



Economic Development Program Administration

INTRODUCTION

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- City of Arlington Public Finance Administrator for 8 years
- 18 years total with City of Arlington
- Bachelor of Business Administration/Management from Northwood University
- Certified Property Tax Assessor-Collector (RTA)
- Certified Economic Development Finance Professional (EDFP)



POINTS TO PONDER

1. What is economic development?
2. Where do we as members of the community fit in?
3. How do we “do” economic development?
4. How do we as finance officers fit in?
5. How do we administer programs?



WHAT IS ECONOMIC DEVELOPMENT?



ECONOMIC DEVELOPMENT

- Efforts that seek to improve the economic well-being and quality of life for a community
- Development of economic wealth
- Brings outside money to your community
- Keeps wealth in the community
- Positions local economy on a high growth trajectory
- Achieved by
 - Creating and/or retaining jobs
 - Supporting or growing incomes
 - Supporting or growing the tax base



**WHERE DO WE
AS MEMBERS OF THE COMMUNITY
FIT IT?**

EVERYONE IS INVOLVED IN ECONOMIC DEVELOPMENT



- Your home
- Your employment
- Education of yourself and your children
- Where you buy food, clothing and other consumer goods
- Entertainment
- Parks, green space, libraries
- Public safety and protection
- Quality of life



HOW DO WE "DO" ECONOMIC DEVELOPMENT?

ENABLING LEGISLATION AND LOCAL ACTION



- State passes enabling legislation
- Local governments adopt programs
- ED offices or corporations are practitioners
- Zones on maps identify where we want growth to happen
- Partners in the community work together
- Incentives sometimes offered



TYPES OF PROGRAMS

- Tax Abatements
- Chapter 380/381 Agreements
- Tax Increment Financing
- Public Improvement Districts
- Freeport and Goods-In-Transit Exemptions
- EDCs - Type A and Type B
- Hotel Occupancy Tax
- Enterprise Zones
- Municipal Management Districts



WHERE DO WE AS FINANCE OFFICERS FIT IN?



WHY FINANCE?



IT IS A FINANCE ROLE

- Management of revenues and expenditures
- Cash flow
- Debt issuances
- Accounting transactions
- Checks issued
- Revenues affected
- Tax rates affected
- Audit-proofing the programs
- Transparency reporting



KEEP IN MIND THE BIG PICTURE

- The bird's-eye view
 - What are we trying to achieve *as a community*
 - What enables us to do these things
- We are facilitators
 - Fiduciary responsibility
 - But don't be an obstructionist



UNDERSTAND THE ENABLING LEGISLATION

- State legislation - Laws and Rules
 - Property tax code
 - Local government code
 - Administrative code
 - Many others
- Local legislation
- What funds can be used for



UNDERSTAND THE TYPES OF AGREEMENTS

- Types of agreements
 - Contracts
 - Participation agreements
 - Interlocal agreements
- Why we choose one over the other
 - Versatility in funding
 - Ease of administration
 - Appropriateness for the situation (case by case)



UNDERSTAND WHO ARE YOUR INTERNAL PARTNERS

- City Council
- TIRZ Boards
- City Manager's Office
- City Attorney's Office
- Economic Development Manager and staff
- All divisions of Finance (accounting, budget, treasury)
- Water Utilities
- Development and Planning
- Public Works



UNDERSTAND WHO ARE YOUR EXTERNAL PARTNERS

- Appraisal District
- County Assessor-Collector
- Delinquent Collection Attorney
- Bond Counsel
- Financial Advisors
- State Comptroller's Office
- Local education providers
- Developers and their consultants
- Our own consultants (in some cases)
- Auditors
 - Internal
 - External
- Ultimately, the taxpayers



THE NEED FOR TRANSPARENCY

Reporting requirements

- TIRZ Annual Report
- Annual EDC Report
- Enterprise Zone Report
- GASB 77
- Transparency Stars



WHAT TO CONSIDER AS YOU ADMINISTER THE PROGRAMS



CONSIDER THE ROLES TO BE PLAYED

- Analysis
 - Pre-agreement – partner with ED staff
 - Post-agreement – see how well we did
- Contract management
 - Certification process
 - Report issues
 - Learn from scenarios we've encountered
- Financial position
 - Pro formas keep us sane
 - Manage cash flow issues
 - Budgeting skills
- Reporting



CONSIDER YOUR RESOURCES

- Human
 - The internal team
 - The external network
- Revenues
 - Property tax
 - Sales tax
 - Hotel occupancy tax
 - Others
- Tools
 - Data management
 - Financial management
 - ED management tools



CONSIDERATION THE IMPACTS

- Tax Rate split
- How much is safe to spend
- Does project pay for itself
- Is it beneficial for all stakeholders
- Is it administratively feasible
- Is the developer or company reputable
- Cash flow



WHAT TO LEARN

- Property tax basics
- Sales tax basics
- Basic economic development course
- Other introductory economic development basics



WHAT ARE THE CHALLENGES?

- Data management
- Reporting
- External forces
 - Appraisal district
 - Legislation



BASIC ADMINISTRATION

- Advisory capacity
 - What financing tools can be used
 - Creativity is key
 - We may not always know the financing gap
- Participate in writing the contract
 - Definitions
 - Criteria
 - Incentives
 - Administration timeline
 - Breach and recapture



CYCLICAL WORK

Timeline should include

- Annual certification process
- Verification of information
- Communication with partnering agencies
- Verification that abatement was applied and tax bill is correct
- Verification that tax bill was paid
- Where applicable, verify that payments have been made timely and appropriately
- Annual auditing of results
- Reporting



REPORTING

- Financial reporting
 - Pro Forma
 - Operating position
 - Investment reporting (bond issuances)
 - Annual report (TIRZ and others)
 - GASB 77
- Project reporting
 - Vital statistics
 - Details about agreement
 - Performance details
- Transparency Stars



NUTS AND BOLTS



TAX ABATEMENTS

- Property Tax Code – Chapter 312
- Taxes that are reduced by exempting a portion of the taxable value
- Exemption is applied before tax bill is created
- Base Year Value is fully taxed
- Exemption is based only on eligible added value
- Appraisal District does much of the work
 - Accept annual application
 - Coordinate with taxing entity
 - Apply exemption to appropriate property tax account(s)
 - Report to State

TAX ABATEMENT ADMINISTRATION



- New abatement
 - Develop timeline (which fiscal years are involved)
 - Develop certification form
 - Ensure company knows responsibilities
- Annual certification process
 - February – send out certification form
 - April – receive certification back from company
 - May – report percentage to appraisal district
 - September – verify final values
 - October – check tax bill is correct
 - November – collect abated values and other account information from appraisal district
 - Verify tax bill was paid on time
- Reporting for GASB
- Reporting for Transparency Stars



CHAPTER 380/381 AGREEMENTS

- Local Government Code
 - Chapter 380 – Municipalities
 - Chapter 381 – Counties
- Grant taxing entities broad discretion to make loans, grants and rebates of public funds
- May be tailored to unique needs of project
- Variety of different funding options
- **Administered solely by taxing entity with limited input from partnering agencies**

CH 380 AGREEMENT ADMINISTRATION



- New agreement
 - Develop timeline (which fiscal years are involved)
 - Develop certification form
 - Ensure company knows responsibilities
- Annual certification process (if annual agreement)
 - February – send out certification form
 - April – receive certification back from company
 - May – preliminary evaluation
 - September – verify final values and jobs
 - January (following year) – verify tax bill was paid on time
 - April – calculate amount of rebate
 - June – pay rebate
- Reporting for Transparency Stars
- Some agreements may require monthly or quarterly administration
- **Don't forget to budget for rebates!**



PUBLIC IMPROVEMENT DISTRICTS

- Local Government Code – Chapter 372
- Improve infrastructure to promote economic growth in a defined area
- Special assessment – **not a tax levy**
- May be collected on tax bill along with taxes
 - *Certain* circumstances
 - Usually based on rate per \$100 value, similar to property tax
- May be flat rate
- Different administration considerations depending on assessment/collection method



PID ADMINISTRATION

- New PID
 - Petition
 - Service and Assessment Plan
 - Public Hearings
- Annual adoption process
 - Budget
 - Assessment/collection
- Who manages the PID
 - Contract management
 - Pay outs
 - Certification of expenses
- Annual reporting



TIRZ OR TIF?

- TIRZ = TIF
 - TIRZ = the zone on the map
 - TIF = the financing method
 - Call it what you want



TAX INCREMENT FINANCING

- Property Tax Code - Chapter 311
- Finance public improvements, infrastructure and buildings within a designated area
- Future tax revenues that exceed the base year value are captured
- Taxing units may participate
 - May choose not to
 - School districts no longer authorized to participate
 - May choose what portion of the tax rate to contribute

TAX INCREMENT FINANCING ADMINISTRATION



- Help track board membership and appointments
- Participation in TIRZ board meetings
- Values received from appraisal district
- Annual billing of participating taxing entities
- Annual collection of revenues
- Payments to TIRZ project developers
- Transfers to participating city departments
- Financial tracking (pro forma)
- Annual reporting

MUNICIPAL MANAGEMENT DISTRICTS (MMD)



- Local Government Code – Chapter 375
- Sometimes called Downtown Management Districts
- Created within existing commercial areas to finance facilities, infrastructure and services beyond those already provided by individual property owners or municipalities
- Improvements may be funded by self-imposed property taxes, special assessments and impact fees or by other charges on district property owners
- Certain residential properties may be exempted from these taxes or fees
- Created to supplement, not supplant (or replace) the municipal services available to an area
- Does not relieve a city from its obligation to provide basic services to the MMD area

MUNICIPAL MANAGEMENT DISTRICTS (MMD)



- City of Arlington MMD
- Located within TIRZ 6 Viridian
- Enabled by City Council
- Managed by MMD Board, a third party administrator and the Viridian HOA Administrators
- Separate Taxing Entity
- Adopts a new tax rate each year
- Issued debt for roads and water utilities
- TIRZ 6 increment funds are paid directly to the MMD to help support the debt



CONCLUSION

- If you're just starting out
 - Network
 - Read as much as you can
 - Seek education
 - Legislative changes
- Program expansion
 - Benchmark
 - Research
 - Additional education
 - Data management considerations
- Keep in touch

EDUCATIONAL OPPORTUNITIES



- General - State Comptroller's website
<https://www.comptroller.texas.gov/economy/local/tax-guides.php>
- Property Tax
 - Texas Association of Assessing Officers <http://www.taao.org/>
 - Texas Department of Licensing and Regulation (TDLR) maintains a list of approved Continuing Education providers:
<https://www.tdlr.texas.gov/ce/ceptc.htm>
- GFOA <http://www.gfoa.org/economic-development-o>
- Also see GFOA Best Practices on ED [http://www.gfoa.org/best-practices?field_committee_value=Economic Development and Capital Planning](http://www.gfoa.org/best-practices?field_committee_value=Economic+Development+and+Capital+Planning)



EDUCATIONAL OPPORTUNITIES

- Economic Development Finance
 - International Economic Development Council (IEDC)
<http://www.iedconline.org/web-pages/professional-development/basic-economic-development-courses-bedc/>
 - Texas Economic Development Council (TEDC)
<https://www.texasedc.org/>
 - Texas A&M Engineering Extension Service (TEEX)
<https://teex.org/Pages/services/economic-development.aspx>
 - Oklahoma University Economic Development Institute (OU-EDI)
<http://www.ou.edu/outreach/edi.html>
 - National Development Council (NDC)
<http://ndconline.org/training/certification-programs-and-recertification/>



CERTIFICATIONS

- Tax Assessor-Collector (under certain circumstances)
- Economic Development Finance Professional (NDC)
- Certified Economic Developer (IEDC, or through other providers such as OU-EDI)



TRANSPARENCY STARS

- Texas Comptroller of Public Accounts
- Good examples:

City of Arlington

<http://www.arlington-tx.gov/finance/financial-transparency/economic-development/>

City of Carrollton

<http://www.cityofcarrollton.com/business/carrollton-development/incentives/active-economic-incentive-agreements>



NETWORKING OPPORTUNITIES

- Local government organizations
- Appraisal district
- Economic development corporations
- Downtown / Main Street corporations
- Tax assessor-collector's office
- People you meet at training classes
- LinkedIn Groups



DISCUSSION