

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Brenda Martin, Director of Finance

DATE: April 8, 2019

SUBJECT: Public Hearing: Consideration of a Second Amendment to the Strategic Partnership Agreement Between the City of Lewisville and Denton County Fresh Water Supply Districts 1-A, 1-B, 1-C, 1-D, 1-E, 1-F, 1-G, and 1-H.

BACKGROUND

Section 43.0751 of the Local Government Code allows a city to annex all or part of a special district for limited purposes through the use of a strategic partnership agreement. The statute allows the city to impose a sales and use tax within the boundaries of the parts of the district that are annexed for limited purposes. A strategic partnership agreement is required to be approved by the governing bodies of the special districts and the city to establish the limited annexation of the properties.

Early in 2009, the City worked with the managing district of Castle Hills, Denton County Fresh Water Supply District 1-A, to identify tracts of land that included commercial property. These properties became the areas subject to the limited annexation for sales and use tax purposes. Public right-of-ways were included with the commercial tracts for limited annexation to achieve contiguity between all commercial tracts. Public hearings were held at the City and held at each District. City Council approved the Strategic Partnership Agreement on July 20, 2009.

The Strategic Partnership Agreement allowed the City to impose 1.25% sales tax. The one cent (1.00%) general sales tax is imposed in exchange for police, fire and EMS services provided by the City to the Districts. If any taxes remain after the payment of the public safety services, the amount is split between the City and the Castle Hills Districts and the Districts must use any sales tax they receive for paying down outstanding liabilities owed to the developer. The .25% levied for 4B sales tax purposes must be used for park/library purposes only as approved in the 4B election.

State law does not allow the .50% sales tax collected for Denton County Transportation Authority to be levied in a City's ETJ (extraterritorial jurisdiction). An election was held on May 8, 2018 to impose the Fire Control Prevention District one-eighth cent sales tax. Currently, the tax for the Crime Control Prevention District cannot be imposed.

Sales tax collected within the Districts' commercial tracts was \$1.498 million for fiscal year 2017-18. Of this amount, \$299,534 was collected for 4B park and library purposes. Most of the remaining was used to reimburse the City for public safety services within the Districts but \$130,694 was returned to the Districts to pay down developer liabilities that had been incurred.

ANALYSIS

The Agreement was amended one time on March 20, 2017. This amendment added new tracts that were identified since the original 2009 adoption as properties for commercial development.

The Agreement expires in July 2019. Under the current annexation statutes, the City may annex lands covered under a strategic partnership agreement. It is the City's desire to annex the Castle Hills area in the summer of 2021, therefore the City's Agreement with the Districts needs to be amended to extend the term to allow the annexation process to occur.

Additionally, as Castle Hills has continued to develop, certain lands have been identified for commercial development as well as previously identified commercial tracts are now being converted to residential tracts. This second amendment adds and removes said commercial tracts as indicated.

Two public hearings are required under Section 43.0751 prior to adoption of a strategic partnership agreement as well as any amendment made to the agreement. Members of the public who wish to present testimony or provide evidence regarding the proposed agreement must be given the opportunity to do so during the public hearings. Notice of the first public hearing has been published as required by the statute. The second public hearing is scheduled for May 6, 2019 and notice will be published for this public hearing. All Denton County Fresh Water Supply Districts are conducting their public hearings and are expected to approve this Second Amendment to the Strategic Partnership Agreement. The City will adopt the Amendment once the Districts have approved.

RECOMMENDATION

It is City staff's recommendation the City Council conduct the public hearing.