



CITY OF DALLAS

Memorandum

Date: January 30, 2009

To: City Council Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

Subject: Municipal Management Districts

On February 2, 2009, the Economic Development Committee will be briefed on the Municipal Management Districts.

A copy of the briefing is attached. Staff will be available at the meeting to answer questions.

Should you have any questions, please contact me at (214) 670-3314.

A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Forest Turner, Interim Assistant City Manager
David Cook, Chief Financial Officer
Theresa O'Donnell, Director of Development Services
Jeanne Chipperfield, Director, Budget and Management Services
Helena Stevens Thompson, Assistant to the City Manager
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development

Municipal Management Districts

Economic Development Committee

February 2, 2009



Purpose

- Answer questions from last meeting
- Discuss open issues
- Recommend next steps

Questions From Last Meeting : Who is Eligible to Participate in MMD Decision Making?

Board of Directors

- Initial Directors appointed by Legislature
 - 9 Directors and 3 Ex Officio (non-voting)
- Staggered two and four year terms
- Eligibility of appointed Directors
 - At least 18 years old, **and**
 - Resident or owner of property who is also a registered voter in District, **or**
 - Owner of stock of a corporate owner of property in District, **or**
 - Owner of a beneficial interest in Trust that owns property in District, **or**
 - An agent, employee or tenant of a person that owns property in District

Questions From Last Meeting :

Who is Eligible to Participate in MMD Decision Making? (cont'd)

Board of Directors

- Replacement Directors appointed to 4 year term by City Council (Council also appoints to fill unexpired term)
- Ex Officio Directors: Assistant City Manager, Chief Financial Officer, Economic Development Director of City
- Open Issue: Exemption of initial Directors from Statutory Term Limits (maintain active involvement of stakeholders) MMD Board recommends Directors, Council approves.

Questions From Last Meeting :

Who is Eligible to Participate in MMD Decision Making? (cont'd)

Petitioning and Voting

- **Ad Valorem Tax**

- Tax is set by a vote of the residents in the District
- City wants at least 65% approval of residents in the District
- City also proposes Ad Valorem Tax be limited to industrial and commercial properties (Cypress Waters Residential exception) for public works and improvement projects at a maximum defined rate
- Applicants propose requiring a petition by owners of 65% or more of assessed property value or 65% or more of surface area of the District to initiate election and approval by a majority of eligible voters in District

Questions From Last Meeting :

Who is Eligible to Participate in MMD Decision Making? (cont'd)

- **Assessments**

- Governed by Chapters 372 and 375 of local government code
- Similar to PID process and tied to property benefit analysis
- Commercial property only (INCAP, Trinity River West)
- City wants approval by owners of 65% or more of assessed property value or 65% or more of surface area of District
- Assessment creates a property lien similar to Ad Valorem Taxes

Questions From Last Meeting :

Who is Eligible to Participate in MMD Decision Making? (cont'd)

- **Borrowing Money**

- District may issue or execute Bonds, Notes, Credit Agreements, or other obligations
- Must be secured by and payable from combination of Ad Valorem Taxes, Assessments or other District revenue
- City wants prior approval of issuance of all financial obligations and terms (including Principal Amount, Interest Rate, Redemption Provisions, etc.)
- Applicants agree with consent requirement, but seek the ability to set terms of the debt. Will agree to full disclosure prior to debt sale.

Questions From Last Meeting :

Can the District Boundaries Change? If so, how?

- Board may add or remove territory
- However, must be approved by:
 - City Council
 - Owners of territory being added or removed
- No removal of area, if debt obligations supported by Ad Valorem Taxes or Assessments levied on territory are outstanding

Questions From Last Meeting :

What Happens if the District Goes Bankrupt?

- Tax Foreclosure on liened properties
- City may not dissolve District until outstanding indebtedness or contractual obligations have been repaid, discharged or City assumes obligation to pay from lawfully available revenues

Questions From Last Meeting : How Can the City Exercise Control?

Creation of District

- Memorandum of understanding with applicants
- Creating legislation
- Board Composition

Issuance of Debt

- City approval of issuance of all financial obligations
- Higher standards of consent to levy Ad Valorem Taxes, Assessments and Impact Fees that support debt issuance

Questions From Last Meeting :

How Can the City Exercise Control? (cont'd)

Execution of Development Agreements

- Creating legislation suspends powers of District to issue/create debt or impose taxes/assessments until a Development Agreement is executed
 - Covers plans and financing of Public Infrastructure
 - Must include all elements of development including maintenance and ownership of completed infrastructures
- City and TIF Board can contract with MMD/Grant funds from TIF to MMD for authorized purposes
- Delineation of permitted services and projects
- Clear definition of rule making and when City rules prevail

Creating Legislation: Open Issues

- Chapter 380 Grants and their use for Public Expenditures
- Exemption for initial Directors, allowing key stakeholders to continue to serve on the Board after initial term
- Supplemental Security Services
- Regulatory issues and rule making
- Salary Cap for an Executive Director
- Constitutional issues concerning the 65% voter approval requirement
- Level of City Council approval required for issuance of all financial obligations
- Funding eligibility issues related to Waste Water Projects and Environmental Expenditures

Recommended Next Steps

- Authorization by Economic Development Committee for Office of Economic Development and City Attorney's Office to finalize negotiations on Draft Legislation to create three Municipal Management Districts (Trinity River West, North Oak Cliff, Cypress Waters)
- Draft a Memorandum of Understanding (MOU) with each MMD applicant that specifically references agreed upon Draft Legislation as the basis for the City Council Consent Resolution
- Draft Resolution consenting to creation of three Municipal Management Districts for Council consideration on February 11, 2009