendance records are maintained on manual timecards and detail sheets and in a city-wide payroll system, Workday, depending on the unit the officer is assigned to. Prior to the end of a bi-weekly payroll period, Dallas Police Department employees or designated timekeepers (such as first level supervisors and station sergeants in the Patrol Division) enter time worked by each employee into the city-wide payroll system Workday. Dallas Police Department employees or designated timekeepers enter payroll codes and hours into Workday and use overtime cards, compensatory cards, and entries in IWM as a source of information about how many hours of overtime (or compensatory time) an employee worked and what activity an employee performed on overtime during the pay period. All entries in Workday must be approved by Dallas Police Department payroll managers (usually unit commanders) prior to payroll processing.

### Dallas Police Department Efforts to Minimize Overtime

According to the Dallas Police Department, the following procedures to minimize overtime have been initiated:

- Supervisors review overtime records to ensure that overtime was justified.
- Supervisors can alter work schedules of their employees to avoid overtime.
- Supervisors monitor their employees' total work hours to make sure that a total of regular time worked, overtime, and off duty employment is limited to 16 hours per 24 hour period and 112 hours per work week.
- The Chief's Office and unit commanders have performed budget versus actual comparisons of overtime hours and a review of the reasons for excessive overtime.
- A number of KPMG recommendations were implemented to optimize staffing and limit overtime to 140 hours per week per station.
- Civilian to uniform employee ratio was increased.
- Additional staff were hired for the 911 Communications Unit.

## Methodology

To accomplish our audit objectives, we interviewed key personnel, analyzed payroll records, and reviewed applicable documentation. The risk of fraud, waste, and abuse was also considered along with all five internal control components of *Standards for Internal Control in Federal Government*.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Major Contributors to the Report

Lina Wang, CPA – In-Charge Auditor  
Anatoli Douditski, MPA, CIA, ACDA – Engagement Manager  
Yzalida Hiley, MBA  
Shino Knowles, CPA

# Appendix A: Management's Response

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## Memorandum



**DATE:** September 10, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to the Audit of Dallas Police Department Overtime – Interim Report

This letter acknowledges the City Manager's Office and the Dallas Police Department received the *Audit of Dallas Police Department Overtime – Interim Report*.

The City of Dallas, including the Dallas Police Department, maintains high standards for employee ethics and takes allegations of fraud, waste, and abuse seriously. We are pleased that the interim audit report found no instances of waste or abuse, or suspicious overtime transactions.

The Dallas Police Department believes their numerous internal controls for recruiting and maintaining an ethical workforce contributed to the auditor's finding there to be no instances of waste or abuse, including:

- Conducting rigorous background checks on potential employees;
- Requiring officers to complete a minimum of 40 hours of continuing education biennially, including an ethics component; and
- A robust Internal Affairs Division that takes allegations of officer misconduct seriously.

However, as the City of Dallas seeks excellence in our processes, the Dallas Police Department will continue to look for opportunities to improve the overtime process, including the possibility of future technology enhancements that can further strengthen the efficiency and consistency of the process.

Sincerely,



T.C. Broadnax  
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer  
Jon Fortune, Assistant City Manager  
Eddie Garcia, Chief of Police

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

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# Audit of the Office of Homeless Solutions

September 17, 2021  
Mark S. Swann, City Auditor

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## Mayor

Eric Johnson

## Mayor Pro Tem

Chad West

## Deputy Mayor Pro Tem

Jaime Resendez

## Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Paul E. Ridley

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Casey Thomas, II

Gay Donnell Willis

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## Executive Summary

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### Objective and Scope

The objective of this audit was to evaluate if: (1) the Office of Homeless Solutions Rapid ReHousing Program aligns with governance requirements and meets the City's objectives for the program; and, (2) the Coronavirus Aid, Relief, and Economic Security (CARES) Act federal funding has been used appropriately. The scope of the audit was the office's operations from March 1, 2020, through February 28, 2021.

### What We Recommend

Management should:

- Require documentation of background checks for Rapid ReHousing Program participants.
- Develop and implement policies and procedures for the Rapid ReHousing Program.
- Pursue resolution of payments for unused hotel rooms, which may include requesting reimbursement.

### Background

This audit was requested to review Office of Homeless Solutions operations during the one-year period of interim leadership prior to the start of a new permanent Director of the Office of Homeless Solutions in March 2021.

During the period, the Office of Homeless Solutions was involved in the City's response to the COVID-19 pandemic by:

- Creating a new Rapid ReHousing Program that contracted with seven non-profit organizations, called subrecipients, to provide case management and housing units to about 300 homeless residents and families.
- Overseeing the use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, including \$19.4 million in federal Department of Housing and Urban Development funds.

### What We Found

The Office of Homeless Solutions Rapid ReHousing Program and CARES Act spending generally met requirements and have opportunities to improve.

The Rapid ReHousing Program did not have policies and procedures, and its process for requiring background checks was not effective or fully documented.

In addition, the Office of Homeless Solutions spent more than \$281,000 in CARES Act funds on unused hotel room charges not allowed by its contract with the hotel.

## Objectives and Conclusions

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1. Does the Office of Homeless Solutions Rapid ReHousing Program align with governance requirements and meet the City's objectives for the programs?

**Generally, yes.** The Rapid ReHousing program provided housing units for people and families experiencing homelessness during the COVID-19 pandemic. The program process for ensuring background checks were performed was not effective or fully documented. The program also did not have policies and procedures until after the audit period. (See [Section 1 – Rapid ReHousing Program](#)).

2. Was the United States Department of Housing and Urban Development Coronavirus Aid, Relief, and Economic Security (CARES) Act funding overseen by the Office of Homeless Solutions used appropriately?

**Generally, yes.** Most CARES Act fund payments reviewed were fully supported by documentation. However, the City spent more than \$281,000 on unused hotel rooms at one hotel. The City's contract with the hotel did not allow for charges to the City for unused rooms. (See [Section 2 – Use of CARES Act Funding](#) ).

## Audit Results

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As required by *City Council Resolution 88-3428*, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States pursuant to the *Federal Managers' Financial Integrity Act of 1982*. Administrative Directive 4-09, *Internal Control* prescribes the policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

### SECTION 1 – RAPID REHOUSING PROGRAM

#### Observation A: Background Checks

The Office of Homeless Solutions did not ensure subrecipients performed background checks on Rapid ReHousing Program participants prior to approval. As a result, ineligible participants may have received program services.

The subrecipients submitting applications were asked to state if they have *"confirmed that the applicant is not a registered sex offender and does not have outstanding felony warrants or prior violent felony convictions."*

A review of a sample of 40 approved applications and interviews with six of the seven subrecipients determined this process was not effective due to the following:

1. For 30 applicants (75 percent), subrecipients confirmed their applicants were eligible on the application. Subrecipients said they confirmed their applicants were eligible without performing background checks because they understood another party had or would perform background checks. As a result, it is not clear that these applicants met the eligibility requirements.
2. For ten applicants (25 percent), the application did not include the confirmation. As a result, it is not clear that these applicants met the eligibility requirements.

Policies and procedures for this program were not developed until after the audit period, which is a potential contributing factor for this observation and is separately addressed in [Observation B](#).

#### Criteria

- ❖ *Office of Homeless Solutions Rapid Re-Housing Program Requests for Proposals – “Participants must not: be registered as Sexual Offenders, have outstanding felony warrants, have prior violent felony convictions.”*
- ❖ The City's contracts with subrecipients for the program in *Section 2: Services* required services to “conform in every respect” to the Requests for Proposals.
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**High**

We recommend the **Director of the Office of Homeless Solutions**:

**A.1:** Require Rapid ReHousing Program subrecipients to provide documentation that a background check is performed for current participants and for future applicants prior to approval.

## Observation B: Policies and Procedures

The Office of Homeless Solutions developed policies and procedures for the Rapid ReHousing Program in March 2021, after the scope period for this audit. Multiple subrecipients described inadequate written guidance on program requirements. As a result, the program may not operate as intended. This observation was identified as a contributing factor in [Observation A](#).

For example, the Office of Homeless Solutions did not have a formal and documented process during the audit period for reviewing the timely spending of prepaid program funds, which were required to be spent within seven to ten days of receipt.

The Office of Homeless Solutions used other guidance documents, including the overall Office of Homeless Solutions policies and procedures, a Rapid ReHousing Program Subrecipient Toolkit, and the Rapid ReHousing Program Requests for Proposals. These other documents either did not provide specific guidance for operating the program or were not available to all parties responsible for complying with the program requirements.

Multiple subrecipients said the Office of Homeless Solutions provided training on program operations and was responsive to questions regarding program implementation, which reduced, but did not eliminate the impact of not providing written policies and procedures.

### Criteria

- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**Moderate**

We recommend the **Director of the Office of Homeless Solutions**:

- B.1:** Develop, implement, and communicate policies and procedures for the Rapid ReHousing Program.

## SECTION 2 – USE OF CARES ACT FUNDING

### Observation C: Payments for Unused Hotel Rooms

The City of Dallas paid for unused hotel rooms as part of an emergency contract to temporarily house people affected by homeless shelter COVID-19 outbreaks. Charges on these rooms were not allowed by the City's contract with the hotel and may have been better used on other expenses authorized by CARES Act funding.

The City paid one hotel \$281,776 for unused rooms from July 13, 2020, to October 9, 2020.

Office of Homeless Solutions staff raised concerns about the payments and identified contract language not allowing charges for unused rooms, however, department management approved the invoices. Prior to approving payments that included charges for unused rooms, Office of Homeless Solutions management noted that they had instructed the hotel to set aside a specific number of rooms each week based on anticipated need. Office of Homeless Solutions management also said they paid for all rooms on any floor on which the City had guests to prevent the spread of COVID-19 to other hotel guests.

#### Criteria

- ❖ *Section 3A* of the hotel contract states, "There will be no charges to the City for any rooms or services not used in the room block."
- ❖ *Section 27* of the hotel contract states:

*This Contract embodies the entire agreement of both parties, superseding all oral or written previous and contemporary agreements between the parties relating to matters set forth in this Contract. Except as otherwise provided elsewhere in this Contract cannot be modified without written supplemental agreement executed by both parties.*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 – Design Control Activities*

Assessed Risk Rating:

**High**

We recommend the **Director of the Office of Homeless Solutions:**

**C.1:** Review the invoices and contract with the hotel and resolve the payments for unused hotel rooms. Resolution may involve seeking reimbursement for unused hotel room payments and/or using other funds to pay for these rooms.

## Appendix A: Background and Methodology

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### Background

The Office of Homeless Solutions was established in October 2017 by consolidating the services of Street Outreach, Community Mobilization and Contract Administration into one office. The office is designed to prevent and intervene in homelessness by combating the complexity of homelessness with innovative and effective solutions.

Casey Thomas, II, Chair of the City Council's Committee on Housing and Homelessness Solutions, requested this audit on January 25, 2021. Mr. Thomas requested the audit cover the one-year period of interim leadership prior to the start of a permanent Director of Homeless Solutions in March 2021.

This audit focused on two components of the Office of Homeless Solutions' operations: The Rapid ReHousing Program and the use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds.

### Rapid ReHousing Program

The Office of Homeless Solutions developed a program to provide housing to about 300 people experiencing homelessness. The program's goals were to *"Rapidly re-house homeless individuals and families, prevent families and individuals from becoming homeless, provide housing relocation and stabilization services, and provide short and/or medium-term rental assistance while transitioning toward independence."*

The Rapid ReHousing Program contracts have a two-year cost of about \$7.1 million and were paid for with federal funds and \$500,000 in City general funds. The program received \$5.3 million in CARES Act funds and about \$1.3 million in Emergency Solutions Grant funds.

The City Council authorized contracts on June 24, 2021, with seven non-profit organizations, called subrecipients, to provide housing and case management services over a 24-month period with the possibility for two one-year extensions. The clients included individuals and families experiencing homelessness. See [Exhibit 1](#) for more information on the organizations providing housing and other assistance through the Rapid ReHousing program.

**Exhibit 1:**

Rapid ReHousing Program Subrecipients

| Organization            | Number of Clients | Maximum Contract Amount |
|-------------------------|-------------------|-------------------------|
| Under 1 Roof            | 156               | \$3,602,400             |
| Union Gospel Mission    | 49                | \$1,137,600             |
| Austin Street Center    | 28                | \$758,400               |
| Salvation Army          | 22                | \$521,400               |
| Shared Housing Services | 23                | \$521,400               |
| Family Gateway          | 12                | \$284,400               |
| The Family Place        | 12                | \$284,400               |
| Total                   | 302               | \$7,110,000             |

**Source:** Office of Homeless Solutions' roster of program participants as of March 2021 and the maximum allowed spending from contracts authorized by the Dallas City Council on June 24, 2020.

Use of CARES Act Funds

The Office of Homeless Solutions oversaw the spending of more than \$19.4 million in CARES Act funds administered by the United States Department of Housing and Urban Development. These funds had to meet the following requirement in the grant agreement:

*"The funds under this Agreement may only be used to prevent, prepare for, and respond to coronavirus among individuals and families who are homeless or receiving homeless assistance, and to support additional homeless assistance and homeless prevention activities to mitigate the impacts created by coronavirus. People experiencing homelessness shall not be required to receive treatment or perform any other prerequisite activities as a condition for receiving assistance."*

The funds were spent on a variety of activities, with 62 percent paying for hotels and other facilities that could be used to provide housing for homeless residents. See [Exhibit 2](#) for more information on CARES Act expenses.

**Exhibit 2:**

CARES Act Expenses by Expense Category

| Expense Category  | Amount Spent | Percent of Total Spent |
|---|--------------|------------------------|
| Buying Hotels and Facilities  | \$12,147,299 | 62%                    |
| Other Non-Payroll Expenses (Most were related to hotel or shelters) | \$3,471,558  | 18%                    |
| Hotel Sheltering Expenses   | \$2,451,506  | 13%                    |
| Office of Homeless Solutions Payroll                                | \$838,900    | 4%                     |
| Rapid ReHousing Program Furnishing and Administration Expenses      | \$527,623    | 3%                     |
| Total   | \$19,436,886 | 100%                   |

**Source:** Office of Homeless Solutions documentation of U.S. Department of Housing and Urban Development CARES Act spending as of February 28, 2021.

## Methodology

The audit methodology included: (1) interviewing personnel from Office of Homeless Solutions and other city departments; (2) reviewing policies and procedures, the *Texas Local Government Code*, applicable Administrative Directives, and best practices; and, (3) performing various analyses. All five internal control components of the *Standards for Internal Control in the Federal Government* were considered in this engagement.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Major Contributors to the Report

Matthew Cheadle, CIA, CFE, CGAP – In-Charge Auditor  
Dan Genz, CIA, CFE – Engagement Manager

## Appendix B: Management's Response

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### Memorandum



CITY OF DALLAS

**DATE:** September 13, 2021  
**TO:** Mark S. Swann – City Auditor  
**SUBJECT:** Response to Audit of the Office of Homeless Solutions

This letter acknowledges the City Manager's Office received the *Audit of the Office of Homeless Solutions* and submitted responses to the recommendations in consultation with the Office of Homeless Solutions.

We recognize the critically important role that comprehensive, written procedures and policies have in ensuring a consistent process that aligns with governance requirements and an effective response to help end homelessness in Dallas.

The Office of Homeless Solutions (OHS) has made great strides in strengthening and enforcing policies and procedures. For example, in March 2021, OHS finalized and implemented comprehensive policies and procedures for the Rapid Rehousing Program.

Additionally, OHS has addressed participant background checks noted in the audit by:

- Ordering background checks for 38 of the 40 clients in the sample (2 are victims of domestic violence whose identities are protected); and
- Reviewing Human Management Information Systems (HMIS) information to verify that all other current program participants successfully completed a background verification and are ordering background checks for those who have not.

Further, to help ensure only qualified individuals participate in the Rapid Rehousing Program, OHS will:

- Monitor vendors to ensure background checks are performed on all clients for whom the City is paying rental subsidies; and
- Require documentation that a background check was performed prior to the approval of payment.

Finally, OHS will request a reimbursement for the monies spent on unused hotel rooms.

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

Response to Audit of the Office of Homeless Solutions  
September 13, 2021  
Page 2 of 2

Sincerely,



T.C. Broadnax  
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer  
Christine Crossley, Director, Office of Homeless Solutions

"Our Product is Service"  
Empathy | Ethics | Excellence | Equity

| Assessed Risk Rating | Recommendation   | Concurrence and Action Plan  | Implementation Date | Follow-Up/ Maturity Date |
|----------------------|--|--|---------------------|--------------------------|
| High                 | We recommend the <b>Director of the Office of Homeless Solutions:</b>  |  |                     |                          |
|                      | <p><b>A.1:</b> Require Rapid ReHousing Program subrecipients to provide documentation that a background check is performed for current participants and for future applicants prior to approval.</p> | <p><b>Agree:</b> To promptly mitigate the risk identified by the auditors, OHS has performed background checks for the clients sampled by the auditor. Additionally, OHS is reviewing Human Management Information Systems (HMIS) information to ensure that all other current program participants successfully completed a background check.</p> <p>Additionally, OHS will ensure Rapid Rehousing Program participants eligibility by:</p> <ul style="list-style-type: none"> <li>Contractually requiring subrecipients to perform background checks on program participants;</li> <li>Monitoring vendors to ensure background checks are performed on all of the clients for whom the City is paying rental subsidies; and</li> <li>Requiring documentation that a background check was performed prior to approval of payment.</li> </ul> <p>Lastly, OHS will ensure the eligibility of future participants in programs with similar eligibility restrictions prior to approval.</p> | 3/31/2022           | 9/30/2022                |

| Assessed Risk Rating | Recommendation   | Concurrence and Action Plan  | Implementation Date | Follow-Up/ Maturity Date |
|----------------------|--|--|---------------------|--------------------------|
| <b>Moderate</b>      | We recommend the <b>Director of the Office of Homeless Solutions:</b>  |  |                     |                          |
|                      | <b>B.1:</b> Develop, implement, and communicate policies and procedures for the Rapid ReHousing Program.   | <b>Agree:</b> OHS finalized and implemented policies and procedures for the Rapid Rehousing Program in March 2021. Staff were subsequently trained on the procedures. Additionally, OHS will thoroughly test the procedures and make any necessary enhancements. | <b>12/31/2021</b>   | <b>06/30/2022</b>        |
| <b>High</b>          | We recommend the <b>Director of the Office of Homeless Solutions:</b>  |  |                     |                          |
|                      | <b>C.1</b> Review the invoices and contract with the hotel and resolve the payments for unused hotel rooms. Resolution may involve seeking reimbursement for unused hotel room payments and/or using other funds to pay for these rooms. | <b>Agree:</b> OHS is in the process of moving the charges for unused hotel rooms from the Coronavirus Relief Fund to the General Fund.<br><br>Additionally, OHS is in the process of submitting a request to the hotel for reimbursement.                        | <b>12/31/2021</b>   | <b>09/30/2022</b>        |



# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

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**File #:** 21-1711

**Item #:**

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Update on Recommendations from the 2018 Fleet Efficiency Study  
[Donzell Gipson, Director, Equipment and Fleet Management]



**City of Dallas**

# **Fleet Efficiency Study Update**

**Government Performance and  
Financial Management  
September 27, 2021**

Donzell Gipson, Director  
Equipment and Fleet Management  
City of Dallas

# Presentation Overview



- Background/History
- Purpose
- Issues/ Operational or Business Concerns
  - Action Plan Update
- Preventative Maintenance (PM) Program
- Future policy and operational decisions impacting fleet management



# Background/History



- Effective October 1, 2018, Equipment and Building Services (EBS) split into (3) parts
  - Equipment and Fleet Management (EFM)
  - Building Services (BSD)
  - Court and Detention Services (CTS) absorbed Building Security
- In the Spring/Summer of 2018, Alvarez and Marsal conducted a Fleet Efficiency Study and briefed the results to City Council in December 2018
  - Scope of the study focused on opportunities for improvement and efficiencies
  - Developed an Action Plan to track progress of implementation
    - Updates to GPFM - April 2019 and September 2020



# Purpose



## This briefing will:

- Provide an update on the Action Plan in response to consultant recommendations
- Provide an update on the preventive maintenance program (PM) and other efficiencies that impact downtime
- Solicit feedback on future policy and operational decisions impacting fleet management



# Issues/Operational Concerns



## The Fleet Efficiency study identified five (5) areas for improvement

- Organizational Assessment
- Follow Total Cost of Ownership (TCO) Approach
- Make Workshop Flow Improvements
- Underutilization, Right Sizing, & Motor Pool
- Technology and Data Quality



# Organizational Assessment

| Date                      | Consultant Observations   | Completed | In-Progress | Next Steps |
|---------------------------|---|-----------|-------------|------------|
| <b>Hiring</b>             |   |           |             |            |
| December 2018             | <b>1. Developed “Temp” to “Hire” Program for Mechanics</b>  | √         |             |            |
| <b>Completed</b>          | 2. Program Summary; 119 temps hired since inception, 44 made permanent, 31 of 44 retained to-date, 18 temps currently in program. In 2020 and 2021, expanded the program to include Fleet Parts Specialist, and Customer Service Reps.  | √         |             |            |
| <b>Training</b>           |   |           |             |            |
| December 2018             | <b>3. Modernize Training Program by increasing hands on instruction and utilizing free training opportunities from existing vendors</b>   |           | √           |            |
| 2 <sup>nd</sup> Qtr. 2019 | <ul style="list-style-type: none"> <li>• Implemented “The Fleet Academy” and began training in November 2019 at Hensley Field with preventative maintenance program training for over 100+ technicians</li> </ul>   | √         |             |            |
| 4 <sup>th</sup> Qtr. 2021 | <ul style="list-style-type: none"> <li>○ In April/May 2021, training completed on maintenance and repair of Sanitation Trucks by our OEM vendors (Heil &amp; Autocar) – 60 technicians trained</li> <li>○ In June thru September 2021, training on basic and advanced electrical, hybrids, and engine performance offered by (Ford). – 90 technicians trained</li> <li>○ In September 2021, Supervisor Training conducted by Caruth Police Institute – 15+ employees</li> </ul> | √         |             |            |
| 2 <sup>nd</sup> Qtr. 2019 | <ul style="list-style-type: none"> <li>• Interlocal Agreement (ILA) executed with Dallas College – Cedar Valley Branch in March 2020 to allow for training in automotive and diesel technologies                             <ul style="list-style-type: none"> <li>○ Kick-off meeting held to discuss curriculum (postponed due to COVID-19)</li> </ul> </li> </ul>  | √         |             |            |
| 4 <sup>th</sup> Qtr. 2021 | <ul style="list-style-type: none"> <li>○ Determined that best use of the ILA is for basic diesel technology training and commercial driver’s license certification (CDL)</li> </ul>   |           | √           |            |

# Organizational Assessment

| Date                         | Consultant Observations  | Completed | In-Progress | Next Steps |
|------------------------------|--|-----------|-------------|------------|
| <b>Employee Compensation</b> |  |           |             |            |
| December 2018                | <b>4. Address tool/boot allowance and certification pay</b>  | ✓         |             |            |
| <b>Completed</b>             | <ul style="list-style-type: none"> <li>• Tool/Boot allowance increased, Automotive Service Excellence (ASE) award program implemented in December 2019.</li> </ul>   | ✓         |             |            |
| December 2018                | <b>5. Engage Human Resources in the City-wide Compensation Study</b>   | ✓         |             |            |
| 2 <sup>nd</sup> Qtr. 2019    | <ul style="list-style-type: none"> <li>• City Council approved award for Compensation Study on August 28, 2019 Agenda</li> </ul>   | ✓         |             |            |
| 4 <sup>th</sup> Qtr. 2021    | <ul style="list-style-type: none"> <li>• Phase I of the study completed. Initial pay adjustments made for minimum salaries and reclassification of positions to include job title changes. Phase II is pending but will address pay compression issues within job titles.</li> </ul> |           | ✓           |            |
| <b>Completed</b>             | <ul style="list-style-type: none"> <li>• 32+ internal promotions within the department over the past 12 months</li> </ul>  | ✓         |             |            |

# Follow TCO Procurement Approach

| Date                       | Consultant Recommendations   | Completed | In-Progress | Next Steps |
|----------------------------|--|-----------|-------------|------------|
| <b>Fleet Governance</b>    |  |           |             |            |
| December 2018              | <b>1. Establish a Fleet Advisory Board to establish standards</b>  | ✓         |             |            |
| <b>Completed</b>           | <ul style="list-style-type: none"> <li>• Fleet Advisory Board is formally established; comprised of Executives and fleet subject matter experts</li> </ul>   | ✓         |             |            |
| 4 <sup>th</sup> Qtr. 2021  | <ul style="list-style-type: none"> <li>○ Administrative Directive 6-02 being revised with support from Fleet Governance Committee to reflect the new processes and policy for operations</li> </ul>  |           | ✓           |            |
| December 2018              | <b>2. Ensure (PM) periodic maintenance compliance</b>  | ✓         |             |            |
| <b>Completed</b>           | <ul style="list-style-type: none"> <li>• Focus shifting to greater emphasis on Compliance I which is specific to on-time intervals versus a combination of on-time and late work which defined as Compliance II.</li> </ul>  | ✓         |             |            |
| December 2018              | <b>3. Centralize decision making on fleet purchases</b>  | ✓         |             |            |
| <b>Completed</b>           | <ul style="list-style-type: none"> <li>• A new approach to annual fleet purchases was developed to include individualized strategy meetings with customer departments, vetting of purchases with BMS and POM along with creation of a comprehensive master agreement for purchasing fleet</li> </ul> | ✓         |             |            |
| <b>Vehicle Procurement</b> |  |           |             |            |
| December 2018              | <b>4. Evaluate the total cost of ownership versus short term initial purchase or operational reliance on rental equipment</b>  | ✓         |             |            |
| <b>Completed</b>           | <ul style="list-style-type: none"> <li>• City is using a fleet replacement module in M5 that prioritizes assets by a set of criteria following industry standards for TCO</li> </ul>   | ✓         |             |            |
| <b>Completed</b>           | <ul style="list-style-type: none"> <li>• Developed “De-Fleet” process to decommission equipment after a cost benefit analysis in coordination with customer departments to vet the impact and any operational concerns</li> </ul>  | ✓         |             |            |

# Follow TCO Procurement Approach

| Date   | Consultant Recommendations  | Completed | In-Progress | Next Steps |
|--|---|-----------|-------------|------------|
| December 2018                                | <b>5. Determine the most cost-effective funding mechanism for fleet purchases</b>   | √         |             |            |
| <b>Completed</b>                             | <ul style="list-style-type: none"> <li>Use of equipment notes and master lease funding for fleet purchases</li> </ul>   | √         |             |            |
| <b>Enhance Outsource Contracting Options</b> |   |           |             |            |
| December 2018                                | <b>6. Work with Office of Procurement Services for better specifications and timely execution of contracts</b>  |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021                    | <ul style="list-style-type: none"> <li>Developed a procurement strategy with CAO and POM that will allow for multi-award service and parts contracts to reduce the turnaround time on third party repairs. Anticipated City Council award in November/December 2021.</li> </ul> |           | √           |            |

# Make Workshop Flow Improvements

| Date  | Consultant Recommendations  | Completed | In-Progress | Next Steps |
|---|---|-----------|-------------|------------|
| <b>Scheduling Improvements</b>                                |   |           |             |            |
| December 2018   | <b>1. Staff realignment by shift and service center</b>   | ✓         |             |            |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>• Adding additional Saturday shifts at service centers to support customer demands</li> </ul>  | ✓         |             |            |
| <b>Completed</b>  | <b>2. Add 3rd shift at the NW Service Center for Sanitation Services vehicle maintenance</b>  | ✓         |             |            |
| 4 <sup>th</sup> Qtr. 2021                                     | <ul style="list-style-type: none"> <li>• Developing 3<sup>rd</sup> shift grease program for Sanitation Services to help prevent wear on components with frequent movements</li> </ul>                         |           |             |            |
| <b>Shop Infrastructure/Equipment</b>                          |   |           |             |            |
| December 2018   | <b>3. Purchase new shop equipment to increase safety, productivity and diagnostic capabilities</b>  | ✓         |             |            |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>• Purchased 29 pieces of equipment, mobile lifts, lube reel replacements at Southwest, Central and Northeast Service Center</li> </ul>                                 | ✓         |             |            |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>• Wi-Fi has been installed, new tablets and computers for shop operations deployed, network speed enhanced</li> </ul>  | ✓         |             |            |
| <b>Revamp Intake/Outtake Process (Communication Strategy)</b> |   |           |             |            |
| December 2018   | <b>4. Hire (5) Service Advisors to engage customers and perform better quality control</b>  |           | ✓           |            |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>• Service Advisors hired</li> </ul>  | ✓         |             |            |
| 4 <sup>th</sup> Qtr. 2021                                     | <ul style="list-style-type: none"> <li>• Reclass existing vacant positions to Customer Service Representatives to help with data integrity and internal/external communication at the shop offices</li> </ul> |           |             |            |
| <b>Completed</b>  | <b>5. Automated notifications in M5 to customers on, work order opened, vehicle ready for pickup, (PM) required, State Inspection Required</b>  | ✓         |             |            |

# Make Workshop Flow Improvements

| Date                               | Consultant Recommendations  | Completed | In-Progress | Next Steps |
|------------------------------------|---|-----------|-------------|------------|
| <b>Change Workorder Management</b> |   |           |             |            |
| December 2018                      | <b>6. Maintenance Triage to better address customer needs and improve turnaround time</b>   | <b>√</b>  |             |            |
| <b>Completed</b>                   | <ul style="list-style-type: none"> <li>• Prioritization of maintenance requests at service centers aimed at reducing the need for outside rental of equipment</li> </ul>  | <b>√</b>  |             |            |
| <b>Completed</b>                   | <ul style="list-style-type: none"> <li>• Work order process instructions completed; staff trained</li> </ul>  | <b>√</b>  |             |            |
| <b>Completed</b>                   | <ul style="list-style-type: none"> <li>• Updated preventative maintenance (PM) program to enhance care for newest and critical assets by setting increased maintenance intervals and automated monitoring</li> </ul>                        | <b>√</b>  |             |            |
| <b>Completed</b>                   | <ul style="list-style-type: none"> <li>• Interlocal Agreement executed with Dallas County to allow the City to be a bonded agent and process vehicle registration renewals for vehicles owned by the City</li> </ul>                        | <b>√</b>  |             |            |
| <b>Completed</b>                   | <ul style="list-style-type: none"> <li>• City Council approved revisions to Dallas City Code – Chapter 15D to allow city-owned vehicles at are inoperable to receive emergency wrecker services</li> </ul>                                  | <b>√</b>  |             |            |
| 4 <sup>th</sup> Qtr. 2021          | <ul style="list-style-type: none"> <li>• Develop and enhance the centralized warehouse for parts inventory to address items with long lead times, purchase orders for large volume items, and specialty items on critical assets</li> </ul> |           | <b>√</b>    |            |

## Underutilization, Right Sizing & Motor Pool

| Date                      | Consultant Recommendations   | Completed | In-Progress | Next Steps |
|---------------------------|--|-----------|-------------|------------|
| <b>Underutilization</b>   |  |           |             |            |
| December 2018             | 1. Identify potential surplus vehicles   |           | ✓           |            |
| 1st Quarter 2019          | <ul style="list-style-type: none"> <li>• Developing cost avoidance/savings tracker to report metrics</li> </ul>  |           | ✓           |            |
| 4 <sup>th</sup> Qtr. 2021 | <ul style="list-style-type: none"> <li>• Data driven analysis during fleet buy meetings with customer departments to include; outside rental review, demand for replacement of de-fleeted assets and justification for perceived underutilized assets</li> </ul>   |           | ✓           |            |
| December 2018             | 2. Validate mileage, use, and hours in operation of vehicles with low annual mileage as criteria for low utilization   |           | ✓           |            |
| 4 <sup>th</sup> Qtr. 2021 | <ul style="list-style-type: none"> <li>• Enhance and Increase use of GPS as tool to identify and address underutilization with fleet reductions or pooling of use                             <ul style="list-style-type: none"> <li>○ Working on contract amendment that is anticipated for City Council approval in November/December 2021. This GPS enhancement will provide and upgraded web portal and allow for increased data accuracy and reporting capabilities. The result is a more robust study on the use of vehicles and equipment by management.</li> </ul> </li> </ul> |           | ✓           |            |

## Underutilization, Right Sizing & Motor Pool

| Date                       | Consultant Recommendations   | Completed | In-Progress | Next Steps |
|----------------------------|--|-----------|-------------|------------|
| <b>Right Sizing</b>        |  |           |             |            |
| December 2018              | 3. Identify options to share vehicles  |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021  | <ul style="list-style-type: none"> <li>• Developing vehicle purchase strategy for motor pool to address fleet shortages and seasonality of operational needs and reduce expensive outside rentals (delayed because of COVID-19)</li> </ul>   |           | √           |            |
| December 2018              | 4. Determine requirements based on operational needs   |           | √           |            |
| December 2018              | 5. Develop business rules to earn authorizations to validate requirements for fleet purchases or retention of their fleet  |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021  | <ul style="list-style-type: none"> <li>• Presented draft requirements and documents to Fleet Governance Committee and will continue working on changes to AD 6-2.</li> </ul>   |           | √           |            |
| <b>Increase Motor Pool</b> |  |           |             |            |
| December 2018              | 6. Identify city facilities for expansion of motor pool  |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021  | <ul style="list-style-type: none"> <li>○ In April 2020, DPD developed a departmental motor pool at Jack Evans HQ utilizing 18 vehicles to reduce use of rental vehicles and evaluate fleet reductions</li> <li>○ DPD absorbed the Jack Evans Motor Pool vehicles into regular operations suspended the pilot in December 2020</li> </ul> |           | √           |            |

# Technology & Data Quality

| Date  | Consultant Recommendations  | Completed | In-Progress | Next Steps |
|---|---|-----------|-------------|------------|
| <b>Maximize Use of the Fleet Management System (M5)</b> |   |           |             |            |
| December 2018   | 1. Enforce requirement to track all vehicles and equipment in M5  |           | ✓           |            |
| 4 <sup>th</sup> Qtr. 2021                               | <ul style="list-style-type: none"> <li>This recommendation will be discussed before the Fleet Governance Committee to determine an action plan and compliance requirements</li> </ul>             |           | ✓           |            |
| December 2018   | 2. Evaluate implementation of M5 system modules currently not in use  |           | ✓           |            |
| 4 <sup>th</sup> Qtr. 2021                               | <ul style="list-style-type: none"> <li>Began use of Availability module, revisions to Notification Manager and PM/State Inspection Forecaster, and Repeat Work Order tracking</li> </ul>          |           | ✓           |            |
| December 2018   | 3. Integrate with Risk Management System (Origami) on accident data   |           |             | ✓          |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>Data sharing via system reports and access to M5 being granted to Risk Management</li> </ul>   | ✓         |             |            |
| December 2018   | 4. Offer refresher and on-going M5 training tailored to individual roles  |           | ✓           |            |
| 4 <sup>th</sup> Qtr. 2021                               | <ul style="list-style-type: none"> <li>EFM has updated the M5 roles for Service Technicians and is working on Parts Warehouse staff, next steps include roles for customer departments</li> </ul> |           | ✓           |            |
| <b>Assign staff support to monitor data quality</b>     |   |           |             |            |
| December 2018   | 5. Hire/Train incumbent to fill role of Data Quality Senior Analyst   |           | ✓           |            |
| <b>Completed</b>  | <ul style="list-style-type: none"> <li>Existing resources can and have been utilized to monitor and revise data quality</li> </ul>  | ✓         |             |            |

# Technology & Data Quality

| Date                                 | Consultant Recommendations  | Completed | In-Progress | Next Steps |
|--------------------------------------|---|-----------|-------------|------------|
| <b>Simplify and automate billing</b> |   |           |             |            |
| December 2018                        | 6. Identify top disparities in lease rates and actual work order totals for transparency and customer service   |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021            | <ul style="list-style-type: none"> <li>Data quality has improved thru the Work Order Process along with training and additional staff assigned to data entry duties</li> </ul>  |           | √           |            |
| 4 <sup>th</sup> Qtr. 2021            | <ul style="list-style-type: none"> <li>EFM is working with ITS to determine the feasibility of sourcing a third-party software as a validation of the existing rate setting process and or enhance/replace portions of the existing manual process</li> </ul> |           | √           |            |

## Fleet Study Efficiencies - FY20-21 Performance Measures

| Fleet Study Efficiencies ITD |            |                      |                                       |              |              |                |
|------------------------------|------------|----------------------|---------------------------------------|--------------|--------------|----------------|
| Cost Avoidance ITD           |            |                      | Percent of Fleet Replacement Eligible |              |              |                |
| Category                     | # of Units | Amount               | Year                                  | % Eligible   | Change       | Funding        |
| Fleet Reduction              | 28         | \$ 789,619.23        | FY18-19                               | 56.4%        |              | \$9M           |
| Right Sizing                 | 2          | \$ 176,594.34        | FY19-20                               | 46.1%        | -10.3%       | \$19.6M        |
| <b>Total</b>                 | <b>30</b>  | <b>\$ 966,213.57</b> | <b>FY20-21</b>                        | <b>39.1%</b> | <b>-7.0%</b> | <b>\$17.5M</b> |

| # | Performance Measure   | Annual Target/Goal | Oct Data | Nov Data | Dec Data | Jan Data | Feb Data | Mar Data | Apr Data | May Data | Jun Data | Jul Data | Aug Data     |
|---|---|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| 1 | % of fleet that is replacement eligible   | <= 41%             | 51%      | 50%      | 51%      | 48%      | 48%      | 45%      | 44%      | 43%      | 43%      | 39.7%    | <b>39.1%</b> |
| 2 | % of PM Compliance-Citywide   | >=70%              | 88%      | 83%      | 83%      | 83%      | 87%      | 89%      | 91%      | 93%      | 93%      | 93%      | <b>91%</b>   |
| 3 | % fleet that uses alternative fuels or hybrid fueling technologies                  | >=38%              | 46%      | 46%      | 46%      | 45%      | 45%      | 45%      | 44%      | 44%      | 44%      | 44%      | <b>43.5%</b> |
| 4 | % fleet availability – Sanitization Collection (garbage/recycling)                  | >=80%              | 76%      | 75%      | 76%      | 76%      | 77%      | 75%      | 75%      | 72%      | 70%      | 70%      | <b>72%</b>   |
| 5 | % fleet availability DPD marked squad   | >=75%              | 78%      | 80%      | 80%      | 80%      | 82%      | 78%      | 81%      | 77%      | 87%      | 79%      | <b>80%</b>   |
| 6 | % fleet availability - Citywide without DPD marked squad or SAN (garbage/recycling) | >=70%              | 88%      | 89%      | 88%      | 88%      | 88%      | 88%      | 87%      | 88%      | 87%      | 87%      | <b>88%</b>   |
| 7 | % stocked parts fill rate   | >=92%              | 94%      | 95%      | 95%      | 96%      | 94%      | 94%      | 95%      | 94%      | 94%      | 93%      | <b>94%</b>   |
| 8 | % Fleet mechanic vacancy rate (including temporary help)                            | <=15%              | 12.9%    | 12.9%    | 14.2%    | 14.2%    | 15.5%    | 16.8%    | 18.7%    | 18.1%    | 17.4%    | 18.6%    | <b>17.4%</b> |



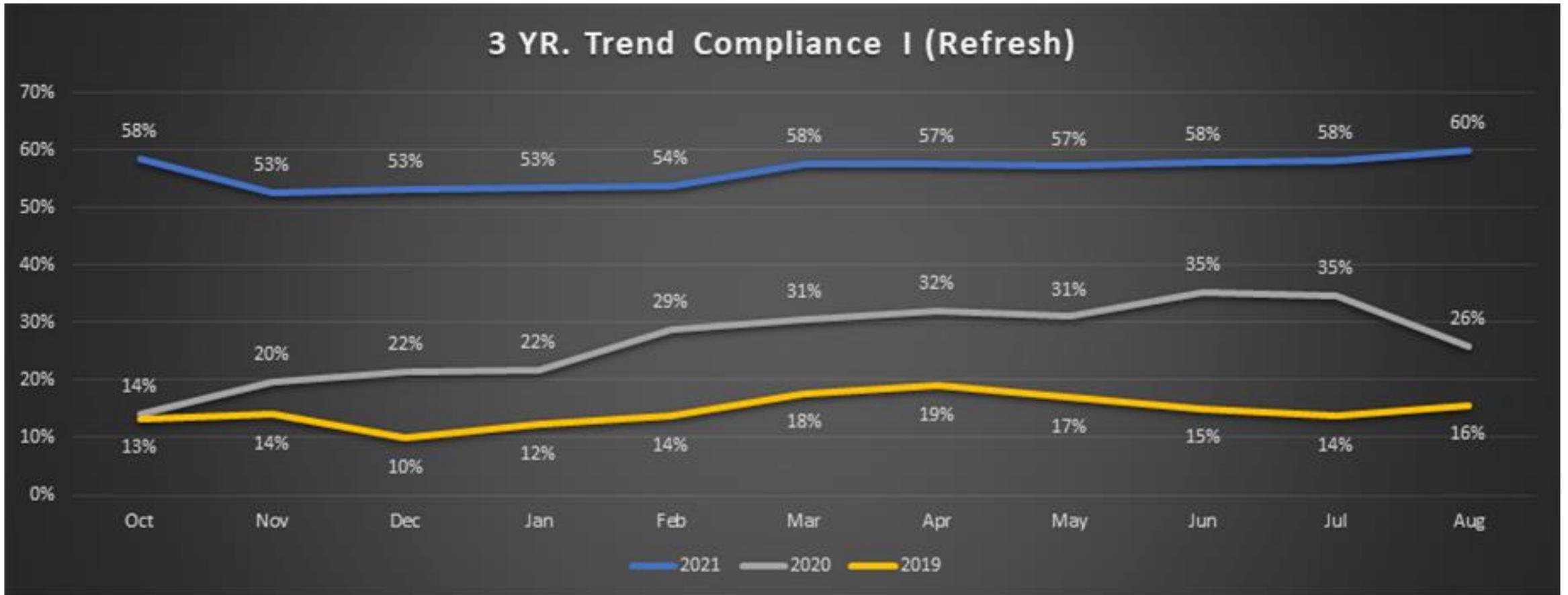
# Preventative Maintenance Program Update and the Impact on Downtime



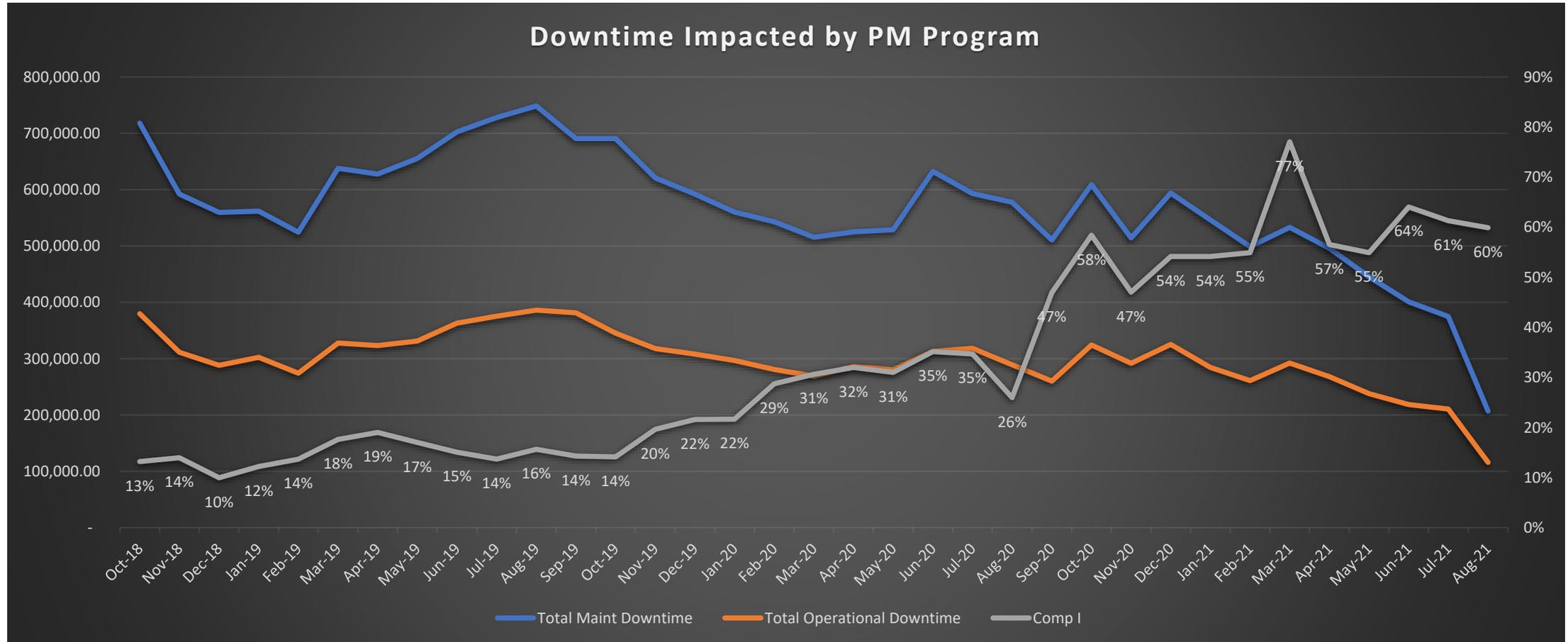
# Preventative Maintenance (PM) Program



### 3 YR. Trend Compliance I (Refresh)



# Downtime Impacted by PM Program



# American Public Works Top 10 Metrics



**Availability** Since keeping vehicles on the road is the essential purpose of a fleet services organization, the rate of fleet availability is perhaps the king of all fleet program fleet performance measures. Many organizations track fleet availability performance by broad classes of vehicles (such as automobiles and light trucks, medium and heavy trucks, etc. ) and establish different targets for each class. A generally accepted benchmark in the industry is to have an availability rate of 95% or better across the entire fleet.

**Downtime** Decisions as to what constitutes downtime (as discussed above), and factors such as age of the fleet and the mix of vehicle types will have a major impact on the performance the fleet services organization can attain. As with most of performance measures discussed in this publication, perhaps the greatest value in tracking fleet availability is to chart one's own performance over time. This way the fleet manager can monitor trends and document the impact that decisions such as a reduction in fleet replacement funding have on a fleet availability.

Source: Top 10 Performance Measure for Fleet Managers  
American Public Works Organization, 2016  
ISBN978-1-60675-049-0



# Future Policy & Operational Decisions



# Issues/Operational Concerns



## Future Policy & Operational Decisions

- Global Positioning System Implementation (GPS)
- Electrification of fleet assets
- Alternative Fuel Vehicle Infrastructure



# GPS



In 2014, the City of Dallas entered into a contract with CalAmp in anticipation of future demand for and benefits of global positioning services (GPS)

- Today, the City has approximately 1,300 CalAmp GPS devices installed
- EFM wants to expand the use of GPS, as a means to monitor utilization of fleet assets, to determine if fleet reductions or potentially right-sizing is warranted
- Staff is in negotiations for a contract amendment that will add 4 years to the term, offer lower unit pricing, free installation services, and a reduced monthly subscription fee discounted by volume, and enhanced reporting features and web portal
- Anticipate contract amendment for approval by City Council in last quarter of 2021





# Electrification of Fleet Assets

In support of CECAP adoption, an amendment approved in the FY2021 Budget provided funds for an electric vehicle feasibility study (\$100k)

- On May 26, 2021, the City Council awarded a contract to the National Renewable Energy Laboratory (NREL) to conduct the study.
- NREL is a national laboratory of the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy. The Alliance for Sustainable Energy LLC., operates the NREL Laboratory.
- The study allows the City to develop the most effective and efficient policies and operational strategies for deployment and sustainment of electric vehicle technology in alignment with CECAP.
- Staff estimates completion of the EV study by NREL in April 2022.
- The Environment and Sustainability Committee will be briefed on the results/recommendations.



# Alternative Fuel Vehicle Infrastructure



See attached memo in the appendix provided to City Council on September 8, 2021.



# Next Steps



- Continue work on action plan in response to consultant recommendations
- Continue to brief GPFM Committee on status of action plan
- Document Council feedback for development of future policy and operational plans





**City of Dallas**

# **Fleet Efficiency Study Update**

**Government Performance and  
Financial Management  
September 27, 2021**

Donzell Gipson, Director  
Equipment and Fleet Management  
City of Dallas



# Appendix



# Memorandum



CITY OF DALLAS

DATE September 8, 2021

TO Honorable Mayor and City Council

SUBJECT **Alternative Fuel Vehicle Infrastructure Overview – Hybrid/EV, CNG, and Biodiesel**

During the September 1 City Council budget amendments straw vote session, City Council Members asked questions regarding the City’s plan for alternative fuel vehicles, as well as hybrid and electric vehicle technology already in use by the City.

The FY 2020-21 budget included a City Council amendment for \$100,000 to fund an electric vehicle (EV) feasibility study with an emphasis on light duty vehicles. On May 26, 2021, the City Council awarded a contract to the National Renewable Energy Laboratory (NREL) to conduct the study. NREL is a national laboratory of the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, and operated by the Alliance for Sustainable Energy LLC. The study will allow the City to develop the most effective and efficient policies and operational strategies for deployment and sustainment of electric vehicle technology in alignment with CECAP. We currently estimate NREL will complete the EV study in April 2022. We will brief the Environment and Sustainability Committee on the results/recommendations.

Provided below are a series of definitions and descriptions for the various vehicle types, as outlined by the U.S. Department of Energy, along with the existing complement of City assets within each category. This diverse mix and expansive use of alternative fuels has allowed the City of Dallas to be recognized by the NCTCOG with the “Gold” Fleet award the past two years.

## Hybrid Electric Vehicles (HEV) – Current Inventory = 215, On Order = 50



HEVs are powered by an internal combustion engine and an electric motor that uses energy stored in a battery. The vehicle is fueled with gasoline to operate the internal combustion engine, and the battery is charged through regenerative braking, not by plugging into an electric power source.

### Plug-In Hybrid Electric Vehicles (PHEV/PEV) – Current Inventory = 1, On Order = 0



PHEVs are powered by an internal combustion engine and an electric motor that uses energy stored in a battery. PHEVs can operate in all-electric or charge-depleting mode. To enable operation in all-electric mode, PHEVs require a larger battery, which can be plugged into an electric power source to charge. To support a driver's typical daily travel needs, most PHEVs can travel between 20 and 40 miles on electricity alone, and then will operate solely on gasoline, similar to a conventional hybrid.

### All-Electric Vehicles (EV/BEV/PEV) – Current Inventory = 10, On Order = 0



EVs, also called battery electric vehicles, have a battery that is charged by plugging the vehicle into charging equipment. EVs always operate in all-electric mode and have typical driving ranges from 150 to 300 miles. The City has 12 charging stations for its fleet.

### Natural Gas Vehicles – Current Inventory = 466



The advantages of natural gas as a transportation fuel include its domestic availability, widespread distribution infrastructure, and reduced greenhouse gas emissions over conventional gasoline and diesel fuels. When used as a vehicle fuel, natural gas can offer life cycle greenhouse gas (GHG) emissions benefits over conventional fuels, depending on vehicle type, duty cycle, and engine calibration. In addition, natural gas reduces some engine emissions. Argonne National Laboratory's GREET model estimates the life cycle petroleum use and GHG emissions of light-duty vehicles running on compressed natural gas (CNG) and liquefied natural gas (LNG). Based on this model, natural gas emits approximately 6 percent to 11 percent lower levels of GHGs than gasoline throughout the fuel life cycle.

DATE September 8, 2021  
SUBJECT **Alternative Fuel Vehicle Infrastructure Overview – Hybrid/EV, CNG, and Biodiesel**

## Diesel Vehicles Using Biodiesel – Current Inventory = 1,678



Biodiesel and conventional diesel vehicles are one and the same. Although light-, medium-, and heavy-duty diesel vehicles are not technically alternative fuel vehicles, almost all are capable of running on biodiesel blends. When used as a vehicle fuel, biodiesel can offer considerable greenhouse gas (GHG) emissions benefits. Life cycle analysis completed by Argonne National Laboratory found that emissions for 100 percent biodiesel (B100) are 74 percent lower than those from petroleum diesel. The California Air Resources Board has reported similar values for its life cycle analysis of biodiesel from various sources.

If you need further information or have additional questions, please contact Donzell Gipson, Director of Equipment and Fleet Management, at 214-671-5131.

  
M. Elizabeth Reich  
Chief Financial Officer

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors



# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

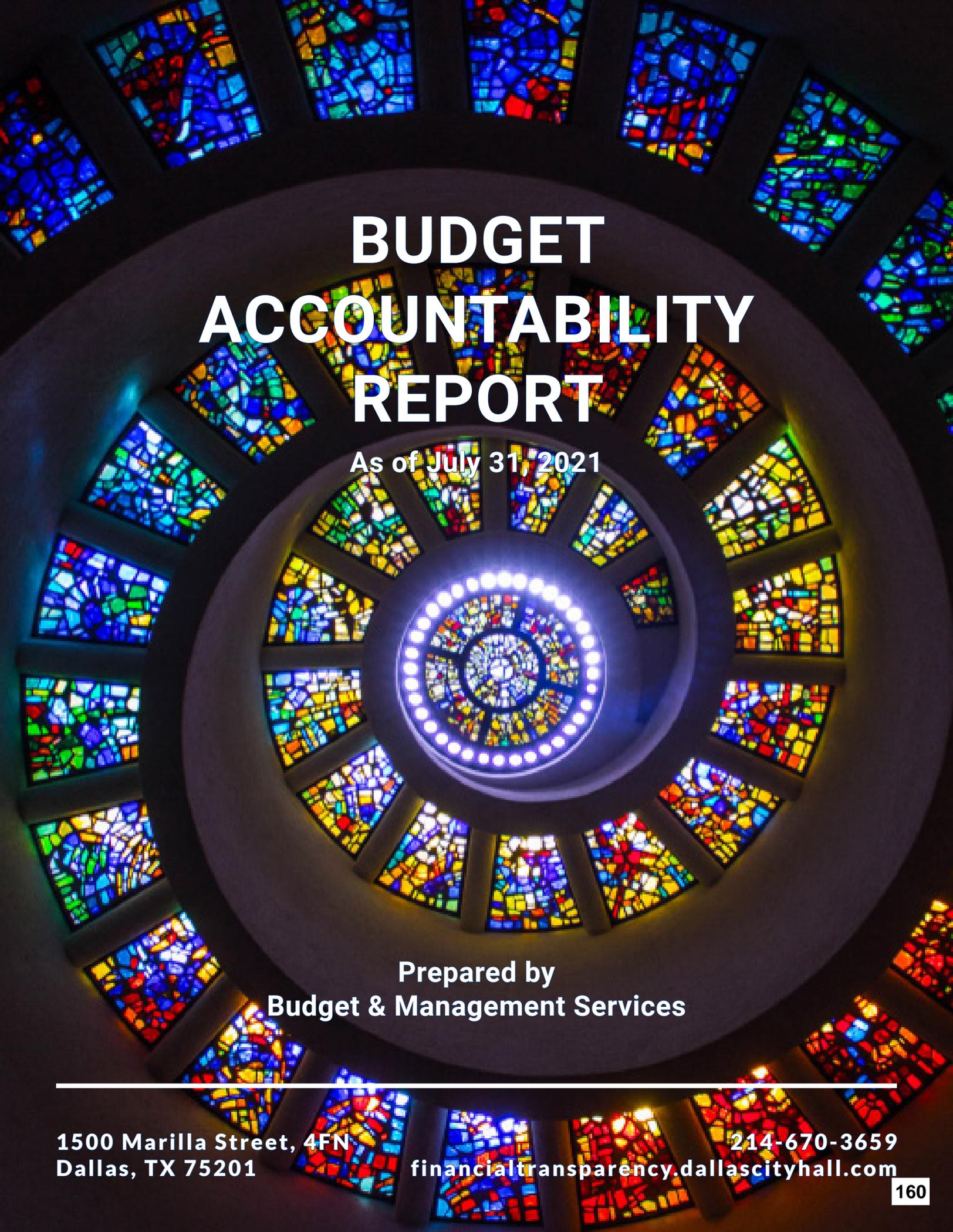
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**File #:** 21-1714

**Item #:**

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Budget Accountability Report (information as of July 31, 2021)



# BUDGET ACCOUNTABILITY REPORT

As of July 31, 2021

Prepared by  
Budget & Management Services

---

1500 Marilla Street, 4FN  
Dallas, TX 75201

214-670-3659  
[financialtransparency.dallascityhall.com](http://financialtransparency.dallascityhall.com)

# EXECUTIVE SUMMARY

## Financial Forecast Report

| Operating Fund                           | Year-End Forecast vs. Budget |                    |
|--|------------------------------|--------------------|
|  | Revenues                     | Expenses           |
| General Fund                             | ✓                            | ✓                  |
| Aviation                                 | ✓                            | ✓                  |
| Convention and Event Services            | 18.3% under budget           | 18.3% under budget |
| Municipal Radio                          | 31.6% under budget           | 11.2% under budget |
| Sanitation Services                      | ✓                            | ✓                  |
| Storm Drainage Management                | ✓                            | ✓                  |
| Sustainable Development and Construction | 5.2% over budget             | ✓                  |
| Dallas Water Utilities                   | ✓                            | ✓                  |
| Information Technology                   | ✓                            | ✓                  |
| Radio Services                           | ✓                            | ✓                  |
| Equipment and Fleet Management           | ✓                            | ✓                  |
| Express Business Center                  | ✓                            | ✓                  |
| Bond and Construction Management         | 10.5% under budget           | 10.5% under budget |
| 9-1-1 System Operations                  | 8.2% over budget             | ✓                  |
| Debt Service                             | ✓                            | ✓                  |

✓ YE forecast within 5% of budget

### Dallas 365

#### Year-to-Date

✓ 17  
On Target

! 6  
Near Target

✗ 12  
Not on Target

#### Year-End Forecast

✓ 24  
On Target

! 2  
Near Target

✗ 9  
Not on Target

### Budget Initiative Tracker

● 18  
Complete

! 2  
At Risk

✓ 15  
On Track

✗ 0  
Canceled

# FINANCIAL FORECAST REPORT

The Financial Forecast Report (FFR) provides a summary of financial activity through July 31, 2021, for the General Fund and other annual operating funds of the City. The Adopted Budget column reflects the budget adopted by City Council on September 23, 2020, effective October 1, 2020, through September 30, 2021. The Amended Budget column reflects City Council-approved transfers between funds and programs, department-initiated transfers between expense objects, approved use of contingency, and other amendments supported by revenue or fund balance.

Year-to-date (YTD) actual amounts represent revenue or expenses/encumbrances that have occurred through the end of the most recent accounting period. Departments provide the year-end (YE) forecast, which projects anticipated revenues and expenditures as of September 30, 2021. The variance is the difference between the FY 2020-21 amended budget and the YE forecast. Variance notes are provided when the YE forecast is +/- five percent of the amended budget and/or if YE expenditures are forecast to exceed the amended budget.

## General Fund Overview

The General Fund overview provides a summary of financial activity through July 31, 2021.

|                        | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual    | YE Forecast   | Variance     |
|------------------------|------------------------------|------------------------------|---------------|---------------|--------------|
| Beginning Fund Balance | \$235,992,351                | \$235,992,351                |               | \$250,424,498 | \$14,432,147 |
| Revenues               | 1,437,039,483                | 1,481,897,935                | 1,279,935,004 | 1,483,635,969 | 1,738,034    |
| Expenditures           | 1,437,039,483                | 1,481,897,935                | 1,149,220,959 | 1,470,408,790 | (11,489,145) |
| Ending Fund Balance    | \$235,992,351                | \$235,992,351                |               | \$263,651,677 | \$27,659,326 |

**Fund Balance.** As of July 31, 2021, the beginning fund balance for the adopted and amended budgets and YE forecast reflects the FY 2019-20 audited unassigned ending fund balance and includes FY 2019-20 YE savings.

**Revenues.** Through July 31, 2021, General Fund revenues are projected to be \$1,738,000 over budget primarily due to property tax revenues forecast to be \$15,392,000 over budget. This is primarily because supplemental property values are significantly higher than the certified values the appraisal districts provided last summer. This is partially offset by operating transfers projected to be under budget.

**Expenditures.** Through July 31, General Fund expenditures are projected to be \$11,489,000 under budget primarily due to salary savings from vacant non-uniform positions across all General Fund departments.

**FY 2020-21 Amended Budget.** City Council amended the General Fund budget on June 9, 2021, by ordinance #31884 for mid-year appropriation adjustments. City Council further amended the General Fund budget on September 9, 2021 by ordinance #31986 for end-of-year appropriation adjustments.

June 9, 2021 revenue adjustments include:

- \$8,749,000 increase in Sales Tax

June 9, 2021 expense adjustments include:

- \$6,278,000 increase in Building Services
- \$822,000 increase in Elections
- \$1,649,000 increase in Code Compliance

## VARIANCE NOTES

September 9, 2021 revenue adjustments include:

- \$30,938,000 increase in Sales Tax
- \$5,171,000 increase in Property Tax

September 9, 2021 expense adjustments include:

- \$80,000 decrease in Budget and Management Services
- \$10,791,000 increase in Building Services
- \$75,000 decrease in City Auditor's Office
- \$100,000 decrease in City Controller's Office
- \$200,000 decrease in Independent Audit
- \$68,000 increase in City Secretary's Office
- \$32,000 increase in Elections
- \$25,000 decrease in Civil Service
- \$50,000 decrease in Code Compliance
- \$500,000 decrease in Court and Detention Services
- \$8,555,000 increase in Dallas Fire -Rescue
- \$13,101,000 increase in Dallas Police Department
- \$100,000 decrease in Housing and Neighborhood Revitalization
- \$100,000 increase in Judiciary
- \$300,000 decrease in Library
- \$264,000 increase in Office of Management Services
- \$7,181,000 increase in Non-Departmental
- \$75,000 decrease in Office of Arts and Culture
- \$87,000 increase in Office of Data Analytics and Business Intelligence
- \$611,000 increase in Park and Recreation
- \$100,000 decrease in Planning and Urban Design
- \$50,000 decrease in Procurement Services
- \$375,000 decrease in Public Works
- \$200,000 decrease in Sustainable Development and Construction
- \$450,000 decrease in Transportation
- \$2,000,000 decrease in Salary and Benefit Stabilization

## FY 2020-21 Financial Forecast Report

**GENERAL FUND REVENUE**

| Revenue Category                    | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual             | YE Forecast            | Variance           |
|-------------------------------------|------------------------------|------------------------------|------------------------|------------------------|--------------------|
| Property Tax <sup>1</sup>           | \$825,006,993                | \$830,178,309                | \$844,323,741          | \$845,570,053          | \$15,391,744       |
| Sales Tax <sup>2</sup>              | 296,324,365                  | 336,011,501                  | 225,676,730            | 336,011,501            | -                  |
| Franchise and Other                 | 115,907,401                  | 115,907,401                  | 81,246,373             | 120,479,577            | 4,572,176          |
| Charges for Services                | 105,618,133                  | 105,618,133                  | 71,020,460             | 105,992,927            | 374,794            |
| Fines and Forfeitures <sup>3</sup>  | 23,554,646                   | 23,554,646                   | 20,545,475             | 25,015,491             | 1,460,845          |
| Operating Transfers In <sup>4</sup> | 42,410,021                   | 42,410,021                   | 12,437,586             | 21,027,322             | (21,382,699)       |
| Intergovernmental <sup>5</sup>      | 12,111,533                   | 12,111,533                   | 9,433,116              | 13,467,276             | 1,355,743          |
| Miscellaneous <sup>6</sup>          | 6,716,212                    | 6,716,212                    | 9,746,474              | 9,904,091              | 3,187,879          |
| Licenses and Permits                | 5,023,871                    | 5,023,871                    | 4,222,898              | 4,842,865              | (181,006)          |
| Interest <sup>7</sup>               | 4,366,308                    | 4,366,308                    | 1,282,151              | 1,324,866              | (3,041,442)        |
| <b>Total Revenue</b>                | <b>\$1,437,039,483</b>       | <b>\$1,481,897,935</b>       | <b>\$1,279,935,004</b> | <b>\$1,483,635,969</b> | <b>\$1,738,034</b> |

**VARIANCE NOTES**

General Fund revenue variance notes are provided below for revenue categories with YE forecast variances of +/- five percent and revenue with an amended budget.

**1 Property Tax.** City Council increased the property tax budget by \$5,171,316 on September 9 as part of the end-of-year appropriations adjustment process. Revenues are forecast to be \$15,392,000 over budget primarily because supplemental property values are significantly higher than the certified values due to a record number of protests at the time of certification.

**2 Sales Tax.** City Council increased the sales tax budget by \$8,749,000 on June 9 as part of the mid-year appropriations adjustment process. The budget was increased again by \$30,938,000 on September 9 through the end-of-year appropriations adjustment process.

**3 Fines and Forfeitures.** Revenues are forecast to be \$1,461,000 over budget primarily due to an increase in civil citation payments and dispositions.

**4 Operating Transfers In.** Revenues are forecast to be \$21,383,000 under budget primarily because General Fund revenue is forecast to exceed the budgeted amount, eliminating the need for the Sports Arena and Revenue Stabilization Fund transfers.

**5 Intergovernmental** Revenues are forecast to be \$1,356,000 over budget primarily due to larger-than-budgeted payments through DFW Airport revenue-sharing agreements.

**6 Miscellaneous.** Revenues are forecast to be \$3,188,000 over budget primarily due to auction sales exceeding budget (\$3,639,000) and an unbudgeted legal settlement with ATTPAC (\$330,000). This is partially offset by reduced revenues associated with new Transportation (TRN) engineering review fees (\$1,163,000).

**7 Interest.** Revenues are forecast to be \$3,041,000 under budget primarily due to the Federal Reserve lowering interest rates.

## FY 2020-21 Financial Forecast Report

**GENERAL FUND EXPENDITURES**

| Expenditure Category                        | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual             | YE Forecast            | Variance              |
|---|------------------------------|------------------------------|------------------------|------------------------|-----------------------|
| Civilian Pay                                | \$241,523,414                | \$239,251,377                | \$179,818,053          | \$221,802,507          | (\$17,448,870)        |
| Civilian Overtime                           | 7,514,598                    | 7,415,838                    | 8,626,861              | 10,821,160             | 3,405,322             |
| Civilian Pension                            | 33,844,770                   | 33,683,806                   | 25,735,910             | 32,196,886             | (1,486,920)           |
| Uniform Pay                                 | 481,652,999                  | 479,350,661                  | 378,654,538            | 476,880,813            | (2,469,848)           |
| Uniform Overtime                            | 30,835,323                   | 54,862,512                   | 47,756,316             | 59,178,437             | 4,315,925             |
| Uniform Pension                             | 167,665,603                  | 167,665,603                  | 133,380,951            | 168,584,739            | 919,136               |
| Health Benefits                             | 72,562,299                   | 72,613,814                   | 50,303,791             | 72,613,814             | 0                     |
| Workers Comp                                | 16,977,554                   | 16,977,554                   | 0                      | 16,977,554             | 0                     |
| Other Personnel Services                    | 11,738,318                   | 11,568,604                   | 9,298,969              | 11,649,299             | 80,695                |
| <b>Total Personnel Services<sup>1</sup></b> | <b>1,064,314,878</b>         | <b>1,083,389,770</b>         | <b>833,575,389</b>     | <b>1,070,705,209</b>   | <b>(12,684,561)</b>   |
| Supplies <sup>2</sup>                       | 74,443,068                   | 72,697,186                   | 53,048,514             | 77,480,067             | 4,782,881             |
| Contractual Services <sup>3</sup>           | 405,650,955                  | 429,295,392                  | 316,282,003            | 432,082,119            | 2,786,727             |
| Capital Outlay <sup>4</sup>                 | 11,244,563                   | 15,008,933                   | 12,410,189             | 17,439,020             | 2,430,087             |
| Reimbursements <sup>5</sup>                 | (118,613,981)                | (118,493,346)                | (66,095,135)           | (127,297,625)          | (8,804,279)           |
| <b>Total Expenditures</b>                   | <b>\$1,437,039,483</b>       | <b>\$1,481,897,935</b>       | <b>\$1,149,220,961</b> | <b>\$1,470,408,790</b> | <b>(\$11,489,145)</b> |

**VARIANCE NOTES**

General Fund expenditure variance notes are provided below for expenditure categories with YE forecast variances of +/- five percent. The Amended Budget column reflects department-initiated transfers between expense objects.

**1 Personnel Services.** Personnel services are forecast to be \$12,685,000 under budget primarily due to salary savings from non-uniform employees across all General Fund departments.

**2 Supplies.** Supplies are forecast to be \$4,783,000 over budget primarily due to an increase in major accidents causing vehicle repairs coupled with an increase in proactive preventive maintenance on DFR fleet for apparatus/ambulances, the purchase of medical PPE and usage of medical supplies for staff at COVID-19 vaccination clinics, higher-than-budgeted uniform and equipment expenses for existing DPD uniform employees, and a Housing Street Reconstruction project that will be fully reimbursed by Community Development Block Grant (CDBG) funds within the Public Works Department.

**3 Contractual Services.** Contractual services are forecast to be \$2,787,000 over budget due to maintenance work related to COVID-19 not completed by December 30 and various concrete projects completed by a contractor due to Public Works (PBW) staff working on a Housing Street Reconstruction project that will be fully reimbursed by CDBG funds. This is partially offset by savings in master lease drawdowns and a reduced annual TIF district payment.

**4 Capital Outlay.** Capital outlays are forecast to be \$2,430,000 over budget due to the purchase of a new generator for the jail facility (\$350,000), refrigerant replacement (\$415,000), and the replacement of HVAC units at multiple locations.

## VARIANCE NOTES

**5 Reimbursements.** Reimbursements are forecast to be \$8,804,000 better than budget due to an unbudgeted reimbursement from Community Development Block Grant funds to cover a street operations project (\$4,087,000) and reimbursements from the Federal Emergency Management Agency (FEMA) for DPD's (\$2,780,000) and DFR's (\$2,260,000) vaccination efforts.

## FY 2020-21 Financial Forecast Report

**GENERAL FUND EXPENDITURES**

| Expenditure by Department  | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual             | YE Forecast            | Variance              |
|--|------------------------------|------------------------------|------------------------|------------------------|-----------------------|
| Budget and Management Services <sup>1</sup>                      | \$4,172,709                  | \$4,092,709                  | \$3,022,599            | \$3,785,736            | (\$306,973)           |
| Building Services <sup>2</sup>                                   | 23,397,410                   | 40,466,575                   | 28,357,625             | 40,266,575             | (200,000)             |
| City Attorney's Office   | 16,978,300                   | 16,978,300                   | 13,464,322             | 16,969,783             | (8,517)               |
| City Auditor's Office <sup>3</sup>                               | 3,123,860                    | 3,048,860                    | 2,319,217              | 2,967,647              | (81,213)              |
| City Controller's Office <sup>4</sup>                            | 8,004,574                    | 7,904,574                    | 6,926,367              | 7,701,280              | (203,294)             |
| Independent Audit <sup>5</sup>                                   | 945,429                      | 745,429                      | 745,000                | 745,000                | (429)                 |
| City Manager's Office  | 2,918,134                    | 2,918,134                    | 2,322,123              | 2,880,514              | (37,620)              |
| City Secretary's Office <sup>6</sup>                             | 2,886,027                    | 2,954,027                    | 2,335,625              | 2,954,027              | 0                     |
| Elections <sup>7</sup>   | 1,106,896                    | 1,960,528                    | 1,913,210              | 1,959,528              | (1,000)               |
| Civil Service <sup>8</sup>                                       | 2,946,744                    | 2,921,744                    | 1,997,481              | 2,850,548              | (71,196)              |
| Code Compliance <sup>9</sup>                                     | 32,209,414                   | 33,808,725                   | 24,931,459             | 33,459,569             | (349,156)             |
| Court and Detention Services <sup>10</sup>                       | 23,811,595                   | 23,311,595                   | 16,733,696             | 22,204,096             | (1,107,499)           |
| Jail Contract <sup>11</sup>                                      | 9,547,117                    | 9,547,117                    | 4,773,558              | 4,773,558              | (4,773,559)           |
| Dallas Animal Services   | 15,314,969                   | 15,314,969                   | 11,666,915             | 15,314,969             | 0                     |
| Dallas Fire-Rescue <sup>12</sup>                                 | 315,544,933                  | 324,099,522                  | 250,417,022            | 324,099,522            | 0                     |
| Dallas Police Department <sup>13</sup>                           | 513,535,030                  | 526,635,631                  | 414,830,449            | 526,350,631            | (285,000)             |
| Housing and Neighborhood Revitalization <sup>14</sup>            | 3,587,062                    | 3,487,062                    | 1,990,709              | 3,287,761              | (199,301)             |
| Human Resources  | 6,055,192                    | 6,055,192                    | 4,738,870              | 5,930,192              | (125,000)             |
| Judiciary <sup>15</sup>  | 3,663,199                    | 3,763,199                    | 2,909,143              | 3,740,903              | (22,296)              |
| Library <sup>16</sup>  | 32,074,999                   | 31,774,999                   | 23,055,128             | 31,620,715             | (154,284)             |
| Management Services  |                              |                              |                        |                        |                       |
| 311 Customer Service Center <sup>17</sup>                        | 4,639,768                    | 4,439,768                    | 2,253,231              | 4,246,080              | (193,688)             |
| Communications, Outreach, and Marketing <sup>18</sup>            | 2,295,750                    | 2,195,750                    | 1,510,076              | 1,980,174              | (215,576)             |
| Emergency Management Operations <sup>19</sup>                    | 1,152,959                    | 1,726,959                    | 1,710,788              | 1,726,798              | (161)                 |
| Office of Community Care <sup>20</sup>                           | 8,415,504                    | 8,165,505                    | 4,081,589              | 8,045,819              | (119,686)             |
| Office of Community Police Oversight <sup>21</sup>               | 545,133                      | 545,133                      | 296,026                | 372,394                | (172,739)             |
| Office of Environmental Quality and Sustainability               | 4,247,434                    | 4,247,433                    | 4,158,782              | 4,039,380              | (208,053)             |
| Office of Equity and Inclusion <sup>22</sup>                     | 2,401,046                    | 2,641,135                    | 2,110,722              | 2,641,135              | 0                     |
| Office of Government Affairs <sup>23</sup>                       | 937,370                      | 937,370                      | 760,490                | 871,957                | (65,413)              |
| Office of Historic Preservation <sup>24</sup>                    | 728,797                      | 728,797                      | 511,236                | 650,840                | (77,957)              |
| Office of Homeless Solutions                                     | 12,364,516                   | 12,364,516                   | 8,012,113              | 11,884,516             | (480,000)             |
| Office of Integrated Public Safety Solutions <sup>25</sup>       | 3,393,814                    | 3,393,814                    | 1,177,820              | 2,732,058              | (661,756)             |
| Mayor and City Council   | 5,140,653                    | 5,140,653                    | 4,016,868              | 4,889,328              | (251,325)             |
| Non-Departmental <sup>26</sup>                                   | 113,461,571                  | 120,642,636                  | 90,631,712             | 120,625,280            | (17,356)              |
| Office of Arts and Culture <sup>27</sup>                         | 20,204,697                   | 20,129,697                   | 18,005,887             | 20,129,253             | (444)                 |
| Office of Data Analytics and Business Intelligence <sup>28</sup> | 1,261,913                    | 1,348,913                    | 1,475,649              | 1,348,079              | (834)                 |
| Office of Economic Development                                   | 5,442,727                    | 5,442,727                    | 4,283,886              | 5,431,266              | (11,461)              |
| Park and Recreation <sup>29</sup>                                | 94,313,446                   | 94,924,446                   | 76,386,156             | 94,924,299             | (147)                 |
| Planning and Urban Design <sup>30</sup>                          | 3,312,735                    | 3,212,735                    | 2,401,945              | 3,128,936              | (83,799)              |
| Procurement Services <sup>31</sup>                               | 3,018,085                    | 2,968,085                    | 2,209,527              | 2,772,735              | (195,350)             |
| Public Works <sup>32</sup>                                       | 76,141,197                   | 75,766,197                   | 66,993,598             | 75,491,024             | (275,173)             |
| Sustainable Development and Construction <sup>33</sup>           | 1,868,980                    | 1,668,980                    | 1,793,607              | 1,466,484              | (202,496)             |
| Transportation <sup>34</sup>                                     | 43,105,575                   | 42,655,575                   | 30,166,513             | 42,326,184             | (329,391)             |
| <b>Total Departments</b>   | <b>1,430,217,263</b>         | <b>1,477,075,715</b>         | <b>1,144,398,741</b>   | <b>1,465,586,570</b>   | <b>(11,489,145)</b>   |
| Financial Reserves   | 0                            | 0                            | 0                      | 0                      | 0                     |
| Liability/Claims Fund Transfer                                   | 4,822,220                    | 4,822,220                    | 4,822,220              | 4,822,220              | 0                     |
| Salary and Benefit Stabilization <sup>35</sup>                   | 2,000,000                    | 0                            | 0                      | 0                      | 0                     |
| <b>Total Expenditures</b>  | <b>\$1,437,039,483</b>       | <b>\$1,481,897,935</b>       | <b>\$1,149,220,961</b> | <b>\$1,470,408,790</b> | <b>(\$11,489,145)</b> |

## VARIANCE NOTES

General Fund variance notes are provided below for departments with YE forecast variances of +/- five percent, amended budgets, or YE forecasts projected to exceed budget.

**1 Budget and Management Services.** City Council decreased BMS' budget by \$80,000 on September 9 by ordinance #31986. BMS is forecast to be \$307,000 under budget primarily due to salary savings.

**2 Building Services.** City Council increased BSD's budget by \$6,278,000 on June 9 by ordinance #31884 for maintenance and repair of City facilities and by \$10,791,000 on September 9 by ordinance #31986 for additional major maintenance transfers and unbudgeted repairs due to Winter Storm Uri not considered insurable.

**3 City Auditor's Office.** City Council decreased AUD's budget by \$75,000 on September 9 by ordinance #31986 due to a lower-than-anticipated contract expenses and salary savings.

**4 City Controller's Office.** City Council decreased CCO's budget by \$100,000 on September 9 by ordinance #31986 due to salary savings.

**5 Independent Audit.** City Council decreased IND's budget by \$200,000 due to a lower-than-anticipated contract expense associated with the City's annual independent audit.

**6 City Secretary's Office.** City Council increased SEC's budget by \$68,000 on September 9 by ordinance #31986 due to termination payouts.

**7 Elections.** City Council increased the Elections budget by \$822,000 on June 9 by ordinance #31884 due to a higher-than-anticipated contract expense with Dallas, Collin, and Denton counties for the May election and further increased the Elections budget by \$32,000 on September 9 by ordinance #31986 due to the June run-off election and advertising.

**8 Civil Service.** City Council decreased CVS' budget by \$25,000 on September 9 by ordinance #31986 due to salary savings.

**9 Code Compliance.** City Council increased CCS' budget by \$1,649,000 on June 9 by ordinance #31884 to add 34 positions to be assigned to census tracks. City Council decreased CCS' budget by \$50,000 on September 9 by ordinance #31884 due to salary savings.

**10 Court and Detention Services.** City Council decreased CTS' budget by \$500,000 on September 9 by ordinance #31986 due to salary savings. CTS is projected to be \$1,107,000 under budget due to salary savings associated with 61 vacant positions and a lower-than-anticipated number of ad hoc department requests for security services partially offset by a loss in reimbursement for security services caused by cancelled events.

**11 Jail Contract.** The Jail Contract is forecast to be \$4,774,000 under budget due to delays in executing the contract with Dallas County.

**12 Dallas Fire-Rescue.** City Council increased DFR's budget by \$8,555,000 on September 9 by ordinance #31986 due to increased overtime for sworn positions, medical supplies, parts for fleet repair/maintenance, and a decreased reimbursement from Aviation (AVI).

**13 Dallas Police Department.** City Council increased DPD's budget by \$13,101,000 on September 9, 2021 by ordinance #31986 due to overtime for sworn positions associated with a greater focus on crime suppression efforts and higher than budgeted expenses for uniforms and equipment.

**14 Housing and Neighborhood Revitalization.** City Council decreased HOU's budget by \$100,000 on September 9 by ordinance #31986. HOU is projected to be \$199,000 under budget due to prior vacancies

## VARIANCE NOTES

that have since been filled.

**15 Judiciary.** City Council increased CTJ's budget by \$100,000 on September 9 by ordinance #31986 due to a higher-than-budgeted translation services expenses.

**16 Library.** City Council decreased LIB's budget by \$300,000 on September 9 by ordinance #31986 due to salary savings.

**17 311 Customer Service Center.** City Council decreased 311's budget by \$200,000 on September 9 by ordinance #31986 due to salary savings associated with 21 vacant positions.

**18 Communications, Outreach, and Marketing.** City Council decreased COM's budget by \$100,000 on September 9 by ordinance #31986 due to salary savings and usage of CARES funding earlier in the fiscal year for Audiovisual and PC equipment upgrades.

**19 Emergency Management Operations.** City Council increased OEM's budget by \$574,000 on September 9 by ordinance #31986 due to contracts with private bus companies for mobile warming services and other unbudgeted severe weather expenses during Winter Storm Uri.

**20 Office of Community Care.** City Council decreased OCC's budget by \$250,000 on September 9 by ordinance #31986 due to lower-than-anticipated contract expenses associated with various facility closures.

**21 Office of Community Police Oversight.** OCPO is projected to be \$173,000 under budget due to salary savings associated with two vacant positions.

**22 Office of Equity and Inclusion.** City Council increased OEI's budget by \$240,000 on September 9 by ordinance #31986 due to unbudgeted termination payouts and contractual expenses for consultant contract for the Racial Equity Plan.

**23 Office of Government Affairs.** OGA is projected to be \$65,000 under budget due to salary savings associated with three vacant positions.

**24 Office of Historic Preservation.** OHP is projected to be \$78,000 under budget due to salary savings associated with one vacant position.

**25 Office of Integrated Public Safety Solutions.** IPSS is projected to be \$662,000 under budget due to salary savings associated with 25 vacant positions which is partially offset by the purchase of vehicles for the Mobile Crisis Response and the RIGHT Care Teams.

**26 Non-Departmental.** City Council increased Non-D's budget by \$7,181,000 on September 9 by ordinance #31986 due to an appropriation of excess revenue to be transferred to the Revenue Stabilization Fund to be used in a future year (FY24 and beyond).

**27 Office of Arts and Culture.** City Council decreased OAC's budget by \$75,000 on September 9 by ordinance #31986 for salary savings.

**28 Office of Data Analytics and Business Intelligence.** City Council increased DBI's budget by \$87,000 on September 9 by ordinance #31986 due to unbudgeted internal service charges and temporary staffing.

## VARIANCE NOTES

**29 Park and Recreation.** City Council increased PKR's budget by \$611,000 on September 9 by ordinance #31986 due to unbudgeted repairs associated with Winter Storm Uri that are not considered insurable. PKR currently estimates repair expenses at \$10,000,000 and anticipates about \$6,250,000 from insurance via reimbursements. This is partially offset by salary savings associated with vacant positions.

**30 Planning and Urban Design.** City Council decreased PUD's budget by \$100,000 on September 9 by ordinance #31986 due to salary savings associated with four vacant positions.

**31 Procurement Services.** City Council decreased POM's budget by \$50,000 on September 9 by ordinance #31986. POM is forecast to be \$195,000 under budget primarily due to salary savings associated with six vacant positions.

**32 Public Works.** City Council decreased PBW's budget by \$375,000 due to salary savings associated with 102 vacant positions.

**33 Sustainable Development and Construction.** City Council decreased DEV's budget by \$200,000 on September 9 by ordinance #31986. DEV is projected to be \$202,000 under budget primarily due to a delay in processing FY 2019-20 reimbursements from the Water Utilities and Building Inspection funds.

**34 Transportation.** City Council decreased TRN's budget by \$450,000 on September 9 by ordinance #31884 due to salary savings associated with 30 vacant positions.

**35 Salary and Benefit Stabilization.** The FY 2020-21 Ordinance authorizes the City Manager to transfer appropriations from S&B to any department as allowed by City Charter Chapter XI (Sec. 3), of which, \$71,000 was transferred to SEC and OEI. City Council reallocated the remaining \$1,929,000 S&B budget due to savings in the FY 2020-21 End of Year Ordinance.

## FY 2020-21 Financial Forecast Report

**ENTERPRISE FUNDS**

| Department | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual | YE Forecast | Variance |
|------------|------------------------------|------------------------------|------------|-------------|----------|
|------------|------------------------------|------------------------------|------------|-------------|----------|

**AVIATION<sup>1</sup>**

|                        |             |             |             |              |              |
|------------------------|-------------|-------------|-------------|--------------|--------------|
| Beginning Fund Balance | \$0         | \$0         |             | \$15,319,809 | \$15,319,809 |
| Total Revenues         | 112,758,320 | 119,164,299 | 107,987,363 | 119,163,563  | (736)        |
| Total Expenditures     | 112,758,320 | 119,164,299 | 94,320,395  | 119,163,563  | (736)        |
| Ending Fund Balance    | \$0         | \$0         |             | \$15,319,809 | \$15,319,809 |

**CONVENTION AND EVENT SERVICES<sup>2</sup>**

|                        |              |              |            |              |                |
|------------------------|--------------|--------------|------------|--------------|----------------|
| Beginning Fund Balance | \$57,091,833 | \$57,091,833 |            | \$39,553,867 | (\$17,537,966) |
| Total Revenues         | 85,832,581   | 85,832,581   | 42,010,429 | 70,121,067   | (15,711,514)   |
| Total Expenditures     | 85,832,581   | 85,832,581   | 46,408,774 | 70,121,067   | (15,711,514)   |
| Ending Fund Balance    | \$57,091,833 | \$57,091,833 |            | \$39,553,867 | (\$17,537,966) |

**MUNICIPAL RADIO<sup>3</sup>**

|                        |           |           |           |           |             |
|------------------------|-----------|-----------|-----------|-----------|-------------|
| Beginning Fund Balance | \$685,965 | \$685,965 |           | \$725,264 | \$39,299    |
| Total Revenues         | 1,911,000 | 1,911,000 | 1,019,046 | 1,307,642 | (603,358)   |
| Total Expenditures     | 1,875,612 | 1,875,612 | 1,419,236 | 1,664,655 | (210,957)   |
| Ending Fund Balance    | \$721,353 | \$721,353 |           | \$368,251 | (\$353,102) |

**SANITATION SERVICES<sup>4</sup>**

|                        |              |              |             |              |                |
|------------------------|--------------|--------------|-------------|--------------|----------------|
| Beginning Fund Balance | \$33,204,530 | \$33,204,530 |             | \$22,151,461 | (\$11,053,069) |
| Total Revenues         | 127,068,910  | 127,068,910  | 105,779,401 | 126,601,007  | (467,903)      |
| Total Expenditures     | 128,413,418  | 131,628,920  | 80,436,129  | 131,628,920  | 0              |
| Ending Fund Balance    | \$31,860,022 | \$28,644,520 |             | \$17,123,548 | (\$11,520,972) |

**STORM DRAINAGE MANAGEMENT– DALLAS WATER UTILITIES<sup>5</sup>**

|                        |             |             |            |              |           |
|------------------------|-------------|-------------|------------|--------------|-----------|
| Beginning Fund Balance | \$9,918,699 | \$9,918,699 |            | \$10,383,149 | \$464,450 |
| Total Revenues         | 66,355,747  | 66,355,747  | 57,341,764 | 66,355,747   | 0         |
| Total Expenditures     | 66,329,747  | 68,829,747  | 33,662,406 | 68,829,747   | 0         |
| Ending Fund Balance    | \$9,944,699 | \$7,444,699 |            | \$7,909,149  | \$464,450 |

**SUSTAINABLE DEVELOPMENT AND CONSTRUCTION<sup>6</sup>**

|                        |              |              |            |              |             |
|------------------------|--------------|--------------|------------|--------------|-------------|
| Beginning Fund Balance | \$47,421,969 | \$47,421,969 |            | \$51,667,089 | \$4,245,120 |
| Total Revenues         | 33,644,751   | 33,644,751   | 29,785,269 | 35,382,793   | 1,738,042   |
| Total Expenditures     | 36,544,104   | 38,544,104   | 30,615,276 | 37,948,564   | (595,540)   |
| Ending Fund Balance    | \$44,522,616 | \$42,522,616 |            | \$49,101,318 | \$6,578,702 |

**WATER UTILITIES<sup>7</sup>**

|                        |               |               |             |               |               |
|------------------------|---------------|---------------|-------------|---------------|---------------|
| Beginning Fund Balance | \$140,647,348 | \$140,647,348 |             | \$131,522,556 | (\$9,124,792) |
| Total Revenues         | 692,146,200   | 692,146,200   | 532,365,565 | 667,127,626   | (25,018,574)  |
| Total Expenditures     | 714,778,341   | 714,778,341   | 476,911,373 | 689,759,767   | (25,018,574)  |
| Ending Fund Balance    | \$118,015,207 | \$118,015,207 |             | \$108,890,415 | (\$9,124,792) |

## FY 2020-21 Financial Forecast Report

**INTERNAL SERVICE FUNDS**

| Department | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual | YE Forecast | Variance |
|------------|------------------------------|------------------------------|------------|-------------|----------|
|------------|------------------------------|------------------------------|------------|-------------|----------|

**INFORMATION TECHNOLOGY**

|                        |             |             |            |             |             |
|------------------------|-------------|-------------|------------|-------------|-------------|
| Beginning Fund Balance | \$5,590,116 | \$5,590,116 |            | \$7,667,186 | \$2,077,070 |
| Total Revenues         | 84,372,061  | 84,372,061  | 67,872,814 | 84,497,166  | 125,105     |
| Total Expenditures     | 85,013,099  | 85,013,099  | 69,402,093 | 84,778,527  | (234,572)   |
| Ending Fund Balance    | \$4,949,078 | \$4,949,078 |            | \$7,385,825 | \$2,436,747 |

**RADIO SERVICES**

|                        |             |             |            |             |           |
|------------------------|-------------|-------------|------------|-------------|-----------|
| Beginning Fund Balance | \$1,039,213 | \$1,039,213 |            | \$1,351,631 | \$312,418 |
| Total Revenues         | 12,843,519  | 12,843,519  | 9,156,974  | 12,578,667  | (264,852) |
| Total Expenditures     | 13,423,481  | 13,423,481  | 10,378,758 | 13,211,727  | (211,754) |
| Ending Fund Balance    | \$459,251   | \$459,251   |            | \$718,571   | \$259,320 |

**EQUIPMENT AND FLEET MANAGEMENT**

|                        |              |              |            |              |            |
|------------------------|--------------|--------------|------------|--------------|------------|
| Beginning Fund Balance | \$12,006,161 | \$12,006,161 |            | \$11,979,713 | (\$26,448) |
| Total Revenues         | 54,714,940   | 54,714,940   | 31,178,883 | 55,081,881   | 366,941    |
| Total Expenditures     | 56,069,040   | 56,069,040   | 43,800,193 | 56,069,040   | 0          |
| Ending Fund Balance    | \$10,652,061 | \$10,652,061 |            | \$10,992,554 | \$340,493  |

**EXPRESS BUSINESS CENTER**

|                        |             |             |           |             |          |
|------------------------|-------------|-------------|-----------|-------------|----------|
| Beginning Fund Balance | \$4,120,084 | \$4,120,084 |           | \$4,153,287 | \$33,203 |
| Total Revenues         | 2,593,790   | 2,593,790   | 2,421,990 | 2,593,790   | 0        |
| Total Expenditures     | 2,080,890   | 2,080,890   | 1,735,663 | 2,076,647   | (4,243)  |
| Ending Fund Balance    | \$4,632,984 | \$4,632,984 |           | \$4,670,430 | \$37,446 |

**OFFICE OF BOND AND CONSTRUCTION MANAGEMENT<sup>8</sup>**

|                        |            |            |            |               |               |
|------------------------|------------|------------|------------|---------------|---------------|
| Beginning Fund Balance | \$0        | \$0        |            | (\$1,173,960) | (\$1,173,960) |
| Total Revenues         | 23,074,750 | 23,074,750 | 4,687,978  | 20,650,143    | (2,424,607)   |
| Total Expenditures     | 23,074,750 | 23,074,750 | 16,453,150 | 20,650,143    | (2,424,607)   |
| Ending Fund Balance    | \$0        | \$0        |            | (\$1,173,960) | (\$1,173,960) |

## FY 2020-21 Financial Forecast Report

**OTHER FUNDS**

| Department                                 | FY 2020-21<br>Adopted Budget | FY 2020-21<br>Amended Budget | YTD Actual | YE Forecast | Variance    |
|--|------------------------------|------------------------------|------------|-------------|-------------|
| <b>9-1-1 SYSTEM OPERATIONS<sup>9</sup></b> |                              |                              |            |             |             |
| Beginning Fund Balance                     | \$5,843,389                  | \$5,843,389                  |            | \$8,723,705 | \$2,880,316 |
| Total Revenues                             | 12,017,444                   | 12,017,444                   | 10,586,934 | 13,006,411  | 988,967     |
| Total Expenditures                         | 16,126,922                   | 16,523,922                   | 7,672,427  | 15,872,771  | (651,151)   |
| Ending Fund Balance                        | \$1,733,911                  | \$1,336,911                  |            | \$5,857,345 | \$4,520,434 |

**DEBT SERVICE**

|                        |              |              |             |              |              |
|------------------------|--------------|--------------|-------------|--------------|--------------|
| Beginning Fund Balance | \$43,627,241 | \$43,627,241 |             | \$46,554,040 | \$2,926,799  |
| Total Revenues         | 319,810,380  | 319,810,380  | 325,147,734 | 327,501,998  | 7,691,618    |
| Total Expenditures     | 316,672,860  | 316,672,860  | 261,294,290 | 306,124,733  | (10,548,127) |
| Ending Fund Balance    | \$46,764,761 | \$46,764,761 |             | \$67,931,306 | \$21,166,545 |

**EMPLOYEE BENEFITS<sup>10</sup>**

|                        |             |             |             |             |             |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| City Contributions     | 99,503,000  | 99,503,000  | 69,640,255  | 99,503,000  | \$0         |
| Employee Contributions | 29,341,804  | 29,341,804  | 38,929,880  | 26,937,141  | (2,404,663) |
| Retiree                | 27,290,950  | 27,290,950  | 19,854,927  | 27,283,270  | (7,680)     |
| Other                  | 0           | 0           | 17,786      | 13,217,967  | 13,217,967  |
| Total Revenues         | 156,135,754 | 156,135,754 | 128,442,847 | 166,941,378 | 10,805,624  |
| Total Expenditures     | 163,814,169 | 163,814,169 | 125,832,154 | 165,922,755 | 2,108,586   |

Note: FY 2020-21 YE forecast reflects claim expenses expected to occur in the fiscal year. Fund balance (not included) reflects incurred but not reported (IBNR) claims.

**RISK MANAGEMENT<sup>11</sup>**

|                       |            |            |            |            |              |
|-----------------------|------------|------------|------------|------------|--------------|
| Worker's Compensation | 23,001,180 | 23,001,180 | 412,736    | 23,001,180 | \$0          |
| Third Party Liability | 13,784,533 | 13,784,533 | 4,899,641  | 13,784,533 | 0            |
| Purchased Insurance   | 7,480,093  | 7,480,093  | 21         | 7,480,093  | 0            |
| Interest and Other    | 0          | 0          | 1,037,119  | 1,037,119  | 1,037,119    |
| Total Revenues        | 44,265,806 | 44,265,806 | 6,349,517  | 45,302,925 | 1,037,119    |
| Total Expenditures    | 47,212,601 | 47,212,601 | 19,214,757 | 30,725,106 | (16,487,495) |

Note: FY 2020-21 YE forecast reflects claim expenses expected to occur in the fiscal year. Fund balance (not included) reflects the total current liability for Risk Management (worker's compensation/liability/property insurance).

## VARIANCE NOTES

The Enterprise, Internal Service, and Other Funds summaries include the beginning fund balance with the YE revenue and expenditure forecasts. As of July 31, 2021, the beginning fund balance for the adopted and amended budgets and YE forecast reflects the FY 2019-20 audited unassigned ending fund balance and includes FY 2019-20 YE savings. Variance notes are provided below for funds with a YE forecast variance of +/- five percent, YE forecast projected to exceed budget, or projected use of fund balance.

**1 Aviation.** City Council increased AVI's budget by \$6,323,000 on June 9 by ordinance #31884 as part of the mid-year appropriations adjustment process due to higher expenses than budgeted, offset by increased revenue. City Council further increased AVI Transportation Regulation budget by \$83,000 on September 9 by ordinance #31986 as part of the end-of-year appropriations adjustment process due to a contract for the FastTrack software.

**2 Convention and Event Services.** CCT revenues and expenses are projected to be \$15,712,000 under budget due to various event cancellations as a result of COVID-19.

**3 Municipal Radio.** WRR revenues are projected to be \$603,000 under budget due to the loss of arts-related advertising revenues as a result of COVID-19. Similarly, expenses for personnel services are projected to be \$211,000 under budget primarily due to lower sales commissions as a result of lower ad sales. WRR anticipates using fund balance to offset lost revenue.

**4 Sanitation Services.** City Council increased SAN's budget by \$811,000 on February 24 by resolution #21-0383 for restoration work related to the use of a temporary storm debris staging area after the October 2019 tornado. City Council increased SAN's budget again by \$2,405,000 on June 9 by ordinance #31986 as part of the mid-year appropriations adjustment process due to the use of fund balance to offset lost revenue and the increased expenses associated with the shingle cleanup at the former Blue Star Recycling facility.

**5 Storm Drainage Management - DWU.** City Council increased SDM's budget by \$2,500,000 on September 9 by ordinance #31986 for the purchase of equipment and additional transfers to the capital construction fund.

**6 Sustainable Development and Construction.** City Council increased DEV's budget by \$2,000,000 on January 27 by resolution #21-0266 to authorize a professional services contract for supplemental permit plan review and inspection services. DEV's expenses are projected to be \$596,000 under budget primarily due to the elimination of POSSE system upgrades and reduced costs for the workflow evaluation staffing study. DEV's revenues are projected to be \$1,738,000 over budget due to higher-than-budgeted permit activity.

**7 Water Utilities.** DWU revenues are projected to be \$25,019,000 under budget primarily because of the third of three annual credits issued to wholesale customers as a result of the Sabine River Authority settlement, as well as an increase in unpaid utility bills, elimination of past-due fees associated with COVID-19, and decreased water usage resulting from significant rainfall. DWU expenses are projected to be \$25,019,000 under budget primarily due to salary savings, decreased street rental payments, and reduced capital construction transfers. DWU anticipates the further use of fund balance to offset additional lost revenue.

**8 Bond and Construction Management.** BCM revenues and expenses are projected to be \$2,425,000 under budget primarily due to salary savings associated with 39 vacant positions. BCM charges each capital project budget for project implementation costs. Savings in actual implementation expenses result in fewer charges to the capital project.

## VARIANCE NOTES

**9 911 System Operations.** City Council increased 911's budget by \$397,000 on June 9 by ordinance #31884 due to the delayed implementation of the Next Generation 911 System to FY 2020-21 after being budgeted in FY 2019-20. 911 revenues are projected to be \$989,000 over budget due to the collection of wireline fees from previous fiscal years.

**10 Employee Benefits.** Revenues are projected to be \$10,806,000 over budget due to increased enrollment in flexible spending accounts and higher-than-projected supplemental life insurance. Expenses are projected to be \$2,109,000 over budget due to increased employee participation in flexible spending accounts which is partially offset by other health benefit expenses being under budget due to a better claim experience and a CVS rebate.

**11 Risk Management.** ORM expenses are projected to be \$16,487,000 under budget primarily due to a delay in anticipated claims expenses from FY 2020-21 to FY 2021-22 and a positive recovery resulting in a lower-than-expected payout.

## FY 2020-21 Financial Forecast Report

**GENERAL OBLIGATION BONDS****2017 Bond Program**

| Proposition                                 | Authorized by Voters   | ITD Appropriations   | ITD Expenditures     | Current Encumbered   | Unencumbered         |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|
| Street and Transportation [A]               | \$533,981,000          | \$306,967,270        | \$128,091,986        | \$86,560,009         | \$92,315,275         |
| Park and Recreation Facilities [B]          | 261,807,000            | 206,776,093          | 121,158,501          | 24,488,737           | 61,128,855           |
| Fair Park [C]                               | 50,000,000             | 35,854,549           | 27,607,141           | 1,330,257            | 6,917,152            |
| Flood Protection and Storm Drainage [D]     | 48,750,000             | 22,484,312           | 4,879,019            | 7,644,664            | 9,960,630            |
| Library Facilities [E]                      | 15,589,000             | 15,589,000           | 14,251,394           | 821,270              | 516,336              |
| Cultural and Performing Arts Facilities [F] | 14,235,000             | 13,970,604           | 9,204,374            | 4,093,973            | 672,257              |
| Public Safety Facilities [G]                | 32,081,000             | 27,737,155           | 15,183,755           | 9,566,550            | 2,986,850            |
| City Facilities [H]                         | 18,157,000             | 12,720,154           | 5,811,675            | 657,072              | 6,251,407            |
| Economic Development [I]                    | 55,400,000             | 36,709,750           | 14,315,532           | 11,519,904           | 10,874,314           |
| Homeless Assistance Facilities [J]          | 20,000,000             | 13,989,185           | 82,574               | 3,307,090            | 10,599,522           |
| <b>Total</b>                                | <b>\$1,050,000,000</b> | <b>\$692,798,072</b> | <b>\$340,585,949</b> | <b>\$149,989,526</b> | <b>\$202,222,597</b> |

**2012 Bond Program**

| Proposition  | Authorized by Voters | ITD Appropriations   | ITD Expenditures     | Current Encumbered   | Unencumbered        |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| Street and Transportation Improvements [1]         | \$260,625,000        | \$265,630,488        | \$244,422,519        | \$14,512,771         | \$6,695,198         |
| Flood Protection and Storm Drainage Facilities [2] | 326,375,000          | 326,375,000          | 198,746,423          | 100,334,961          | 27,293,616          |
| Economic Development [3]                           | 55,000,000           | 55,000,000           | 36,508,504           | 6,212,759            | 12,278,737          |
| <b>Total</b>                                       | <b>\$642,000,000</b> | <b>\$647,005,488</b> | <b>\$479,677,446</b> | <b>\$121,060,491</b> | <b>\$46,267,551</b> |

**2006 Bond Program**

| Proposition  | Authorized by Voters   | ITD Appropriations     | ITD Expenditures       | Current Encumbered  | Unencumbered        |
|--|------------------------|------------------------|------------------------|---------------------|---------------------|
| Street and Transportation Improvements [1]             | \$390,420,000          | \$406,490,554          | \$379,954,595          | \$18,909,106        | \$7,626,853         |
| Flood Protection and Storm Drainage Facilities [2]     | 334,315,000            | 342,757,166            | 277,080,112            | 19,803,613          | 45,873,442          |
| Park and Recreation Facilities [3]                     | 343,230,000            | 353,022,660            | 343,273,936            | 3,395,766           | 6,352,958           |
| Library Facilities [4]                                 | 46,200,000             | 47,692,804             | 46,972,469             | 539,788             | 180,547             |
| Cultural Arts Facilities [5]                           | 60,855,000             | 63,556,770             | 62,540,328             | 162,871             | 853,571             |
| City Hall, City Service and Maintenance Facilities [6] | 34,750,000             | 35,360,236             | 25,051,821             | 1,885,542           | 8,422,872           |
| Land Acquisition Under Land Bank Program [7]           | 1,500,000              | 1,500,000              | 1,452,418              | 0                   | 47,582              |
| Economic Development [8]                               | 41,495,000             | 45,060,053             | 41,939,230             | 1,153,500           | 1,967,324           |
| Farmers Market Improvements [9]                        | 6,635,000              | 6,933,754              | 6,584,013              | 3,208               | 346,532             |
| Land Acquisition in the Cadillac Heights Area [10]     | 22,550,000             | 22,727,451             | 11,150,191             | 400,672             | 11,176,588          |
| Court Facilities [11]                                  | 7,945,000              | 7,948,603              | 7,680,430              | 165,566             | 102,607             |
| Public Safety Facilities and Warning Systems [12]      | 63,625,000             | 65,124,222             | 64,554,146             | 316,682             | 253,394             |
| <b>Total</b>   | <b>\$1,353,520,000</b> | <b>\$1,398,175,273</b> | <b>\$1,268,233,690</b> | <b>\$46,736,313</b> | <b>\$83,204,270</b> |

Note: The tables above reflect expenditures and encumbrances recorded in the City's financial system of record. They do not include commitments that have not yet been recorded in the system, such as amounts recently approved by City Council.

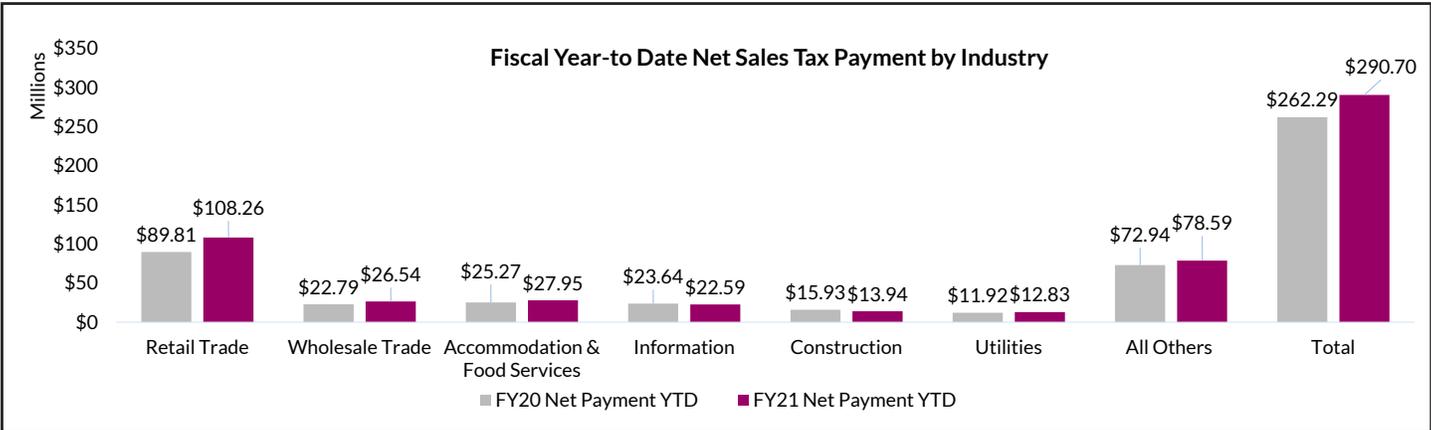
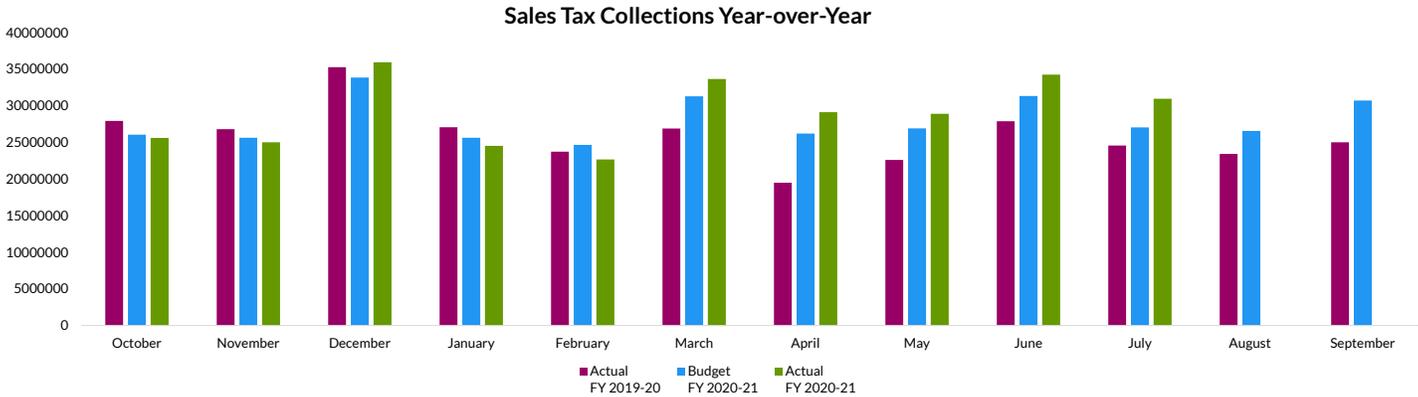
FY 2020-21 Financial Forecast Report

# ECONOMIC INDICATORS

## Sales Tax

The current sales tax rate is 8.25 percent—6.25 percent goes to the state, one percent to the City, and one percent to DART. In FY 2019-20, the City received \$310,738,000 in sales tax revenue. The FY 2020-21 budget was \$296,324,365. We have since amended the budget and forecast to \$336,012,000. City Council increased the sales tax budget by \$8,749,000 on June 9 as part of the mid-year appropriations adjustment process. The budget was increased again by \$30,938,000 on September 9 through the end-of-year appropriations adjustment process. There are two more months of receipts in the fiscal year. We will update the forecast as additional information becomes available.

The charts in this section provide more information about sales tax collections.



Note: Net sales tax payments by industry do not include the City’s self-reported sales tax numbers.

## FY 2020-21 Financial Forecast Report

**ECONOMIC INDICATORS**

| Year-over-Year Change in Sales Tax Collections |                          |                    |
|--|--------------------------|--------------------|
| Industry                                       | July FY21 over July FY20 | FYTD21 over FYTD20 |
| Retail Trade                                   | 34%                      | 21%                |
| Wholesale Trade                                | 16%                      | 16%                |
| Accommodation and Food Services                | 55%                      | 11%                |
| Information                                    | 8%                       | -4%                |
| Construction                                   | 4%                       | -12%               |
| Utilities                                      | -9%                      | 8%                 |
| All Others                                     | 26%                      | 8%                 |
| Total Collections                              | 26%                      | 11%                |

**Retail Trade.** Includes establishments engaged in selling (retailing) merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise, so retailers are organized to sell merchandise in small quantities to the general public.

**Wholesale Trade.** Includes establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of (a) goods for resale to other wholesalers or retailers, (b) capital or durable nonconsumer goods, and (c) raw and intermediate materials and supplies used in production.

**Accommodation and Food Services.** Includes establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

**Information.** Includes establishments engaged in (a) producing and distributing information and cultural products, (b) providing the means to transmit or distribute these products as well as data or communications, and (c) processing data.

**Construction.** Includes establishments primarily engaged in the construction of buildings or engineering projects (e.g. highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction or in subdividing land for sale as building sites are also included in this sector.

**Utilities.** Includes establishments providing electric power, natural gas, steam supply, water supply, and sewage removal.

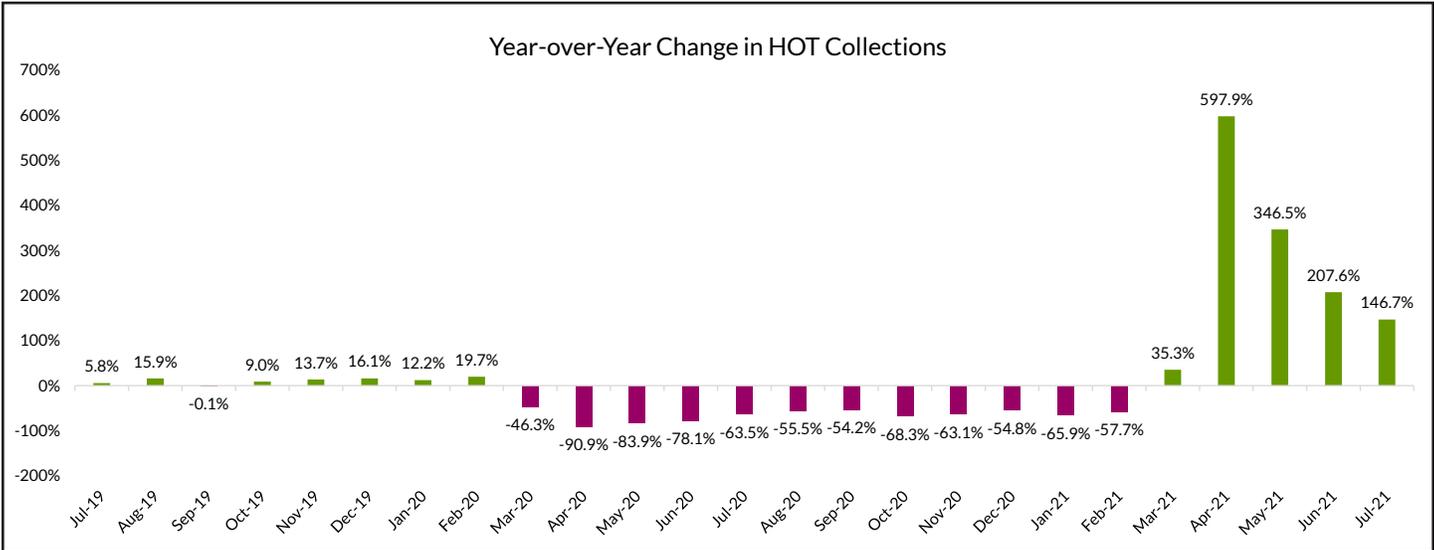
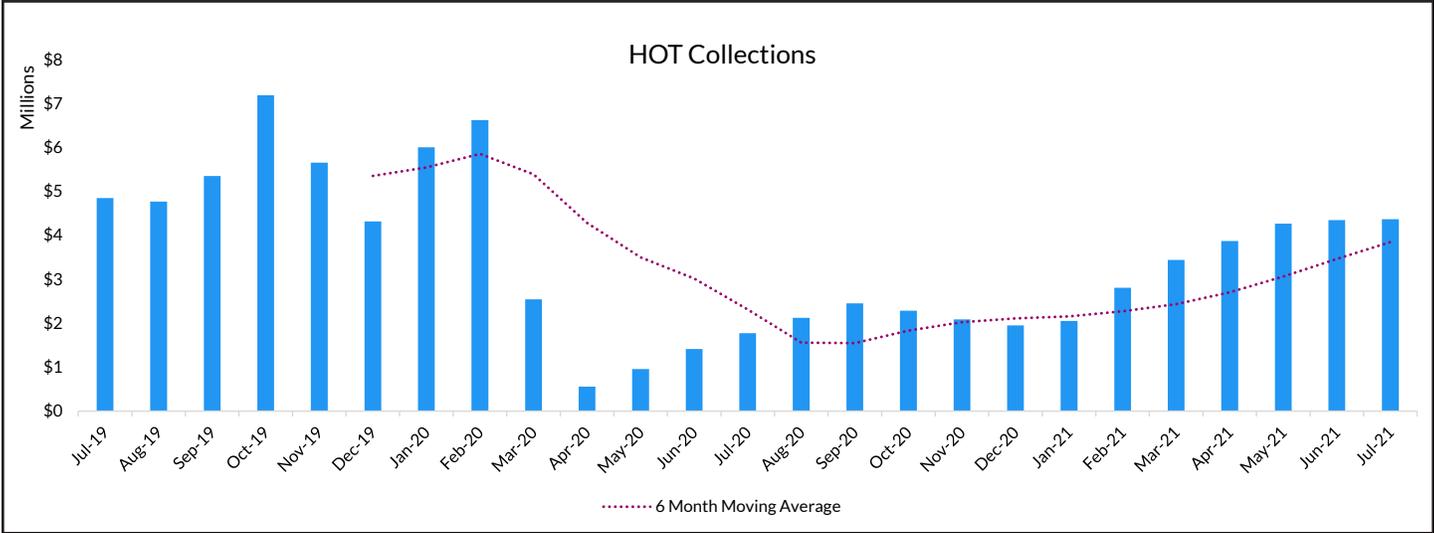
**All Others.** Includes but is not limited to manufacturing, professional and business services, financial activities, education and health services, and natural resources and mining.

FY 2020-21 Financial Forecast Report

# ECONOMIC INDICATORS

## Hotel Occupancy Tax

The City collects hotel occupancy taxes (HOT) on hotel, motel, bed and breakfast, and short-term rentals in the city limits. The HOT rate in Dallas is 13 percent of the cost of the room (not including food served or personal services not related to cleaning and readying the space for the guest)—six percent goes to the state, and seven percent goes to the City. HOT is the largest single revenue source for the Kay Bailey Hutchison Convention Center, and data is typically updated every two months.



## FY 2020-21 Financial Forecast Report

**ECONOMIC INDICATORS**

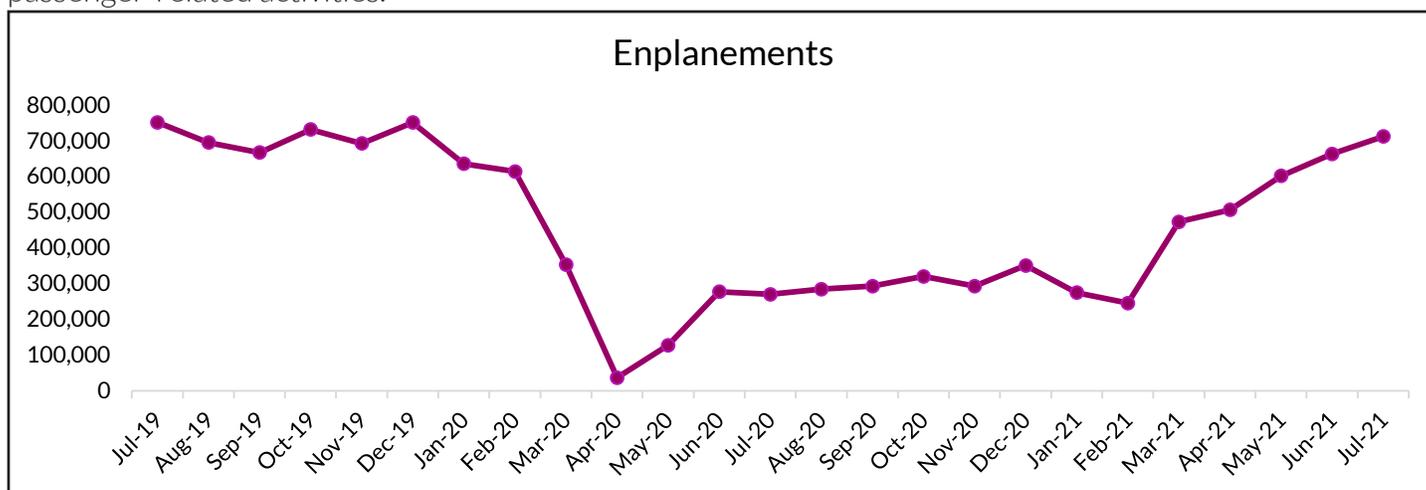
## Convention Center Event Bookings

The table below lists the number of actual, planned, and forecast events at the KBHCCD for the last three fiscal years. Please note if no event takes place, it results in an equal reduction in revenue and expenses.

|           | FY19 Actual | FY20 Actual | FY21 Planned | FY21 Actual/Forecast |
|-----------|-------------|-------------|--------------|----------------------|
| October   | 6           | 6           | 6            | 3                    |
| November  | 2           | 11          | 6            | 1                    |
| December  | 9           | 5           | 7            | 2                    |
| January   | 7           | 13          | 10           | 0                    |
| February  | 9           | 12          | 6            | 0                    |
| March     | 8           | 1           | 6            | 0                    |
| April     | 6           | 1           | 3            | 1                    |
| May       | 6           | 0           | 9            | 5                    |
| June      | 5           | 0           | 8            | 6                    |
| July      | 3           | 0           | 3            | 3                    |
| August    | 7           | 0           | 7            | 4                    |
| September | 11          | 0           | 3            | 7                    |
| Total     | 79          | 49          | 74           | 32                   |

## Love Field Enplanements

An enplanement is when a revenue-generating passenger boards an aircraft. Enplanements are the most important air traffic metric because enplaned passengers directly or indirectly generate 80 percent of Aviation revenues. Typically, Aviation generates only 20 percent of total operating revenues from non-passenger-related activities.

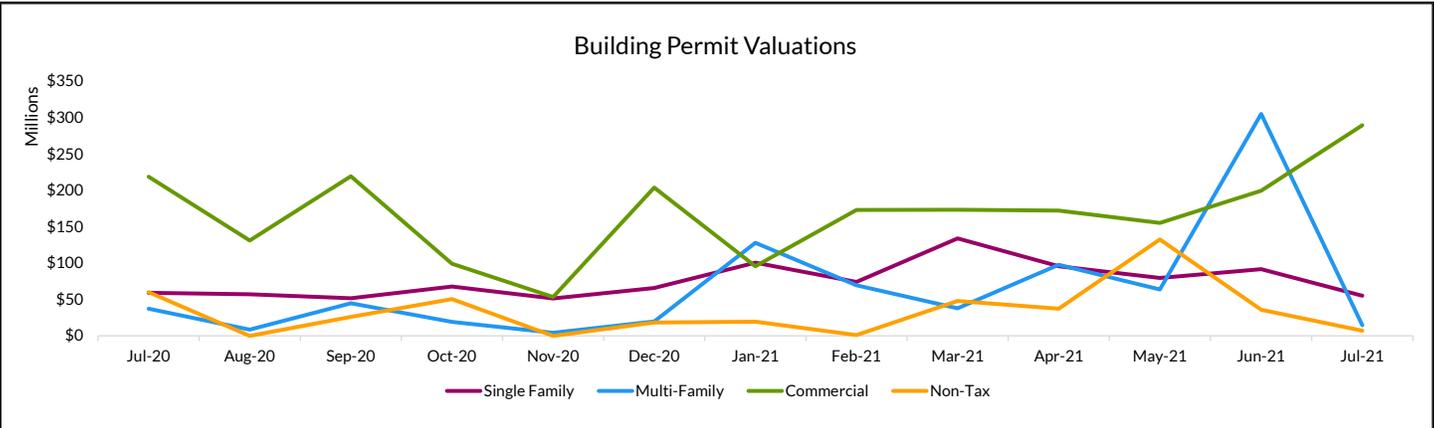
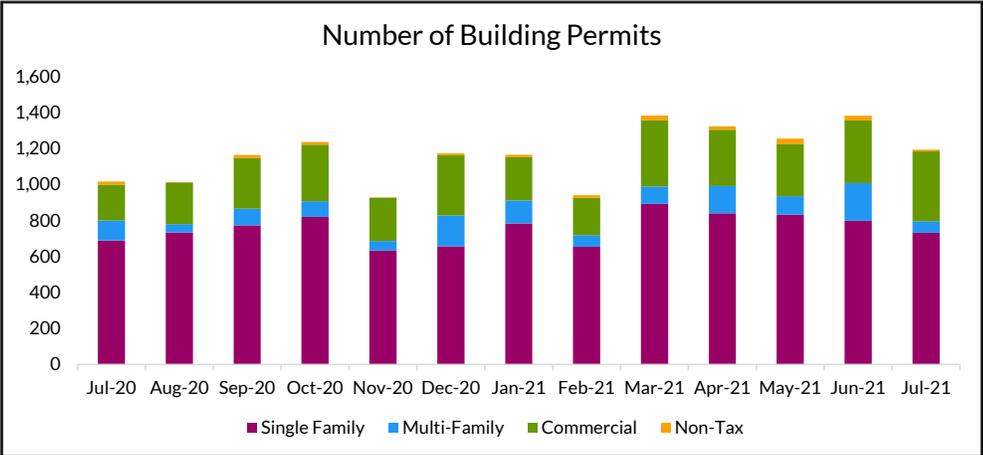


FY 2020-21 Financial Forecast Report

# ECONOMIC INDICATORS

## Building Permits

Building permits (required for all construction in Dallas) can provide insight into upcoming activity in the housing market and other areas of the economy. Permits are a key indicator of the confidence developers have in the economy; likewise, a decline can indicate developers do not anticipate economic growth in the near future. In some cities, this measure may be a leading indicator of property tax value growth, but in Dallas, the property tax forecast model includes other variables like wage/job growth, housing supply, gross domestic product, population, vacancy rates, and others.



# DALLAS 365

The Dallas 365 initiative aligns 35 key performance measures to our eight strategic priorities. The department responsible for each measure is noted at the end of the measure's description, and last year's performance is included if available. If FY 2019-20 data is not available, N/A is listed.

Year-to-date (YTD) and year-end (YE) targets are presented for each measure. YTD targets may vary based on seasonality of the work. Each month, we compare 1) the YTD target with the actual performance for the current reporting period and 2) the YE target with the department's forecasted performance as of September 30, 2021.

Measures are designated "on target" (green) if actual YTD performance is equal to or greater than the YTD target. If actual YTD performance is within five percent of the YTD target, it is "near target" (yellow). Otherwise, the measure is designated "not on target" (red). The same methodology applies to YE forecasts. Variance notes are provided for each red measure.

## Year-to-Date

 17

On Target

 6

Near Target

 12

Not on Target

## Year-End Forecast

 24

On Target

 2

Near Target

 9

Not on Target

| #  | Measure  | FY 2019-20 Actual | YTD Target | YTD Actual | YE Target | YE Forecast |
|--|--|-------------------|------------|------------|-----------|-------------|
| <b>Economic Development</b>                              |  |                   |            |            |           |             |
| 1  | Percentage of dollars spent with local M/WBE businesses (Economic Development)   | 69.98%            | 65%        | 81.68%     | 65%       | 82%         |
| 2  | Percentage of businesses from low- to moderate-income (LMI) census tracts connected to the B.U.I.L.D. ecosystem (Economic Development) | N/A               | 40%        | 97.8%      | 40%       | 98%         |
| 3  | Percentage of single-family permits reviewed in three days (Sustainable Development)   | N/A               | 85%        | 0%         | 85%       | 0%          |
| 4  | Percentage of inspections performed same day as requested (Sustainable Development)  | 96.77%            | 98%        | 97.73%     | 98%       | 98%         |
| <b>Environment &amp; Sustainability</b>                  |  |                   |            |            |           |             |
| 5  | Percentage of annual Comprehensive Environmental & Climate Action Plan (CECAP) milestones completed                                    | N/A               | 74%        | 47.8%      | 92%       | 92%         |
| 6  | Monthly residential recycling diversion rate (Sanitation Services)   | N/A               | 19%        | 18.29%     | 19%       | 19%         |
| 7*   | Missed refuse and recycling collections per 10,000 collection points/service opportunities (Sanitation Services)                       | 14.66             | 12.5       | 15.61      | 12.5      | 15.61       |
| <b>Government Performance &amp; Financial Management</b> |  |                   |            |            |           |             |
| 8  | Percentage of 311 calls answered within 90 seconds (311 Customer Service Center)   | 35.68%            | 75%        | 27.94%     | 75%       | 31%         |
| 9  | Percentage of vehicles receiving preventive maintenance on schedule (Equipment and Fleet Management)                                   | 76.67%            | 70%        | 88.25%     | 70%       | 87%         |

\* For most measures, high values indicate positive performance, but for these measures, the reverse is true.

## FY 2020-21 Dallas 365

| #   | Measure  | FY 2019-20 Actual | YTD Target | YTD Actual | YE Target | YE Forecast |
|---|--|-------------------|------------|------------|-----------|-------------|
| <b>Housing &amp; Homeless Solutions</b>     |  |                   |            |            |           |             |
| 10*   | Average number of days to contract signing for Home Improvement and Preservation Program (HIPP) applications (Housing & Neighborhood Revitalization)   | N/A               | 120        | 204        | 120       | 220         |
| 11  | Percentage of development funding contributed by private sources (Housing & Neighborhood Revitalization)   | N/A               | 60%        | 75.76%     | 60%       | 60%         |
| 12  | Percentage of unduplicated persons placed in permanent housing who remain housed after six months (Homeless Solutions)                                 | 75.03%            | 85%        | 98.38%     | 85%       | 85%         |
| 13  | Percentage of individuals who exit to positive destinations through the Landlord Subsidized Leasing Program (Homeless Solutions)                       | N/A               | 80%        | 90.57%     | 80%       | 85%         |
| <b>Public Safety</b>                        |  |                   |            |            |           |             |
| 14  | Percentage of responses to structure fires within 5 minutes and 20 seconds of dispatch (Fire-Rescue)   | 85.54%            | 90%        | 84.92%     | 90%       | 86%         |
| 15  | Percentage of EMS responses within nine minutes (Fire-Rescue)  | 88.98%            | 90%        | 89.69%     | 90%       | 90%         |
| 16  | Percentage of responses to Priority 1 calls within eight minutes (Police)  | 52.75%            | 60%        | 55.96%     | 60%       | 55%         |
| 17  | Percentage of 911 calls answered within 10 seconds (Police)  | 81.90%            | 90%        | 63.55%     | 90%       | 68%         |
| 18*   | Crimes against persons (per 100,000 residents) (Police)  | 2,028.89          | 1,665.8    | 1,736.1    | 1,999     | 2,023       |
| 19  | Percentage of crisis intervention calls handled by the RIGHT Care team (Integrated Public Safety Solutions)  | N/A               | 35%        | 42.1%      | 45%       | 45%         |
| 20  | Complaint resolution rate (Community Police Oversight)   | N/A               | 70%        | 86.87%     | 70%       | 70%         |
| <b>Quality of Life, Arts, &amp; Culture</b> |  |                   |            |            |           |             |
| 21  | Percentage of cultural services funding to ALAANA (African, Latinx, Asian, Arab, Native American) artists and organizations (Office of Arts & Culture) | N/A               | 27%        | 31.19%     | 30%       | 31%         |
| 22  | Percentage of litter and high weed service requests closed within SLA (Code Compliance)  | 54.42%            | 65%        | 72.2%      | 65%       | 67%         |
| 23  | Live release rate for dogs and cats (Animal Services)  | 90.6%             | 90%        | 87.49%     | 90%       | 90%         |
| 24  | Percentage of technology devices checked out (hot spots and Chromebooks) (Library)   | N/A               | 85%        | 59.26%     | 85%       | 60%         |
| 25  | Percentage of users who report learning a new skill through adult learning or career development programs (Library)                                    | N/A               | 90%        | 93.6%      | 90%       | 90%         |
| 26  | Percentage of planned park visits completed by Park Rangers (Park & Recreation)  | N/A               | 95%        | 95.6%      | 95%       | 95%         |
| 27  | Participation rate at late-night Teen Recreation (TRec) sites (27,300 annual participants) (Park and Recreation)                                       | 6.8%              | 53%        | 6.9%       | 100%      | 19%         |

\* For most measures, high values indicate positive performance, but for these measures, the reverse is true.

## FY 2020-21 Dallas 365

| #  | Measure  | FY 2019-20 Actual | YTD Target | YTD Actual | YE Target | YE Forecast |
|--|--|-------------------|------------|------------|-----------|-------------|
| <b>Transportation &amp; Infrastructure</b> |  |                   |            |            |           |             |
| 28   | Percentage of bond appropriation awarded ITD (Bond & Construction Management)                                | 90%               | 85%        | 85.17%     | 90%       | 90%         |
| 29*  | Percentage of work orders for emergency maintenance (Building Services)                                      | N/A               | 4%         | 0.56%      | 4%        | 1%          |
| 30   | Percentage of planned lane miles improved (726 out of 11,800 miles) (Public Works)                           | 100%              | 73%        | 50.4%      | 100%      | 85%         |
| 31   | Percentage of potholes repaired within three days (Public Works)   | 95.37%            | 98%        | 99.88%     | 98%       | 98%         |
| 32   | Percentage of signal malfunction responses within 120 minutes (Transportation)                               | 91.55%            | 91%        | 94.71%     | 91%       | 91%         |
| <b>Workforce, Education, &amp; Equity</b>  |  |                   |            |            |           |             |
| 33   | Percentage increase in Senior Medical Transportation Program trips (Community Care)                          | N/A               | 10%        | 55.2%      | 10%       | 25%         |
| 34   | Percentage of Fresh Start clients who maintain employment for six months (Economic Development)              | N/A               | 25%        | 33.33%     | 25%       | 33%         |
| 35   | Percentage of City departments participating in the Equity Indicators alignment process (Equity & Inclusion) | N/A               | 70%        | 43%        | 80%       | 80%         |

\* For most measures, high values indicate positive performance, but for these measures, the reverse is true.

## VARIANCE NOTES

**#3.** As of August 30, DEV estimates residential permit review times at five weeks for first review. Five vacancies in the residential review team coupled with a large influx of applications has caused an increase in wait time. Applications are being diverted to third party reviewers to assist. DEV anticipates three week review times once process improvements are fully implemented.

**#5.** As of July 31, 65 of 136 milestones are complete with an additional 68 milestones in progress. Some milestones in progress are tied to the Urban Agriculture Plan, approved by City Council on August 25, and the Local Solid Waste Management Plan Update. OEQ has met with all involved City departments and anticipates completing 126 milestones by the end of September.

**#7.** SAN continues to be impacted by the higher than usual municipal solid waste volumes and the ability to fill vacancies which have resulted in an increase in missed service calls. A new temporary laborer staffing agency began on August 16 and operation processes have been improved to mitigate service impacts. SAN anticipates staffing to gradually return to normal by early September.

**#8.** In addition to continued software and IVR malfunctions, staffing shortages have impacted performance. 311 is working with HR to fill vacancies and have had five interviews, four job offers, and two job acceptances in July. Additionally, 311's new software is in the final stage of implementation and anticipated to be deployed by September.

**#10.** Contractor capacity and construction delays continue to adversely impact performance. HOU has closed 10 additional projects in July and will close additional applications as contractors become available.

## FY 2020-21 Dallas 365

**#14.** DFR's four closed fire stations continue to impact response times due to displaced apparatus. One of the four stations will be back in service by September 2021. DFR is also using temporary stations to mitigate response time.

**#16.** DPD continues to balance the resource needs of call response times with proactive crime fighting efforts, which have resulted in violent crime reductions. DPD strives to answer 60% of priority 1 calls in under 8 minutes while also continuing the successful implementation of our crime reduction plan.

**#17.** Low staffing levels during most of the fiscal year and the Covid-19 pandemic have impacted performance levels. 469 applicants for the 911 position have been interviewed since January 1, 2021 and 45 remaining candidates are at various stages of the background process. As of August 27, 911 Call Taker staffing is at 95%. The 911 call center anticipates calls answered within 10 seconds to average 68% by the end of the fiscal year.

**#24.** Overall circulation of LIB materials, including technology devices, is down compared to last year because of COVID-19 closures and limited services. At any time, 80% of the 100 Chromebook technology bundles (paired with a hot spot) are checked out, and approximately 90% of the remaining individual hot spots are in use. LIB continues to revise its marketing tactics to increase awareness. July's technology circulation increased by 19.6% over June.

**#27.** PKR anticipated resuming TRec programming in April, but delayed because of continued COVID-19 precautions. Programming resumed at 13 locations on June 25 and has had 1,891 participants through July.

**#30.** Multiple weather events from November to February, particularly Winter Storm Uri, slowed anticipated construction schedules. Finalizing previously programmed projects also impacted performance. PBW anticipates completing 618 planned lane miles by the end of the fiscal year.

**#35.** EQU diverted resources in February and March to reviewing "Budgeting for Equity" submissions for the FY 2021-22 proposed budget, which caused a delay in the Equity Indicators alignment process. An additional seven departments will be reflected in the August report and EQU anticipates completing the targeted 33 departments by September.

# BUDGET INITIATIVE TRACKER

The Budget Initiative Tracker reports on 35 activities included in the FY 2020-21 budget. For each initiative included in this report, you will find the initiative number, title, description, status, and measure. At the end of each description, the responsible department is listed. Each month, the responsible department provides a current status for the initiative and indicates whether the initiative is “complete” (blue circle), “on track” for completion by the end of the fiscal year (green check mark), “at risk” of not being completed by the end of the fiscal year (yellow exclamation mark), or “canceled” (red x).



## In the Spotlight



Fire Station 46 is back in action! This recently completed replacement Fire Station located at 331 East Camp Wisdom Road will begin serving its community later this month. The contractor is in the process of obtaining a certificate of occupancy so the building

can be turned back over to the City and firefighters can move in over the next few weeks. These firefighters had been operating out of other fire stations during the construction and we are excited to welcome them home to a brand new, 12,000 sq. ft. upgraded facility that will help DFR respond to calls for help more efficiently and effectively. A big thank you to our DFR firefighters and to our Bond Office for shepherding this vital project!

## FY 2020-21 Budget Initiative Tracker

# ECONOMIC DEVELOPMENT

## 1 Workforce Development

**INITIATIVE** Merge business and workforce development efforts into a single team that will collaborate with community and business stakeholders to prepare residents for emerging job growth sectors. (Economic Development)

**STATUS** ECO has aligned business and workforce efforts to eliminate duplication, and the team is working with Community Care and outside organizations like the South Dallas Employment Project to implement this initiative.

## 2 B.U.I.L.D. Program

**INITIATIVE** Roll out the Broadening Urban Investment to Leverage Dallas (B.U.I.L.D.) program to strengthen small businesses and provide access to technical training, funding, mentorship, and capacity-building guidance. (Economic Development)

**STATUS** The program launched November 12. In December, staff reviewed and scored 129 applications. In January, staff identified 50 awardees, 45 of whom completed the required technical assistance/business coaching and received funds. From the initial award cycle, 44 of 45 businesses (97.8 percent) were from low- to moderate-income census tracts.

# ENVIRONMENT & SUSTAINABILITY

## 3 Environmental Action Plan

**INITIATIVE** Initiate the 48 actions and 136 milestones identified in the Comprehensive Environmental and Climate Action Plan (CECAP) for FY 2020-21. (Environmental Quality and Sustainability)

**STATUS** OEQS has developed an RFCSP for community solar, which is currently under review by Procurement Services. A consultant for the Urban Agriculture Plan has been selected. City Council has approved the Urban Forest Master Plan, a resolution for sustainable procurement, and a resolution approving funds from the VW Mitigation Trust to develop electric vehicle charging infrastructure will go to City Council. OEQS is working on an application for more funds from the VW Mitigation Trust to install additional electric vehicle charging infrastructure.

You can find more details on the CECAP, including the full work plan for FY 2020-21, at [dallasclimateaction.com/cecap](https://dallasclimateaction.com/cecap).

## 4 Brush & Bulky Trash Collection

**INITIATIVE** Streamline brush/bulky trash collection to reduce emissions, improve air quality, and realize collection efficiencies as outlined in the CECAP. (Sanitation Services)

**STATUS** SAN has collected data for the first three quarters and developed a preliminary goal based on the collected information. SAN continues to analyze the data and adjust the collection routes periodically to improve vehicle efficiency.

## FY 2020-21 Budget Initiative Tracker

# GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

## 5 Language Equity

**INITIATIVE** Assist residents in their primary languages, which include Spanish, Vietnamese, Arabic, French, Burmese, Hindi, Korean, Swahili, and Mandarin, by recruiting four additional Spanish-speaking customer service agents (CSAs) and maintaining LanguageLine translation services. (311 Customer Service Center)

**STATUS** In June, average speed of answer for Spanish calls increased to 10 minutes and 47 seconds. 311 has hired multiple new bilingual agents. To help reduce wait times, 311 will continue to work with HR to hire staff in at market rate, focus efforts on adding additional bilingual staff via a job fair, and continue the implementation of new modern software for the call center.

## 6 Data Analytics

**INITIATIVE** Build a new team that will harness the City's data to promote transparency and accessibility to the public and provide crucial insights that support better decision-making throughout the organization. (Data Analytics & Business Intelligence)

**STATUS** DBI has staffed 23 of 28 positions and is recruiting three Data Science Analysts, one Data Scientist, and an intern, all of whom are targeted to be hired by the end of September.

## 7 Minimum Wage

**INITIATIVE** Lead by example by increasing the minimum wage for permanent, part-time, seasonal, and temporary City employees to \$14 per hour in FY 2020-21. (Human Resources)

**STATUS** City Council approved the \$14 minimum wage as part of adopting the FY 2020-21 budget. The increase took effect October 1, 2020.

# HOUSING & HOMELESSNESS SOLUTIONS

## 8 Eviction Assistance

**INITIATIVE** Alleviate financial hardship through an eviction assistance program that connects tenants facing eviction to resources ranging from housing assistance and direct legal services to financial education. (Equity and Inclusion)

**STATUS** The Eviction Assistance Initiative served 163 households (386 people) from January 2021 to July 2021. In the month of July 2021, 21 households (49 people) were assisted. The initiative has assisted 100% of applicants who have sought legal services through advising, briefing, or full legal representation. These households met with a legal representative from Legal Aid of Northwest Texas to provide some measure of defense to the threat of eviction. The number of households that were helped this fiscal year is because of the CDC moratorium on evictions which was blocked by the Supreme Court on August 26, 2021. Eviction filings may increase in the coming months because of this.

## 9 Comprehensive Housing Policy

**INITIATIVE** Refine the Comprehensive Housing Policy to better meet residents' housing needs, including changing the terms of some loans from repayable to forgivable and creating a targeted home rehabilitation program. (Housing & Neighborhood Revitalization)

**STATUS** City Council adopted changes to the Comprehensive Housing Policy on August 26, including creating the Targeted Repair Program (TRP) and updating the Home Improvement and Preservation Program (HIPP) and Dallas Homebuyers Assistance Program (DHAP) to increase participation. At this time last fiscal year, HOU had served 12 residents, and this year has served six. Now that construction has begun on several repairs, staff anticipate growth in the coming months.

## FY 2020-21 Budget Initiative Tracker

**PUBLIC SAFETY****10 Environmental Design** 

**INITIATIVE** Reduce crime and improve quality of life by remediating environmental issues such as vacant lots, abandoned properties, substandard structures, and insufficient lighting. (Code Compliance, Transportation)

**STATUS** TRN has completed LED conversion of 533 street lights and installation of 80 new lights. Conversion of additional 1,611 street lights is underway with 583 in Design phase and 52 under construction. All contracts will be awarded on 9/22/2021. The Illegal dumping team is currently on track with the remediation of illegal dumping cases. Since October, CCS has resolved all code violations and remediated 341 vacant lots referred by IPSS.

**11 Police Mediation** 

**INITIATIVE** Strengthen accountability through the Office of Community Police Oversight by adding a mediation coordinator and intake specialist. (Community Police Oversight)

**STATUS** HR reclassified the mediation position as a Mediation Manager and expects to post the position before August. The Intake Specialist has been hired.

**12 Intoxication Recovery Center** 

**INITIATIVE** Divert public intoxication cases from jail to a recovery services center staffed with case workers who will help individuals identify and manage substance use disorders. (Court and Detention Services)

**STATUS** The Sobering Center manager has onboarded a manager and three supervisors. The City Attorney's Office is finalizing an Interlocal Agreement with the North Texas Behavioral Health Authority to co-locate a supervisor at the Sobering Center. The agreement is expected to be approved, and the supervisor is set to start work this Fall. Renovations will be completed Fall 2021. The Center hosted a soft opening on May 19 and is on track for a full opening by Fall 2021. Center staff have begun interviewing individuals and connecting them to community-based treatment programs.

**13 Fire-Rescue Response** 

**INITIATIVE** Augment our fire-rescue response by hiring 21 new firefighters to fully staff Station #59 (scheduled to open in September 2021) and operating a ladder truck at Station #18 to respond more efficiently to multi-story structure fires in downtown. (Fire-Rescue)

**STATUS** DFR successfully executed its hiring plan goal by hiring 95 new members across the Fall 2020, Spring 2021 and Summer 2021 hiring classes. The department is in process of training these new personnel and is positioned to fully staff the new Station 59, as well as other assignments added over the last year.

**14 RIGHT Care** 

**INITIATIVE** Expand the RIGHT Care program to five teams to avoid unnecessary hospitalization, arrests, and interactions between residents and law enforcement. (Integrated Public Safety Solutions)

**STATUS** As of April 1, all five teams are active and the percentage of crisis intervention calls handled by the teams increased from 10 percent of all such calls in January to 45 percent in June.

**15 Mobile Crisis Response** 

**INITIATIVE** Form a mobile crisis response team to support police officers when residents need direct services such as food, housing, transportation, or shelter in cases of domestic violence. (Integrated Public Safety Solutions)

**STATUS** The City will staff the Mobile Crisis Response Team with a manager (hired), supervisor positions (posted), and caseworkers (eight of which are in the onboarding process).

**16 Behavioral Health Care** 

**INITIATIVE** Remove barriers to behavioral health care in communities with limited or no access to these services to mitigate behavioral health crises. (Integrated Public Safety Solutions)

**STATUS** City Council approved the contract with both the North Texas Behavioral Health Authority (21-1465) and Metrocare Dallas (21-1462) on August 25, 2021. The services became available on September 1, 2021.

## FY 2020-21 Budget Initiative Tracker

**PUBLIC SAFETY****17 Violence Interrupters**

**INITIATIVE** Partner with community organizations to establish violence interrupters—credible individuals who serve as mentors and conflict resolution experts to curb violence from within their neighborhoods. (Integrated Public Safety Solutions)

**STATUS** City Council awarded a contract for the violence interrupters program on April 28, and IPSS has hired a program manager. The program was operational on June 21.

**18 21st Century Training**

**INITIATIVE** Improve police training in alignment with the principles of 21st Century Policing by enhancing external review, expanding programs to reduce implicit bias, and requiring annual training in alternative solutions, de-escalation, and less-lethal tactics. (Police)

**STATUS** DPD is partnering with the Caruth Police Institute, a recognized center of excellence, and the Meadows Mental Health Policy Institute to implement Active Bystandership for Law Enforcement (ABLE) training. Project ABLE is an evidence-based education program designed to not only prevent harm but change the culture of policing. Project ABLE certified multiple DPD instructors through its train-the-trainers event, and department-wide training began in April. DPD added more classes to expedite the training of all sworn officers.

All DPD officers are trained in less-lethal tactics, including taser and baton annual certification, de-escalation, and alternative force solutions.

**19 Staffing Study Implementation**

**INITIATIVE** Respond more efficiently to high-priority calls and free up resources for other efforts through continued implementation of staffing study recommendations, including transitioning 95 sworn positions to patrol and adding 95 non-sworn positions. (Police)

**STATUS** DPD has hired 56 of the 95 non-sworn positions. Forty-two have completed training, and the transition from sworn to non-sworn is complete. Fourteen are still in training, and seven are in the background check process. DPD is working to redeploy sworn positions to patrol and other units where they will be most effective based on departmental needs.

**20 Real-Time Crime Center**

**INITIATIVE** Expand the Real-Time Crime Center (RTCC) team by adding 11 civilian crime intelligence analysts, for a total of 22 staff who analyze imaging and data in real time to proactively implement crime-fighting strategies. (Police)

**STATUS** RTCC construction is complete and is in the commissioning/certification process. DPD has hired 19 crime analysts, two are in the background check process, and one additional position needs to be filled.

## FY 2020-21 Budget Initiative Tracker

**QUALITY OF LIFE, ARTS, & CULTURE****21 Illegal Dumping**

**INITIATIVE** Target illegal dumping by investing \$500,000 for Code Compliance to add three new mow/clean crews. (Code Compliance)

**STATUS** CCS hired six new Code Officers to proactively identify illegal dumps and work with the camera crew to place cameras in chronic dumping areas. As well, CCS has hired all three mow/clean crews (nine positions) in which equipment for the new crews has been received. CCS is proactively updating Salesforce to track illegal dumping cases in coordination with the Marshal's Office.

**22 Digital Equity**

**INITIATIVE** Continue bridging the digital divide by making additional mobile hot spots and Chromebooks available for checkout at select libraries. (Library)

**STATUS** All 1,125 laptops purchased with CARES Act funds, were delivered at the end of May and were made available for checkout mid-June.

**23 Branch Libraries**

**INITIATIVE** Open two state-of-the-art branch libraries at Vickery Park in Fall 2020 and Forest Green in Spring 2021. (Library)

**STATUS** Vickery Park Branch Library opened for curbside service February 2. Forest Green construction is delayed but still on track for completion by the end of the fiscal year.

**24 Youth Recreation**

**INITIATIVE** Engage Dallas youth through expanded recreational and cultural programming, mentoring relationships, job training and apprenticeships, physical and mental health initiatives, and fun educational activities. (Park & Recreation)

**STATUS** In July, TRec programming opened at 14 recreation centers and began offering activities such as sports, games, performing and fine arts, technology, fitness, etc.

## FY 2020-21 Budget Initiative Tracker

**TRANSPORTATION & INFRASTRUCTURE****25 Facility Accessibility**

**INITIATIVE** Increase accessibility for residents with disabilities by updating City facilities in compliance with the Americans with Disabilities Act (ADA). (Equity & Inclusion)

**STATUS** ADA compliance assessment will be conducted on 26 city buildings during FY 22. The Oak Cliff Municipal Center and Fire Station 26 will be the first two buildings to be assessed - by 9/30. Ten more buildings are scheduled for ADA assessment by November 30. Previously assessed facilities Majestic Theatre restroom on hold pending updated schedule; MLK ramp project is complete; and City Hall L1 & L2 Garage are nearing completion - anticipated project closeout November 30.

**26 Infrastructure Equity**

**INITIATIVE** Dedicate \$32.4 million to make equitable investments in streets, alleys, sidewalks, and other infrastructure, including \$8.6 million dedicated to underserved neighborhoods and near schools and senior centers. (Public Works)

**STATUS** PBW has completed more than 61 planned lane miles in targeted areas using the new equity framework for infrastructure projects. PBW has exceeded projections.

**27 Sidewalk Master Plan**

**INITIATIVE** Increase accessibility for residents with disabilities by implementing the Sidewalk Master Plan with \$9.4 million in bond funds. (Public Works)

**STATUS** PBW has completed 29 of 32 sidewalk projects, including six in July.

**28 Bike Lanes**

**INITIATIVE** Maintain our investment in bike lanes at \$1.5 million to continue expanding mobility options, improving air quality, and making Dallas more sustainable. (Transportation)

**STATUS** TRN completed 1.1 miles of buffered bike lanes on West Commerce from Fort Worth Ave. to Riverfront Blvd. Staff expects to obligate the Union Bikeway project for construction by the end of FY 2020-21. Staff also plans to bid and award engineering services for Ross Ave. and Elam Rd. shared-use paths and consultant planning services for the Bike Plan Update on 9/22. Staff are also working to implement bike facilities on Lawnview Ave. and Vernon Rd. in Summer 2021.

**29 Water/Wastewater Service**

**INITIATIVE** Set aside \$2.9 million annually to extend water and wastewater infrastructure to all residents in unserved areas within the next 10 years. (Water Utilities)

**STATUS** City Council awarded the construction project for Gooch St. on April 28. Staff have received construction bids for Killough Blvd. and the project is scheduled for award on June 23. Finally, design is complete for Mesquite Heights and construction was awarded on September 9.

## FY 2020-21 Budget Initiative Tracker

**WORKFORCE, EDUCATION, & EQUITY****30 Virtual Language Center** 

**INITIATIVE** Establish the City as a trusted primary source for information and ensure residents with limited English proficiency have equal access to programs and services through a new Virtual Language Center and other translation efforts. (Communication, Outreach, & Marketing)

**STATUS** The Virtual Language Center continues to provide translation services in various languages while actively working toward establishing the City as a trusted primary source of information.

**31 Fair Park Multimedia Center** 

**INITIATIVE** Launch the Fair Park Multimedia Center (FPMC) to magnify the impact of City programs and services, broadcast a Spanish-language City television channel, provide apprenticeships for local students, and bolster resilience through additional digital communications capacity. (Communication, Outreach, & Marketing)

**STATUS** The apprenticeship program began in February with two students from Thomas Jefferson P-TECH High School. City Council approved the contract for construction and installation of broadcasting and editing equipment on April 28.

**32 Direct Assistance** 

**INITIATIVE** Meet residents' basic needs with direct assistance, including rent and utility assistance, food distribution, benefits navigation, and clothing distribution. (Community Care)

**STATUS** The Drivers of Poverty procurement is being completed. The contract will be considered by Council in September 2021.

**33 Financial Empowerment Centers** 

**INITIATIVE** Pilot two Financial Empowerment Centers (FECs), community-based centers that offer financial coaching, employment referrals, mental health services, and housing support to help low-income residents navigate out of poverty and achieve financial stability. (Community Care)

**STATUS** Financial Empowerment Center partners are currently working to hire and train financial coaches as well as working collaboratively with the City to develop the program implementation plan for submission to Cities for Financial Empowerment.

**34 Reentry Services** 

**INITIATIVE** Support formerly incarcerated people reentering public life through community-based services such as housing placement, job skills training, job placement, and wraparound support services. (Community Care, Economic Development)

**STATUS** OCC and ECO have issued a joint solicitation that will go to Council September 22, 2021. The current program partner, the Regional Black Contractors Association, has enrolled 41 clients as of June 30, funded by an allocation from the Texas Department of Criminal Justice.

**35 Equity & Inclusion** 

**INITIATIVE** Integrate the City's equity, resilience, inclusion, fair housing, and human rights initiatives in a single office. (Equity & Inclusion)

**STATUS** The City consolidated its offices of Equity, Fair Housing & Human Rights, Resilience, and Welcoming Communities & Immigrant Affairs into the Office of Equity & Inclusion, effective October 1.

## Budget Initiative Tracker

**MULTI-YEAR INITIATIVES**

While most initiatives can be completed in a single fiscal year, several FY 2018-19 and FY 2019-20 initiatives required additional time because of the scope and term of the project, as well as delays due to COVID-19. We will continue to report the status of these 10 initiatives below, using the initiative numbers from the prior reports for reference.

**FY 2018-19****5 Security of City Facilities**

**INITIATIVE** Consolidating security for City facilities into Court and Detention Services and conducting a comprehensive risk assessment to identify future security needs for City facilities and programs. (Court & Detention Services)

**STATUS** Security has been consolidated into the Court and Detention Services. The Public Safety Committee was briefed on the assessment results and recommended next steps on May 10. A comprehensive risk assessment plan has been created, prioritized, and funded via ARPA funds in the proposed FY 2021-22 budget in the amount of \$6,425,750.

**7 P-25 Radio System**

**INITIATIVE** Expanding radio coverage area, improving system reliability, lowering operating costs, and improving interoperability across City departments and with other public safety agencies through implementation of the new P-25 radio system. (Information & Technology Services)

**STATUS** The project is on track to go live in August 2022 (originally December 2020). Of the 33 planned sites, 21 are complete, and the remaining 12 are more than 75 percent complete. The City has signed an interlocal agreement (ILA) with the City of Irving, City of Fort Worth, and City of DeSoto to share premises, facilities, and/or equipment, and ILAs are pending with the cities of Mesquite and Sachse.

**23 Historic Resource Survey**

**INITIATIVE** Devoting \$100,000 to conduct a historic resource survey with private partners. (Historic Preservation)

**STATUS** OHP presented the initial survey findings to the community on May 18, and staff anticipate hosting at least one more community meeting in the coming months. The final draft of the survey and public hearings are set for Spring 2022 with a target completion date in June 2022.

## Budget Initiative Tracker

**MULTI-YEAR INITIATIVES****FY 2019-20****4 Body-Worn Cameras**

**INITIATIVE** Enhance safety for officers and residents and encourage positive community interactions by purchasing additional body-worn cameras for police officers, the Marshal's Office, and Dallas Animal Services officers. (Police)

**STATUS** DPD has equipped 1,500 officers with cameras and finished the rollout of new models to existing users. New user classes have begun, and DPD anticipates all 2,000 cameras will be in service by the summer. DAS has purchased 50 cameras that will be active by May, and CTS has purchased 35 cameras for use this fiscal year.

**5 Firefighter Safety**

**INITIATIVE** Protect our firefighters by purchasing a second set of personal protective equipment (PPE) and a complete replacement of self-contained breathing apparatus (SCBA) to allow for cleaning equipment between fires. This is a two-year initiative begun in FY 2018-19. (Fire-Rescue)

**STATUS** DFR has purchased and issued all 1,835 sets of PPE, and all SCBA equipment has been delivered.

**12 Traffic Signals**

**INITIATIVE** Promotes safety and enhance traffic flow by replacing broken vehicle detectors at 40 critical intersections and retiming 250 traffic signals. This is a multi-year initiative begun in FY 2018-19. (Transportation)

**STATUS** The signal contractor has a work order to install radar at 20 of the 27 remaining locations, and staff is coordinating scheduling. City staff will handle installations at the remaining seven locations.

**15 Affordable Housing**

**INITIATIVE** Further affordable housing throughout the city as prescribed in the Comprehensive Housing Policy through the 2020 Notice of Funds Available (NOFA). (Housing & Neighborhood Revitalization)

**STATUS** City Council has approved investments of \$24.1 million in three NOFA projects this fiscal year—St. Jude, Westmoreland Heights, and Midpark Towers—for a total of 630 new units and a total investment of almost \$100 million into housing projects in Dallas.

**19 Comprehensive Plan**

**INITIATIVE** Update the City's Comprehensive Plan to incorporate more recent policy initiatives and encourage strategic land development while promoting equity, sustainability, and neighborhood revitalization. (Planning & Urban Design)

**STATUS** City Council approved the consultant contract on April 28, and PUD launched the public process phase on August 28, 2021 with a draft plan by June 2022.

**29 Juanita J. Craft Civil Rights House**

**INITIATIVE** Preserve civil rights history by restoring the Juanita J. Craft Civil Rights House. (Arts & Culture)

**STATUS** The City received construction documents and delivered them to the National Park Service for approval. The National Park Service submitted the plan and specifications to the Texas State Historic Preservation Officer at the Texas Historical Commission. McCoy Collaborative Preservation Architects are proceeding with the construction documents and Building Services is working on construction procurement.

**39 Ethics Training**

**INITIATIVE** Foster an ethical organizational culture by continuing biennial ethics training and expanding the Values Ambassador program. (Equity & Inclusion)

**STATUS** EQU continues to deliver biennial ethics training. The Values Ambassador program was on hold while the Ethics Officer position was vacant and is discontinued pending an overall review of the entire Ethics program.





# City of Dallas

1500 Marilla Street  
Council Chambers, 6th Floor  
Dallas, Texas 75201

## Agenda Information Sheet

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**File #:** 21-1716

**Item #:**

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City of Dallas Investment Policy Annual Review

# Memorandum



CITY OF DALLAS

DATE September 24, 2021  
Honorable Members of the Government Performance and Financial Management  
TO Committee: Cara Mendelsohn (Chair), Gay Donnell Willis (Vice Chair), Tennell Atkins,  
Adam Bazaldua, Adam McGough, Paul Ridley, Chad West  
SUBJECT **City of Dallas Investment Policy Annual Review**

The Public Funds Investment Act (Chapter 2256, Texas Government Code) requires the City Council adopt a resolution annually stating that it has reviewed the City's Investment Policy and approved any amendments. On August 13, the Investment Committee, composed of the Chief Financial Officer, City Controller, and Treasury Manager, met for the annual review of the policy.

The Investment Committee recommended the following amendment to the Investment Policy:

- Sec. 13.0 Diversification and Maximum Maturities - increased issuer limitations for U.S. Agencies/Instrumentalities from "no more than 30%" to "no more than 50%" of the book value of the City's investment pool may be invested in the obligations of any one issuer

The proposed amendment recognizes that regulatory changes have reduced funding needs for certain government-sponsored enterprises (GSEs), including Fannie Mae and Freddie Mac, which have reduced their portfolios and thus limited or eliminated our opportunity to invest in them. The amendment broadens our flexibility to invest in other GSEs, including the Federal Agricultural Mortgage Corporation, Federal Farm Credit Bank, and Federal Home Loan Bank, which have more funding needs. The Texas Public Funds Investment Act does not set issuer limitations for U.S. Agencies/Instrumentalities.

There are no changes in the Texas State Public Funds Investment Act for 2021.

We would appreciate your support of the proposed 2021 Investment Policy when the City Council considers it on October 13. If you need additional information, please contact me.

Handwritten signature of M. Elizabeth Reich in blue ink.

M. Elizabeth Reich  
Chief Financial Officer

[Attachment]

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney  
Mark Swann, City Auditor  
Billierae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors

# CITY OF DALLAS

## INVESTMENT POLICY

**As adopted by City Council**  
**~~October 13, 2020~~ October 13, 2021**

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## 1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

## 2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
  - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
  - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
  - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
  - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
  - 2.2.1 Employees' Retirement Fund
  - 2.2.2 Dallas Police and Fire Pension System
  - 2.2.3 Deferred Compensation Funds
  - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

### 3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

### 4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Article XV, Section 2-134 "Duties of the Chief Financial Officer", Volume I, Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

## 5.0 Prudence

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- 5.1 The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City’s Investment Policy and written investment procedures.

## 6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
  - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
  - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
  - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
  - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
  - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

## 7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one 10 hour investment training session within 12 months after taking office or assuming duties and receive not less than 8 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City’s fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City’s Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

## 8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.  

The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.
- 8.3 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
  - a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
  - b) secured by obligations in accordance with Section 11.0 herein.

If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.4 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.5 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
  - a) has a defined termination date;
  - b) is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
  - c) requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
  - d) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.6 A securities lending program is an authorized investment if it meets the following conditions:
  - a) A loan made under the program must allow for termination at any time;
  - b) A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code;
  - c) A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City;

- d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.7 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
  - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
  - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.8 No-load mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA and have provided the City with an offering circular and other information required by the Act.

Investments will be made in a mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.9 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
  - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
  - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools. A pool approved by the Investment Committee shall invest its funds in investment types consistent with the Act and the pool's own adopted investment policies and objectives. An approved pool is not required to invest its funds in investment types according to the investment policies and objectives adopted by its participants.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

### **9.0 Authorized Broker/Dealers and Financial Institutions**

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has received and reviewed the City's Investment Policy in satisfaction of the business organization's duties under Financial Industry Regulatory Authority (FINRA) Rule 2111 (Suitability).

## 10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

## 11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

### Eligible Collateral

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

## 12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third-party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third-party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

**13.0 Diversification and Maximum Maturities**

The City’s Investment Pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years at the time investments are purchased for the Investment Pool. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

|                                   | <b>Maximum Stated Maturity<sup>1</sup></b> | <b>Issuer Limitations</b>  |
|-----------------------------------|--|--|
| U.S. Treasuries                   | 5 Years                                    | 100% of the City’s investment pool may be invested in obligations of the U.S. Treasury.  |
| U.S. Agencies/Instrumentalities   | 5 Years                                    | No more than <del>30%</del> 50% of the book value of the City’s investment pool may be invested in the obligations of any one issuer.  |
| Municipal Notes and Bonds         | 5 Years                                    | The City may not own more than the lesser of \$5 million or 20% of any single issue.   |
| Repurchase Agreements             | 30 Days                                    | No more than 15% of the City’s investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.  |
| Mutual Funds                      | N/A  | The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding mutual funds for investment of commercial paper proceeds.  |
| Local Government Investment Pools | N/A  | The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.   |
| Certificates of Deposit           | 5 Years                                    | The City may not own more than \$50 million of any single financial institution’s certificates of deposit at any one time, excluding certificates of deposit placed with the City’s Depository if so authorized by the City Depository Contract. |

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

|                                   | <b>Maximum Percentage<br/>of Investment Pool</b> |
|-----------------------------------|--|
| U.S. Treasuries                   | 100%   |
| U.S. Agencies/Instrumentalities   | 100% (maximum 30% callable)                      |
| Municipal Notes and Bonds         | 15%  |
| Repurchase Agreements             | 15%*   |
| Mutual Funds                      | 15%  |
| Local Government Investment Pools | 45%  |
| Certificates of Deposit           | 20%**  |

\* Excluding flexible repurchase agreements for bond proceeds.

\*\*Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

#### **14.0 Sale of Securities**

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

#### **15.0 Investment Committee**

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

#### **16.0 Investment Advisor**

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

#### **17.0 Investment Strategies**

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The objectives of this portfolio are to:
  - a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
  - c) limit market and credit risk through diversification; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12-month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through the use of a competitive process to place investments;
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors. The objectives of this portfolio are to:
- a) ensure safety of principal and sufficient liquidity by investing in money market mutual funds or short-term high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through diversification of funds and/or securities. Funds must be rated AAA by at least one nationally recognized rating agency; and
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.

## 18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a quarterly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the standing finance committee of the city council described in Dallas City Charter, Chapter III, Section 13 (2), the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

**19.0 Annual Compliance Audit**

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City’s established investment policy.

**20.0 Investment Policy Adoption**

The City’s Investment Policy is hereby adopted by resolution of the City Council on ~~October 13, 2020~~ **October 13, 2021** in accordance with the PFIA.

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## GLOSSARY

**ACCRETION OF DISCOUNT:** Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

**ACCRUED INTEREST:** The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

**AMORTIZATION OF PREMIUM:** Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

**ASK:** The price at which securities are offered by sellers.

**BARBELL MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

**BASIS POINT:** One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

**BENCHMARK:** A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

**BID:** The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

**BOND EQUIVALENT YIELD:** Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

**BOOK ENTRY SECURITIES:** Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

**BOOK VALUE:** The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

**BROKER:** A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

**CALLABLE BOND:** A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

**CODE:** The Internal Revenue Code of 1986, as amended.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATION (CMO):** A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

**COMMERCIAL PAPER:** Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

**CONFIRMATION:** The document used to state in writing the terms of the trade which had previously been agreed to verbally.

**COUPON RATE:** The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

**CREDIT RISK:** The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

**CUSIP NUMBER:** A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

**CUSTODY:** The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

**DEALER:** A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

**DELIVERY VERSUS PAYMENT (DVP):** The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

**DEPOSITORY TRUST COMPANY (DTC):** An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

**DERIVATIVE:** A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

**DISCOUNT:** The amount by which the price paid for a security is less than its face value.

**DISCOUNT SECURITIES:** Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

**DURATION:** A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

**ECONOMIC CYCLE (BUSINESS CYCLE):** As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

**EFFECTIVE MATURITY:** The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

**FACE VALUE:** The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

**FAIL:** The event of a securities purchase or sale transaction not settling as intended by the parties.

**FAIR VALUE:** The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANKS (FFCB):** A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

**FEDERAL FUNDS:** Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"):** A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** A not-for-profit organization authorized by Congress to ensure investor protection and market integrity through regulation of broker-dealers.

**FINRA RULE 2111 (SUITABILITY):** FINRA Rule 2111 requires, in part, that a broker-dealer or associated person "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the [firm] or associated person to ascertain the customer's investment profile."

**FIXED-INCOME SECURITY:** A financial instrument promising a fixed amount of periodic income over a specified future time span.

**GOVERNMENT-SPONSORED ENTERPRISES (GSE's):** Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

**INSTRUMENTALITIES:** See Government-Sponsored Enterprises

**INTEREST RATE RISK:** The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

**LADDERED MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

**LIQUIDITY:** An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

**LIQUIDITY RISK:** The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MARKING-TO-MARKET:** The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

**MATURITY DATE:** The date on which the principal or face value of an investment becomes due and payable.

**MONEY MARKET INSTRUMENT:** Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

**MORTGAGE-BACKED SECURITIES (MBS):** Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

**OFFER:** The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**OPPORTUNITY COST:** The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

**PAR:** See Face Value

**PFIA OR ACT:** The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

**POOLED FUND GROUP:** An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

**PREMIUM:** The amount by which the price paid for a security exceeds its face value.

**PRIMARY DEALER:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRINCIPAL:** The face or par value of an instrument, exclusive of accrued interest.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED REPRESENTATIVE:** A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

**RATE OF RETURN:** The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**REINVESTMENT RATE:** The interest rate earned on the reinvestment of coupon payments.

**REINVESTMENT RATE RISK:** The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

**REPURCHASE AGREEMENT (RP or REPO):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

**REVERSE REPURCHASE AGREEMENT:** (See Repurchase Agreement)

**SAFEKEEPING:** A procedure where securities are held by a third party acting as custodian for a fee.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES AND EXCHANGE COMMISSION (SEC):** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SECURITIES LENDING:** The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule

**STRUCTURED NOTES:** Debt obligations whose principal or interest payments are determined by an index or formula.

**SEPARATELY INVESTED ASSET:** An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

**SPREAD:** Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

**STRIPS:** Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

**SWAP:** The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

**TOTAL RETURN:** Interest income plus capital gains (or minus losses) on an investment.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

**TREASURY BONDS:** Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD TO MATURITY (YTM):** The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

**APPENDIX A**  
**PUBLIC FUNDS INVESTMENT ACT**

DRAFT

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

- (1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.
- (2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- (3) "Funds" means public funds in the custody of a state agency or local government that:
  - (A) are not required by law to be deposited in the state treasury; and
  - (B) the investing entity has authority to invest.
- (4) "Institution of higher education" has the meaning assigned by Section [61.003](#), Education Code.
- (5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section [2256.003](#).
- (6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:
  - (A) preservation and safety of principal;
  - (B) liquidity; and
  - (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section [52](#)(b)(1) or (2), Article III, or Section [59](#), Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section [2256.006](#):

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section [802.001](#);
- (2) state funds invested as authorized by Section [404.024](#);
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter [161](#), [162](#), or [164](#), Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter [117](#), Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
  - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;

- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec.

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(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter [573](#), to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (1), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(1) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment

policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section [321.020](#). Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section [321.013](#), the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section [404.024](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. [1701](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from

any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) In addition to the requirements of Subsection (a)(1), the treasurer, or the chief financial officer if the treasurer is not the

chief financial officer, and the investment officer of a school district or a municipality shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, that has contracted with an investment management firm under Section [2256.003\(b\)](#) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a) (2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter [392](#), Local Government Code, may satisfy the training requirement provided by Subsection (a) (2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter [36](#) or [49](#), Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section [2256.010](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. [1148](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. [870](#)), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. [1488](#)), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section [2256.025](#); or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section [2257.041](#) (d);

or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. [2647](#)), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section [2256.009](#)(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section [2256.009](#)(b); or

(3) secured in accordance with Chapter [2257](#) or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

- (1) the funds are invested by an investing entity through:
- (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section [2256.025](#); or
  - (B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- (2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- (4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section [2257.041](#) (d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. [256](#)), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS.

(a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section [2256.009](#)(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section [2256.009](#)(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section [1371.059](#)(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 3, eff. June 14, 2017.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING

PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section [2256.009](#);

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies;

or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in

any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section [2256.009](#)(a)(1), excluding those obligations described by Section [2256.009](#)(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section [1371.059](#)(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - (A) the types and percentage breakdown of securities in which the pool is invested;
  - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
  - (E) the size of the pool;

- (F) the number of participants in the pool;
- (G) the custodian bank that is safekeeping the assets of the pool;
- (H) a listing of daily transaction activity of the entity participating in the pool;
- (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- (J) the portfolio managers of the pool; and
- (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter [791](#) and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 6, eff. June 14, 2017.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter [2270](#), an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.  
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.  
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. [495](#)), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment

authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. [894](#)), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section [52](#), Article III, or Section [59](#), Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. [2346](#)), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section [1371.001](#).

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. [1543](#)), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST.

(a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. [1464](#)), Sec. 1, eff. September 1, 2005.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS.

(a) In this section:

(1) "Eligible entity" means a political subdivision that has:

- (A) a principal amount of at least \$250 million in:
  - (i) outstanding long-term indebtedness;
  - (ii) long-term indebtedness proposed to be

issued; or

(iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section [1371.001](#).

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section [1371.059](#)(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, eff. June 14, 2017.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not

have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section [321.013](#).

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:

- (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section [2256.017](#), this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section [2256.009](#)(b) is not an authorized investment for a state agency, a local government, or

another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section [2256.009](#)(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter [392](#), Local Government Code; or

(3) an entity created under Chapter [394](#), Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the

state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995;  
Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

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**APPENDIX B**

**COUNCIL RESOLUTION**

~~October 13, 2020~~ **October 13 2021**

**WHEREAS**, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

**WHEREAS**, in 1995 and 1997 through ~~2019~~ 2020, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

**WHEREAS**, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

**WHEREAS**, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. **Now, Therefore,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That the attached City of Dallas Investment Policy and investment strategies have been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with Federal and State law and the City Charter.

**Section 2.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

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# CITY OF DALLAS

## INVESTMENT POLICY

**As adopted by City Council  
October 13, 2021**

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## 1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

## 2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
  - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
  - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
  - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
  - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
  - 2.2.1 Employees' Retirement Fund
  - 2.2.2 Dallas Police and Fire Pension System
  - 2.2.3 Deferred Compensation Funds
  - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

### 3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

### 4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Article XV, Section 2-134 "Duties of the Chief Financial Officer", Volume I, Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

## 5.0 Prudence

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- 5.1 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City's Investment Policy and written investment procedures.

## 6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
  - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
  - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
  - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
  - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
  - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

## 7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one 10 hour investment training session within 12 months after taking office or assuming duties and receive not less than 8 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City's Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

## 8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.
- 8.3 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
  - secured by obligations in accordance with Section 11.0 herein.
- If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.4 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.5 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
- has a defined termination date;
  - is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
  - requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
  - is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.6 A securities lending program is an authorized investment if it meets the following conditions:
- A loan made under the program must allow for termination at any time;
  - A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code;
  - A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City;

- d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.7 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
  - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
  - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.8 No-load mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA and have provided the City with an offering circular and other information required by the Act.

Investments will be made in a mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.9 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
  - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
  - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools. A pool approved by the Investment Committee shall invest its funds in investment types consistent with the Act and the pool's own adopted investment policies and objectives. An approved pool is not required to invest its funds in investment types according to the investment policies and objectives adopted by its participants.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

## **9.0 Authorized Broker/Dealers and Financial Institutions**

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has received and reviewed the City's Investment Policy in satisfaction of the business organization's duties under Financial Industry Regulatory Authority (FINRA) Rule 2111 (Suitability).

## 10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

## 11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

### Eligible Collateral

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

## 12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third-party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third-party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

**13.0 Diversification and Maximum Maturities**

The City’s Investment Pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years at the time investments are purchased for the Investment Pool. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

|                                   | <b>Maximum Stated Maturity<sup>1</sup></b> | <b>Issuer Limitations</b>  |
|-----------------------------------|--|--|
| U.S. Treasuries                   | 5 Years                                    | 100% of the City’s investment pool may be invested in obligations of the U.S. Treasury.  |
| U.S. Agencies/Instrumentalities   | 5 Years                                    | No more than 50% of the book value of the City’s investment pool may be invested in the obligations of any one issuer.   |
| Municipal Notes and Bonds         | 5 Years                                    | The City may not own more than the lesser of \$5 million or 20% of any single issue.   |
| Repurchase Agreements             | 30 Days                                    | No more than 15% of the City’s investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.  |
| Mutual Funds                      | N/A  | The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding mutual funds for investment of commercial paper proceeds.  |
| Local Government Investment Pools | N/A  | The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.   |
| Certificates of Deposit           | 5 Years                                    | The City may not own more than \$50 million of any single financial institution’s certificates of deposit at any one time, excluding certificates of deposit placed with the City’s Depository if so authorized by the City Depository Contract. |

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

|                                   | <b>Maximum Percentage<br/>of Investment Pool</b> |
|-----------------------------------|--|
| U.S. Treasuries                   | 100%   |
| U.S. Agencies/Instrumentalities   | 100% (maximum 30% callable)                      |
| Municipal Notes and Bonds         | 15%  |
| Repurchase Agreements             | 15%*   |
| Mutual Funds                      | 15%  |
| Local Government Investment Pools | 45%  |
| Certificates of Deposit           | 20%**  |

\* Excluding flexible repurchase agreements for bond proceeds.

\*\*Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

#### **14.0 Sale of Securities**

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

#### **15.0 Investment Committee**

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

#### **16.0 Investment Advisor**

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

#### **17.0 Investment Strategies**

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The objectives of this portfolio are to:
  - a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
  - c) limit market and credit risk through diversification; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12-month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through the use of a competitive process to place investments;
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors. The objectives of this portfolio are to:
- a) ensure safety of principal and sufficient liquidity by investing in money market mutual funds or short-term high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through diversification of funds and/or securities. Funds must be rated AAA by at least one nationally recognized rating agency; and
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.

## 18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a quarterly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the standing finance committee of the city council described in Dallas City Charter, Chapter III, Section 13 (2), the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

**19.0 Annual Compliance Audit**

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established investment policy.

**20.0 Investment Policy Adoption**

The City's Investment Policy is hereby adopted by resolution of the City Council on October 13, 2021 in accordance with the PFIA.

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## GLOSSARY

**ACCRETION OF DISCOUNT:** Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

**ACCRUED INTEREST:** The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

**AMORTIZATION OF PREMIUM:** Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

**ASK:** The price at which securities are offered by sellers.

**BARBELL MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

**BASIS POINT:** One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

**BENCHMARK:** A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

**BID:** The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

**BOND EQUIVALENT YIELD:** Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

**BOOK ENTRY SECURITIES:** Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

**BOOK VALUE:** The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

**BROKER:** A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

**CALLABLE BOND:** A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

**CODE:** The Internal Revenue Code of 1986, as amended.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATION (CMO):** A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

**COMMERCIAL PAPER:** Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

**CONFIRMATION:** The document used to state in writing the terms of the trade which had previously been agreed to verbally.

**COUPON RATE:** The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

**CREDIT RISK:** The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

**CUSIP NUMBER:** A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

**CUSTODY:** The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

**DEALER:** A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

**DELIVERY VERSUS PAYMENT (DVP):** The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

**DEPOSITORY TRUST COMPANY (DTC):** An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

**DERIVATIVE:** A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

**DISCOUNT:** The amount by which the price paid for a security is less than its face value.

**DISCOUNT SECURITIES:** Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

**DURATION:** A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

**ECONOMIC CYCLE (BUSINESS CYCLE):** As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

**EFFECTIVE MATURITY:** The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

**FACE VALUE:** The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

**FAIL:** The event of a securities purchase or sale transaction not settling as intended by the parties.

**FAIR VALUE:** The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANKS (FFCB):** A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

**FEDERAL FUNDS:** Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"):** A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** A not-for-profit organization authorized by Congress to ensure investor protection and market integrity through regulation of broker-dealers.

**FINRA RULE 2111 (SUITABILITY):** FINRA Rule 2111 requires, in part, that a broker-dealer or associated person "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the [firm] or associated person to ascertain the customer's investment profile."

**FIXED-INCOME SECURITY:** A financial instrument promising a fixed amount of periodic income over a specified future time span.

**GOVERNMENT-SPONSORED ENTERPRISES (GSE's):** Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

**INSTRUMENTALITIES:** See Government-Sponsored Enterprises

**INTEREST RATE RISK:** The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

**LADDERED MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

**LIQUIDITY:** An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

**LIQUIDITY RISK:** The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MARKING-TO-MARKET:** The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

**MATURITY DATE:** The date on which the principal or face value of an investment becomes due and payable.

**MONEY MARKET INSTRUMENT:** Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

**MORTGAGE-BACKED SECURITIES (MBS):** Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

**OFFER:** The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**OPPORTUNITY COST:** The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

**PAR:** See Face Value

**PFIA OR ACT:** The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

**POOLED FUND GROUP:** An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

**PREMIUM:** The amount by which the price paid for a security exceeds its face value.

**PRIMARY DEALER:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRINCIPAL:** The face or par value of an instrument, exclusive of accrued interest.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED REPRESENTATIVE:** A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

**RATE OF RETURN:** The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**REINVESTMENT RATE:** The interest rate earned on the reinvestment of coupon payments.

**REINVESTMENT RATE RISK:** The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

**REPURCHASE AGREEMENT (RP or REPO):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

**REVERSE REPURCHASE AGREEMENT:** (See Repurchase Agreement)

**SAFEKEEPING:** A procedure where securities are held by a third party acting as custodian for a fee.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES AND EXCHANGE COMMISSION (SEC):** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SECURITIES LENDING:** The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule

**STRUCTURED NOTES:** Debt obligations whose principal or interest payments are determined by an index or formula.

**SEPARATELY INVESTED ASSET:** An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

**SPREAD:** Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

**STRIPS:** Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

**SWAP:** The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

**TOTAL RETURN:** Interest income plus capital gains (or minus losses) on an investment.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

**TREASURY BONDS:** Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD TO MATURITY (YTM):** The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

**APPENDIX A**

**PUBLIC FUNDS INVESTMENT ACT**

DRAFT

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

- (1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.
- (2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- (3) "Funds" means public funds in the custody of a state agency or local government that:
  - (A) are not required by law to be deposited in the state treasury; and
  - (B) the investing entity has authority to invest.
- (4) "Institution of higher education" has the meaning assigned by Section [61.003](#), Education Code.
- (5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section [2256.003](#).
- (6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:
  - (A) preservation and safety of principal;
  - (B) liquidity; and
  - (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section [52](#)(b)(1) or (2), Article III, or Section [59](#), Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section [2256.006](#):

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section [802.001](#);
- (2) state funds invested as authorized by Section [404.024](#);
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter [161](#), [162](#), or [164](#), Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter [117](#), Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
  - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;

- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec.

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(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter [573](#), to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (1), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(1) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment

policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section [321.020](#). Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section [321.013](#), the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section [404.024](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. [1701](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from

any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) In addition to the requirements of Subsection (a)(1), the treasurer, or the chief financial officer if the treasurer is not the

chief financial officer, and the investment officer of a school district or a municipality shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, that has contracted with an investment management firm under Section [2256.003\(b\)](#) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a) (2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter [392](#), Local Government Code, may satisfy the training requirement provided by Subsection (a) (2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter [36](#) or [49](#), Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section [2256.010](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. [1148](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. [870](#)), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. [1488](#)), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section [2256.025](#); or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section [2257.041](#) (d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. [2647](#)), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section [2256.009](#)(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section [2256.009](#)(b); or

(3) secured in accordance with Chapter [2257](#) or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

- (1) the funds are invested by an investing entity through:
- (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section [2256.025](#); or
  - (B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- (2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- (4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section [2257.041](#) (d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. [256](#)), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS.

(a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section [2256.009](#)(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section [2256.009](#)(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section [1371.059](#)(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 3, eff. June 14, 2017.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING

PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section [2256.009](#);

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies;

or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in

any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section [2256.009](#)(a)(1), excluding those obligations described by Section [2256.009](#)(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

- (1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
- (2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
- (3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section [1371.059](#)(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

- (4) the objectives of the pool;
  - (5) the size of the pool;
  - (6) the names of the members of the advisory board of the pool and the dates their terms expire;
  - (7) the custodian bank that will safekeep the pool's assets;
  - (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
  - (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
  - (10) the name and address of the independent auditor of the pool;
  - (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
  - (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
  - (13) the pool's policy regarding holding deposits in cash.
- (c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:
- (1) investment transaction confirmations; and
  - (2) a monthly report that contains, at a minimum, the following information:
    - (A) the types and percentage breakdown of securities in which the pool is invested;
    - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
    - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
    - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
    - (E) the size of the pool;

- (F) the number of participants in the pool;
- (G) the custodian bank that is safekeeping the assets of the pool;
- (H) a listing of daily transaction activity of the entity participating in the pool;
- (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- (J) the portfolio managers of the pool; and
- (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter [791](#) and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c) (2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 6, eff. June 14, 2017.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter [2270](#), an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.  
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.  
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a)

A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. [495](#)), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM

MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment

authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. [894](#)), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section [52](#), Article III, or Section [59](#), Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. [2346](#)), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section [1371.001](#).

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. [1543](#)), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST.

(a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. [1464](#)), Sec. 1, eff. September 1, 2005.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS.

(a) In this section:

(1) "Eligible entity" means a political subdivision that has:

- (A) a principal amount of at least \$250 million in:
  - (i) outstanding long-term indebtedness;
  - (ii) long-term indebtedness proposed to be

issued; or

(iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section [1371.001](#).

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section [1371.059](#)(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, eff. June 14, 2017.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not

have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section [321.013](#).

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:

- (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section [2256.017](#), this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section [2256.009](#)(b) is not an authorized investment for a state agency, a local government, or

another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section [2256.009](#)(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter [392](#), Local Government Code; or

(3) an entity created under Chapter [394](#), Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the

state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

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**APPENDIX B  
COUNCIL RESOLUTION  
October 13 2021**

**WHEREAS**, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

**WHEREAS**, in 1995 and 1997 through 2020, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

**WHEREAS**, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

**WHEREAS**, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal.

**Now, Therefore,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**SECTION 1.** That the attached City of Dallas Investment Policy and investment strategies have been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with Federal and State law and the City Charter.

**SECTION 2.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.