



Prosper is a place where everyone matters.

AGENDA
Special Purpose District Committee
Prosper Fire Station #2
1140 S Teel Parkway
Prosper, TX 75078
Monday, November 27, 2017
6:00 p.m.

1. Call to Order/Roll Call.
2. Approve Minutes from the November 13, 2017, Special Purpose District Committee meeting.
3. Review purpose of committee and the goals/objectives outlined.
4. Review current tax rates and its purpose for the Town along with the effective and rollback tax calculations and future legislative issues presented.
5. Review summary of various special purpose districts options along with the PROS and CONS provided by the various Town departments.
6. Approve recommendation to Council.
7. Adjournment.

CERTIFICATION

I, the undersigned authority, do hereby certify that this Notice of Meeting was posted at Prosper Town Hall, located at 121 W. Broadway Street, Prosper, Texas 75078, a place convenient and readily accessible to the general public at all times, and said Notice was posted on October 27, by 5:00 p.m., and remained so posted at least 72 hours before said meeting was convened.

Robyn, Battle, Town Secretary

Date Noticed Removed

Pursuant to Section 551.071 of the Texas Government Code, the Town Council reserves the right to consult in closed session with its attorney and to receive legal advice regarding any item listed on this agenda.

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS: The Town Hall Annex is wheelchair accessible. For special services or assistance, please contact the Town Secretary's Office at (972) 569-1011 at least 48 hours prior to the meeting time.



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MINUTES
Special Purpose District Committee
Prosper Fire Station # 2
1140 S Teel Parkway
Prosper, TX 75078
Monday, November 13, 2017

1. Call to Order/Roll Call.

The meeting was called to order at 6:04 p.m.

Committee Members in Attendance:

Curry Vogelsang
Bob Goldman
Chris Kern
Irene Peterson
Sara Peterson
Ken Seguin

Committee Member Absent:

David Bristol

Staff Members Present:

Kelly Neal, Finance Director
Hulon Webb, Executive Director of Development & Community Services
Leslie Scott, Library Director
Frank Jaromin, Director of Public Works
Dudley Raymond, Director of Parks and Recreation
Steve Glass, Deputy Director of Engineering Services

2. Approve Minutes from the November 6, 2017, Special Purpose District Committee Meeting.

Ken Seguin made a motion to approve the minutes as corrected and Bob Goldman seconded the motion to approve the corrected minutes from the November 6, 2017, Special Purpose District Committee meeting. The motion was approved.

3. Follow up items from previous meeting.

Staff presented information and answers to outstanding items from the last meeting. Staff presented the Town's 1.5% sales tax receipts for the last six years to date. Discussion followed regarding other big box stores coming to the Town. Staff outlined the Fire and Crime District timeline for establishing a temporary board and the actions required of such board(s) as required in the Local Government Code, Title 11, Chapters 344 and 363 respectively.

4. Review sales tax analysis prepared by Impact DataSource, LLC.

Staff presented the response from the consultant on the sales and use tax analysis report regarding the database and projections utilized to determine the ratio of residents vs. nonresidents that come into the Town of Prosper and pay sales tax.

5. Presentation from Streets, Library, and Parks operational and growth projections along with the PROS and CONS for each Street Maintenance, Library District, 4B Economic Development, and Sports and Community Venue Special Purpose District.

The various department representatives presented the Committee members with their current operations and projected fiscal impact over the next 5 years for growth. Service levels, staffing, capital projects, future growth, and various funding sources were discussed.

The next scheduled meeting is scheduled for Monday, November 27, 2017. At that meeting, the Committee will review all the options presented as well as the impact future legislative issues could have on the Town.

6. Adjournment.

The meeting was adjourned at 7:17 p.m. on Monday, November 13, 2017.

APPROVED:

Curry Vogelsang, Chairman

ATTEST:

Kelly Neal, Finance Director



Sales and Use Tax Options

Purpose of Committee

The Town Council has created and appointed seven members selected to serve on a newly-created committee to review options available for a portion of the Town's local sales tax. The committee will study options available with the creation of a Special Purpose District that could designate a portion of the Town's local sales tax revenue.

Upon completion of the meetings, the committee will make a recommendation to the Town Council. Since a change in the Town's sales tax designation would require voter approval, the Town Council will decide whether to call an election to be held in May 2018 to formally create the Special Purpose District.

Sales Tax Options

A local municipality cannot adopt a sales tax if the combined rate of all local sales taxes would exceed 2 percent at any location within its territorial limits.

Current Town of Prosper sales tax rates:

- 1.00% General Fund
- .50% 4A Prosper Economic Development Corporation
- .50% Property Tax Relief

Sales Tax Options

Sales tax options provide a means to fund specified projects through sales and use tax rather than property tax

1/8, 1/4, 3/8, or 1/2 of 1 percent

Subject to voter approval

If election is successful, within 10 days the Town must declare the results through a resolution or ordinance

Effective the first calendar quarter after one complete calendar quarter passes from the date the comptroller receives the Town's notice

- For example, Election in May, send Comptroller results in June, wait July, August and September. Start collecting in October. Receive first allocation in December, 2018.

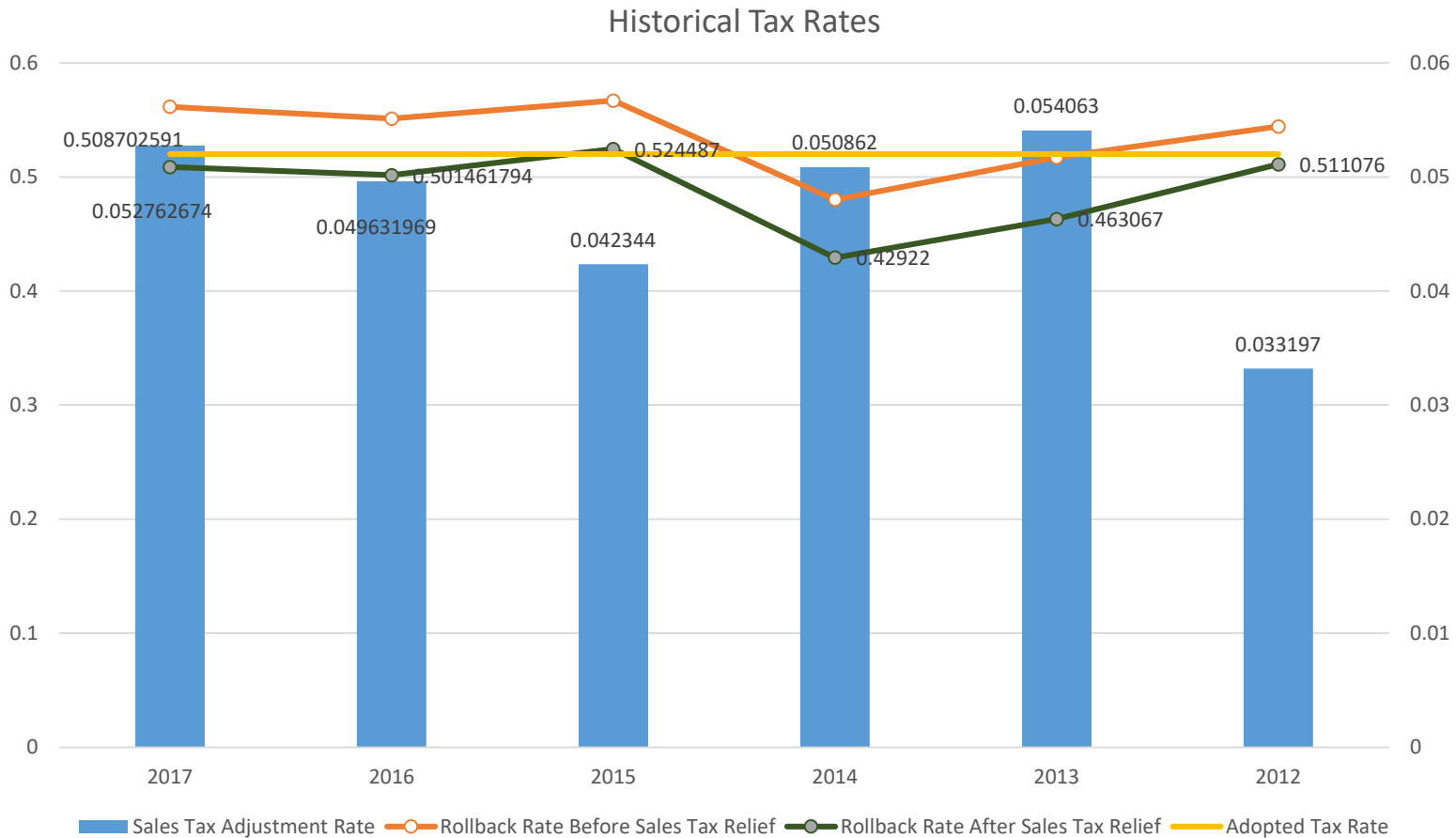
Potential Legislative Impact on Rollback Tax Rate

Tax Code, defines “small taxing unit” for purposes of property tax assessment provisions, as a junior college or a taxing unit, other than a school district, for which the M&O tax rate proposed for the current tax year is two cents or less per \$100 of taxable value or would impose taxes of \$25 million or less when applied to the current total value for the taxing unit.

Amends §26.04, Tax Code, keeps intact the rollback rate for “small taxing units”. For a taxing unit other than a small taxing unit: Rollback Tax Rate = (Effective Maintenance and Operations x **1.06**) + Current Debt Rate. If a disaster is declared, rate can go back to 1.08 until the earlier of: the first tax year in which the total taxable value of property taxable by the taxing unit exceeds the total taxable value of property taxable by the taxing unit on January 1 of the tax year in which the disaster occurred; or the 3rd year after the disaster occurred.

Amends §26.041, Tax Code, makes conforming changes. Amends title of §26.07, Tax Code, to read “Election to Reduce Tax Rate of Small Taxing Unit”. Amends title of §26.08, Tax Code, to read “Election to Approve Tax Rate of Taxing Unit Other Than Small Taxing Unit” provides for an automatic election if tax rate exceeds rollback tax rate of **6%**.

Sales Tax Adjustment Rate Effect to Rollback Rates



Sales Tax for Economic Development

1/8, 1/4, 3/8 or 1/2 of 1 percent

Recodification in Local Government Code, effective April 2009, changed what was formally 4A/4B corporations to Type A and Type B corporations

Type A – Only cities located in a county with a population of fewer than 500,000 or a city population of less than 50,000 are eligible to hold a Type A election. Title A corporations are the more restrictive of the two taxes in terms of authorized expenditures. Town of Prosper established a 4A in 1999 before the recodification.

Sales Tax for Economic Development (cont)

Type A (cont)

Pursuant to Section 4A, Article 5190.6, Projects which would include, but are not limited to, land, buildings, equipment, facilities and improvements required or suited for professional and amateur sports (including children's sports); athletic, entertainment, tourist, convention and public park facilities, including stadiums, ball parks, auditoriums, amphitheaters, concert halls, learning centers, parks and park facilities, open space improvements, including land buildings and equipment related thereto; municipal buildings, museums, exhibition facilities and related stores, restaurants, concessions, and parking and transportation facilities; new and expanded business enterprises and any projects related thereto; facilities to furnish water to the general public; sewage and solid waste disposal facilities; and maintenance and operating costs associated with all of the above projects.

From the 1999 Ordinance Adopting the 4A from the results of the May 1, 1999 Election.

Sales Tax for Economic Development (cont)

Type B – In general, Type B corporations can be used for both the traditional types of economic initiatives such as funding the provision of land, buildings, etc that are for the creation/retention of primary jobs for projects such as manufacturing/industrial facilities, etc as well as community development initiatives such as sports and entertainment facilities.

Sales Tax for Economic Development (cont)

Type B (cont)

- ✓ The Attorney General's Office has interpreted the statute to not allow a city to increase the sales tax rate for a Type B corporation in a subsequent election.
- ✓ **Term**: A 4B sales tax funding source approved by voters does not have a limit on its duration and is effective until repealed by an election.
- ✓ **Administration**: Creation of a board of directors that consists of seven directors. A director may be appointed by the governing body for a two year term. Director must be a resident of the municipality. A type B corporation projects is required to be published 60 days prior to expending any 4B funds. A public hearing is required prior to expending any 4B funds.

Sales Tax for Economic Development (cont)

Type B (cont)

PROS

- The Town can accelerate the construction of the park infrastructure that is identified on the Park Master Plan
- The Town can use cash for the construction of the park infrastructure instead of debt.

CONS

- As the Town prepares for large multi-million dollar capital expenditures, a reserve balance will be produced.
- This will be an additional funding source to the Park Dedication and Park Development Fees.
- The funds will be used for something other than existing reoccurring items in the budget which will cause the Town to have to look for sources of new revenue or reduce the General Fund budget.
- At some point, we will fund all of the needed capital items in the Parks Master Plan and produce a reserve balance.
- The Town has already been given this authority in the 1999 sales and use tax election (4A EDC).

Crime Control and Prevention

1/8 , 1/4 , 3/8 or 1/2 of 1 percent

- **Purpose**: May finance law enforcement related projects, crime prevention strategies, treatment and prevention programs, court and prosecution services and jails/jailers and other necessary staff.
- **Term**: The district can be created for an initial term of 5 years and reauthorized for 5, 10, 15, or 20-year terms. The Crime Control District is dissolved unless reauthorized on the first uniform election date that occurs after the fifth anniversary of the date the district began to levy the tax.
- **Administration**: Creation of a temporary board. Not later than the 75th day after the date the governing body proposes to create the district, the temporary board shall conduct a meeting to organize the board.
 - Elect presiding officer
 - Adopt two year plan/budget identifying strategies to be supported by the district, method of evaluating effectiveness and efficiencies of such strategies each year.
 - Create proposition language and call for an election.

Crime Control and Prevention (cont)

PROS:

- Dedicate funding to a core municipal service.
- Allows equality with surrounding municipalities in the use of sales tax for operations.
- Possible legislative changes have potential to force Prosper to reduce General Fund operations and increase taxes.
- Funding can only be used to finance a Crime Control District.
- Significant legislatively required oversight and administrative procedures.
- The projected funding will always be less than projected expenditures which will avoid excess revenue.
- The amounts distributed to a Crime Control District are not considered to be additional municipal Sales and Use Tax revenue for the purpose of property tax reduction and computation of the municipal tax rate under Chapter 26, Section 26.041 of the Property Tax Code.

CONS:

- The challenge of dealing with change and the perception that the additional Sales and Use Tax will not be used to reduce property taxes.

Fire Control, Prevention and Emergency Medical Services (EMS) Districts

1/8 , 1/4, 3/8, or 1/2 of 1 percent

- **Purpose**: May finance operations of the Fire Control, Prevention, and EMS District.
- **Term**: The district can be created for an initial term of 5 years and reauthorized for 5, 10, 15, or 20-year terms. The Fire Control District is dissolved unless reauthorized on the first uniform election date that occurs after the fifth anniversary of the date the district began to levy the tax.
- **Administration**: Creation of a temporary board. Not later than the 75th day after the date the governing body proposes to create the district, the temporary board shall conduct a meeting to organize the board.
 - Elect presiding officer
 - Adopt two year plan/budget identifying strategies to be supported by the district, method of evaluating effectiveness and efficiencies of such strategies each year.
 - Create proposition language and call for an election.

Fire Control, Prevention and Emergency Medical Services (EMS) Districts (cont)

PROS:

- Dedicate funding to a core municipal service.
- Allows equality with surrounding municipalities in the use of sales tax for operations.
- Possible legislative changes have potential to force Prosper to reduce General Fund operations and increase taxes.
- Funding can only be used to finance a Fire Control, Prevention, and EMS District.
- Significant legislatively required oversight and administrative procedures.
- The projected funding will always be less than projected expenditures which will avoid excess revenue.
- The amounts distributed to a Fire Control, Prevention, and EMS District are not considered to be additional municipal Sales and Use Tax revenue for the purpose of property tax reduction and computation of the municipal tax rate under Chapter 26, Section 26.041 of the Property Tax Code.

CONS:

- The challenge of dealing with change and the perception that the additional Sales and Use Tax will not be used to reduce property taxes.

Library District Sales and Use Tax

1/8 , 1/4, 3/8, or 1/2 of 1 percent

- **Purpose:** To establish, equipment, and maintain one or more public libraries for the dissemination of general information relating to the arts, sciences, and literature.
- **Term:** The district can be created and no term limits are established in the Chapter 326 of the local government code for a Library Special Purpose District.
- **Administration:** A district shall be governed by a board of five trustees. Voter requirement within the district to be a trustee. Trustees shall serve two-year terms. Under Chapter 41, Election code; a general election for trustees shall be held annually on an authorized uniform election. Except for the initial members of the board of trustees, a candidate for the office of trustee must file an application for a place on the ballot. Board shall adopt bylaws to govern, employ any person, firm or corporation to conduct the affairs of the district.

Library District Sales and Use Tax (cont)

PROS:

- The Town can accelerate the construction of the stand alone library.
- The Town can use cash for the construction of the stand alone library instead of debt.

CONS:

- As the Town prepares for the large multi-million dollar capital expenditures associated with a library, a reserve balance will be produced.
- The funds will be used for something other than existing reoccurring items in the budget which will cause the Town to have to look for sources of new revenue or reduce the General Fund budget.
- At some point, we will fund all of the needed capital items library and produce a reserve balance.

With the pending opening of the Town Hall/Multi-Purpose Facility, the community is not ready for a stand alone library.

Street Maintenance Sales and Use Tax

$1/8$, $1/4$, $3/8$, or $1/2$ of 1 percent

- **Purpose**: Used only to maintain and repair municipal streets and sidewalks that existed on the date of the election. It may not be used to build new streets.
- **Term**: This sales and use tax can be created for an initial term of four years and reauthorized for 4, 8, or 10-year terms. This sales and use tax is dissolved four years after the date the municipality began to impose taxes unless a continuation or dissolution referendum is held.

Requires an ordinance calling for an election at least 62 days before it is held. For an election to be held on the date of the general election for state and county officers, the election must be ordered not later than the 70th day before election day.

- Election must be held on the second Saturday in May; or the first Tuesday after the first Monday in November.

Street Maintenance Sales and Use Tax (cont)

PROS:

- The Town can accelerate the replacement of streets in the downtown area.
- Instead of replacing streets with a combination of cash and debt financing, The Town can use cash to replace streets.

CONS:

- The funds may not be used to build new streets.
- The lion's share of the Town's street construction activities involve constructing new streets.
- The available revenue would be greater than the projected expenditures for the next twenty years and produce a reserve balance.
- The funds will be used for something other than existing items in the budget which will cause the Town to have to look for sources of new revenue or reduce the General Fund budget.

Sports and Community Venue Special Purpose District

1/8 , 1/4, 3/8, or 1/2 of 1 percent

- **Purpose**: Provides broad authority to finance a wide array of ED projects defined as “venue projects”; a “venue” is defined as
 - An arena, coliseum, stadium or other type of facility that is used for professional or amateur sports or community/civic events and where a fee for admission to these events is charged;
 - A convention center or related improvements located in the vicinity of the convention center including hotels, auditoriums, theatres, music halls, exhibition halls, parks or plazas;
- **Terms**: The district applies to a municipality with a population of more than 1.9 million to create a sports and community venue district or has a population of at least 176,000 that border the Rio Grande, and that approved a sports and community venue project before January 1, 2009.

Sports and Community Venue Special Purpose District (cont)

■ **Administration:** Procedure for Authorizing a Venue Project:

- Obtain approval from Comptroller's Office that the implantation will not have a significant negative fiscal impact on state revenue.
- Designate each method of funding authorized by Chapter 344 of the local Government Code that the municipality wants to use to finance the project and maximum rate of each method.
- Hold election to approve each venue project and funding source separately.

Pros:

- The district can be used to fund expensive sports or community venue projects.
- The Town can use cash for the construction of these items instead of debt.

Cons:

- The Town does not qualify for this type of district.

Projected Revenues

| General Fund Revenue By Source | | FY 2017-2018 |
|--------------------------------|---------|--------------|
| Property Tax | \$12.2M | 47% |
| Sales Tax | \$6.1M | 24% |
| License, Fees & Permits | \$3.8M | 15% |
| Franchise Fees | \$1.1M | 4% |
| Transfers In | \$896K | 4% |
| Other | \$1.6M | 6% |

Property Tax Rate \$0.367500 per \$100 assessed value (M&O rate)

.50% sales tax generates \$2,055,278 first full year of revenue receipts.

General Fund Revenue

| | <u>First Year</u> | <u>Full Year</u> |
|-------|-------------------|------------------|
| 1/8 = | \$ 428,183 | \$ 513,820 |
| 1/4 = | \$ 856,366 | \$1,027,639 |
| 3/8 = | \$1,284,550 | \$1,541,459 |
| 1/2 = | \$1,712,732 | \$2,055,278 |

What is funded through the General Fund today?

Funded through the General Fund

- Public Safety costs make up 39% of total GF expenditures
 - Police 17%; \$4.8M
 - Fire 22%; \$6.3M
- Public Works costs make up 15% of total GF expenditures
- Community Services make up 14% of total GF expenditures
 - Parks Admin, Parks Ops, Parks Rec, Library
- Development Services make up 9% of total GF expenditures
 - Inspections, Code and Planning
- Administration make up 20% of total GF expenditures
 - TMO, Finance, TSO, Court, HR, and IT and Non-Dept which includes abatement agreements, lobbyist, contingency, and land acquisition (\$1.4M).
- Engineering make up 3% of total GF expenditures

Questions from Committee members

Open Discussion

Goal:

To formally make a recommendation to Council.



THANK YOU!

QUESTIONS?
