

RESOLUTION NO. 2022-06-088 (R)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, ADOPTING THE "TRANSPORTATION INFRASTRUCTURE INITIATIVE AND ECONOMIC DEVELOPMENT PROGRAM" IN PARTNERSHIP WITH THE MCKINNEY ECONOMIC DEVELOPMENT CORPORATION (MEDC) AND THE MCKINNEY COMMUNITY DEVELOPMENT CORPORATION (MCDC) TO FURTHER ECONOMIC DEVELOPMENT IN THE CITY; PROVIDING FOR STREET AND ROAD FUNDING BY THE MEDC AND THE MCDC TO PROMOTE AND DEVELOP NEW AND EXPANDED BUSINESS ENTERPRISES IN THE CITY PURSUANT TO TEXAS LOCAL GOVERNMENT CODE SECTION 501.103; PROVIDING FOR THE METHODOLOGY FOR DETERMINING THE AMOUNTS OF FUNDING BY THE MEDC AND MCDC; PROVIDING FOR THE CONCURRENT FUNDING OF STREET AND ROAD MAINTENANCE IMPROVEMENTS THROUGH THE GENERAL FUND AS A BYPRODUCT OF THIS PROGRAM; PROVIDING FOR THE CRITERIA AND ATTRIBUTES OF THOSE TYPES OF TRANSPORTATION INFRASTRUCTURE WHICH QUALIFY FOR FUNDING TO PROMOTE AND DEVELOP NEW AND EXPANDED BUSINESS DEVELOPMENT IN THE CITY; PROVIDING FOR BUDGETARY MECHANISMS TO MANAGE FUNDING UNDER THE PROGRAM; PROVIDING FOR THE AMENDMENT TO THE CITY'S FINANCIAL POLICIES TO SO REFLECT THE FUNDING OF THIS PROGRAM; PROVIDING FOR NECESSARY COMPONENT UNIT BYLAWS AMENDMENTS TO ESTABLISH THIS PROGRAM AS A PROJECT FOR CONTINUOUS FUTURE FUNDING BY THE MEDC AND MCDC; PROVIDING FOR AUTHORIZATION AND DIRECTION TO THE CITY MANAGER TO EFFECTUATE THE INTENT OF THE PROGRAM; PROVIDING FOR A REQUEST TO THE BOARDS OF DIRECTORS OF THE MEDC AND MCDC TO AMEND THEIR BYLAWS TO EFFECTUATE THIS RESOLUTION; PROVIDING FOR A SUNSET REVIEW PROCESS; PROVIDING FOR THOSE FURTHER ACTIONS OF THE CITY COUNCIL, MEDC AND MCDC NECESSARY TO IMPLEMENT THIS PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City Council of the City of McKinney, Texas, has long recognized the importance of economic development as an essential goal of the City to further the health, safety and welfare of the citizens; and

WHEREAS, a fundamental element of economic development is the City's ability to provide quality transportation infrastructure, namely streets and roads, to facilitate mobility and provide access to employees and markets for McKinney's existing and future businesses; and

WHEREAS, the funding of transportation infrastructure is a key component of the state legislation which created the Type A and Type B economic development corporation under the Texas Local Government Code, Section 501.103; and

WHEREAS, the City Council desires to partner with the MEDC and MCDC to enact a program, the "Transportation Infrastructure Initiative and Economic Development Program", hereinafter the "Program", for the ongoing funding of transportation infrastructure to promote and develop new or expanded business enterprises in the City; and

WHEREAS, City staff has engaged a nationally prominent transportation engineering firm, Kimley- Horn, to study and analyze the types of transportation infrastructure within the City's Master Thoroughfare Plan that provide the requisite nexus between the acquisition, engineering, financing, and construction/ reconstruction of streets and roads and increased economic

development in the City, namely new and expanded business enterprises; and

WHEREAS, the findings of the Kimley-Horn Technical Memorandum, dated May 31, 2022, indicate that those streets and roads identified as Principal Arterial, Major Arterial, Greenway Arterial, Minor Arterial and other streets and roads with certain requisite attributes/qualities provide the appropriate nexus to the creation of economic development under state law; and

WHEREAS, the utilization of MEDC and MCDC funding for new and reconstructed transportation infrastructure under the Program necessarily allows the City to fund from the General Fund the maintenance and rehabilitation of other substandard roadways in the City that need repair to preserve their lifespan under the City's Pavement Management Plan; and

WHEREAS, the increased General Fund funding of existing roadways in need of ongoing maintenance is a byproduct of the Program, thus allowing for the concurrent enhancement of economic development and promotion of new and expanded business enterprises while simultaneously maintaining quality streets and roads which do not qualify for funding under the Program; and

WHEREAS, the City Council has publicly discussed and deliberated upon several options to determine its preferred methodology to yield the appropriate amount of funding from the MEDC and MCDC to best effectuate the Program while maintaining adequate funding for other projects of these boards; and

WHEREAS, the City Council has determined that "Option 3", as presented at its March 15, 2022 work session, is the preferred methodology wherein fifty (50%) percent of that amount of annual sales tax received by the MEDC and MCDC, collectively, exceeding the final, audited sales tax collected in fiscal year 2021-22, currently estimated to be approximately \$40,000,000, in the aggregate, would be transferred to the City's Program Fund up to an aggregate cap of sales taxes equaling \$0.25 of total sales taxes received by MEDC and MCDC; and

WHEREAS, the City Council desires its adopted financial policies be amended to reflect the funding of the Program; and

WHEREAS, the annual fiscal budgets of the City, MEDC and MCDC will hereafter be amended to reflect the ongoing funding of the Program, to include an annual projected budget growth rate and a subsequent "true-up" of actual sales tax revenues; and

WHEREAS, the City Council desires that the Bylaws of the MEDC and MCDC be amended to acknowledge the Program as an ongoing Project to be funded annually by the respective boards, including any specific processes required by the respective Type A and Type B statutes; and

WHEREAS, the City Council desires that the respective MEDC and MCDC boards prior to July 31, 2022 and submit approved Bylaws to the City Council for its ratification prior to the current fiscal year; and

WHEREAS, the City Manager shall be charged with the further implementation of the Program, including but not limited to preparing and presenting annual reports to the City Council, MEDC, MCDC of construction/reconstruction of eligible streets and roadways, preparing the amended financial policies, preparing guidelines for annual funding, administering the Program Fund, providing and presenting reports on the Pavement Management Plan; and providing other information requested by the City Council; and

WHEREAS, the City Council desires that the Program shall be comprehensively reviewed at the end of ten (10) fiscal years, and every ten (10) fiscal years thereafter, and the City Council shall be required to make a finding of “adequate public benefit” to continue the Resolution beyond any review period, short of which finding this Resolution shall automatically terminate.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, THAT:

- Section 1. The City Council of the City of McKinney, Texas hereby creates and establishes the Transportation Infrastructure Initiative and Economic Development Program, hereinafter the “Program”.
- Section 2. The Recitals above shall be fully incorporated herein as if set out verbatim, which Recitals describe the primary elements of the Program.
- Section 3. The City Council finds that the Program will promote and develop new and expanded business enterprises in the City.
- Section 4. The findings of the Kimley-Horn Technical Memorandum, attached hereto as Exhibit A and made a part hereof, be adopted for the Program, establishing the roadways which are eligible for funding by sales taxes collected by the City on behalf of the MEDC and MCDC.
- Section 5. The Program will allow the City to better utilize the General Fund for primary maintenance and repair of roadways described in the Pavement Management Plan.
- Section 6. Funding “Option 3,” as described in Exhibit B and made a part hereof, shall be implemented as the methodology for funding the Program whereby fifty (50%) percent of that amount of annual sales tax received by the MEDC and MCDC, collectively, exceeding the final, audited sales tax collected in fiscal year 2021-22, currently estimated to be approximately \$40,000,000, in the aggregate, would be transferred to the City’s Program Fund up to an aggregate, annual cap of sales tax equaling \$0.25 of the total, annual sales tax received by MEDC and MCDC.
- Section 7. The City Manager, through the Finance Department, shall implement transparent processes for the periodic transfer of sales tax from the MEDC and MCDC funds into the Program Fund.
- Section 8. The City’s Financial Policies shall be amended to reflect the elements of the Program.
- Section 9. The annual budgets of the City, MEDC and MCDC shall be reflective of the elements of the Program, including any necessary line items identifying transfers into the Program Fund for budgeted expenditures in a respective fiscal year.
- Section 10. This Resolution shall operate as a request by the City Council to the respective boards of the MEDC and MCDC to amend their respective Bylaws by July 31, 2022 to acknowledge the Program as an ongoing Project to be funded annually by the respective boards, including any specific processes required by the respective Type A and Type B statutes.
- Section 11. The City Manager shall fully implement of the Program including, but not limited to preparing and presenting annual reports to the City Council, MEDC, MCDC of construction/reconstruction of eligible streets and roadways, preparing the amended financial policies, preparing guidelines for annual funding, administering the Program Fund, providing and presenting reports on the Pavement Management Plan, and providing any other needed documents, agreements or reports needed to effectuate the

goals of the Program.

Section 12. The Program shall be comprehensively reviewed at the end of ten (10) fiscal years, and every ten (10) fiscal years thereafter, and the City Council shall be required to make a finding of "adequate public benefit" to continue the Resolution beyond any review period, short of which finding this Resolution shall automatically terminate.

Section 13. This Resolution shall take effect immediately from and after the date of passage and is so resolved.


DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS ON THE 21st DAY OF JUNE 2022.

CITY OF MCKINNEY, TEXAS




GEORGE C. FULLER
Mayor

ATTEST:



EMPRESS DRANE
City Secretary
JOSHUA STEVENSON
Deputy City Secretary

APPROVED AS TO FORM:



MARK S. HOUSER
City Attorney

TECHNICAL MEMORANDUM

To: Mr. Gary Graham, City of McKinney
Mr. Ryan Gillingham, City of McKinney

From: Aaron W. Nathan, P.E., AICP
Kimley-Horn and Associates, Inc. (TX Reg. F-928)

Date: May 31, 2022

Subject: EDC/CDC Related Transportation Infrastructure Funding
McKinney, Texas



Introduction and Background

The Development Corporation Act of 1979 provided Texas cities with a new financial tool to contribute towards business enterprises. This Act, combined with significant amendments in 1989 (added Section 4A) and 1991 (added Section 4B) formed the framework for Texas Local Government Code (TLGC) Chapters 501, 502, 504, and 505. These chapters outline the provisions governing these Economic Development Corporations, including defining the projects they can undertake.

Under these provisions, the City of McKinney operates the McKinney Economic Development Corporation (EDC), a Type A Corporation (created in 1993) and the McKinney Community Development Corporation) CDC, a Type B Corporation (created in 1996). For over 20 years, the EDC and CDC have operated with their respective boards, as appointed by City Council, in accordance with the Local Government Code. The use of these Type A and Type B Corporations is common for several Cities across the State of Texas.

As the City of McKinney has grown, the needs from its diverse business community have evolved and diversified. Similarly, the needs of the City's transportation infrastructure system have evolved and diversified as well. The purpose of this evaluation is to consider if additional transportation infrastructure funding options may be provided to the EDC and CDC boards in accordance with the TLGC to best fit the needs of the City. The City of McKinney retained Kimley-Horn to provide professional services to evaluate the types of transportation infrastructure that could be funded by a portion of the City's future EDC and CDC funds, including capital improvement planning, construction, reconstruction, and major rehabilitation projects in accordance with the TLGC.

Analysis

Our approach to this evaluation included the following steps:

1. Review of the TLGC related to the EDC and CDC.
2. Review of the City's currently adopted Comprehensive Plan.
3. Review of the City's currently adopted Master Thoroughfare Plan.
4. Review of the City's currently adopted Future Land Use Plan.
5. Review of the City's Pavement Management Plan.
6. Consideration of the types of eligible transportation improvements.

The following sections address how each of the above documents were considered in this evaluation.

Texas Local Government Code

The Local Government Code (Section 501.103) allows for “project” expenditures to include those associated with “infrastructure necessary to promote or develop new or expanded business enterprises”, which includes “streets and roads” as one of the eligible expenditures. Accordingly, the EDC and CDC may assist with the funding of infrastructure improvements that will promote or develop new or expanded business development.

It is clear from the TLGC that there is a nexus between a city, through its Type A and B corporations, providing a reliable and efficient transportation system and the ability to promote and support economic growth. Notably, the Mission Statement of the US Department of Transportation includes reference to the economy by stating its goal is to “serve the American economy through the safe, efficient, sustainable, and equitable movement of people and goods.” At the defining level, there is a connection between providing and maintaining a transportation system with economic growth.

Comprehensive Plan

The City of McKinney’s Comprehensive Plan serves as the guiding policy document for the City and includes five Mobility Strategies to develop a safe and efficient transportation network. The fourth intended outcome of the mobility strategy is to “promote opportunities for desired economic growth and development”.

Based on a review of the City’s Comprehensive Plan, the safety and efficiency of the transportation network has a direct correlation to the relationship to encouraging economic development and related activity within the City.

Master Thoroughfare Plan

The City of McKinney’s Comprehensive Plan also includes a Master Thoroughfare Plan (MTP), which “provides the long-term vision of the major street network necessary to meet future travel needs. The MTP is the tool that enables the City to preserve future roadway corridors and to protect the necessary right-of-way.” The MTP is comprised of various classifications of facility types: Highways, Principal/Major/Greenway/Minor Arterials, Collectors, and Local Streets. This functional classification system balances traffic movement and access to local destinations.

Based on a review of the City’s MTP, those facilities with a functional classification of Principal Arterial, Major Arterial, Greenway Arterial, and Minor Arterial have a primary purpose to provide traffic movements into, out of, and within McKinney, which have a direct, positive relationship to encouraging economic development, more specifically new and expanded business enterprises, and related activity within the City.

Future Land Use Plan

The City of McKinney’s Comprehensive Plan includes a Land Use & Development Strategy, which provides “direction related to the desired development patterns around the City, and to inform decisions related to the time and phasing of future infrastructure investments in the City.” Two of the intended outcomes of this Strategy directly relate to economic development – one is ‘Development Outcomes’, which includes ensuring a diverse economic base; and the other is ‘Attraction of Market and Industry Preferences’, which includes retaining and enhancing the City’s stock of high-quality jobs in growing industries.

The TLGC includes reference to several land uses that may be considered as targeted locations for the promotion and development of new and expanded business enterprises supported by the EDC/CDC:

- Manufacturing and industrial facilities,
- Research and development facilities,
- Distribution centers,
- Warehousing,
- Job training facilities, and
- Corporate headquarters facilities.

Based on a review of the City’s Land Use Diagram, multiple land uses in the City’s plan directly promote and encourage those land use types specifically targeted by the TLGC. This includes Aviation, Commercial Center, Employment Mix, Manufacturing & Warehousing, Mixed Use Center, and Professional Campus. It is also possible for other land use categories to include an approved land use type or project consistent with the TLGC as well such as a Corporate Headquarters facility with significant job creation located within the McKinney Town Center.

Pavement Management Plan

The City of McKinney regularly completes and updates a Pavement Management Plan (PMP). The purpose of the PMP is to evaluate the pavement condition of City roadways to then develop the appropriate maintenance and rehabilitation strategies. The City’s goal is to preserve its existing pavement infrastructure for as long as possible, which in turn optimizes the use of available funds.

Roadway pavements tend to have a lifespan of roughly 15 to 30 years. Once a roadway pavement begins to degrade to a rating of ‘fair/poor’ condition, major rehabilitation projects are required. If major rehabilitation is not performed shortly after reaching this level of degradation, complete reconstruction is usually required. The difference in costs between major rehabilitation and reconstruction is significant, making it financially advantageous for a community to perform regular rehabilitation projects, thereby saving funds over the long term.

Based on a review of the City’s PMP, the resources are in place for the City to be able to assess which facilities have degraded from a ‘Good’ or ‘Satisfactory’ condition (when only preventative maintenance is required) to ‘Fair’ or ‘Poor’ condition, at which point rehabilitation projects may be required to restore the facility to ‘Good’ condition.

Types of Transportation Improvements Eligible for Funding

To deliver a transportation project a variety of elements are required. Each of the following is a common part of a typical transportation project and is also considered an eligible cost as defined by the TLGC, in addition to the construction work itself:

- Land acquisition costs associated with rights-of-way and easements,
- Engineering, Surveying, and/or Legal services,
- Financing charges,
- Administrative expenses,
- Other incidental expenses related to constructing, reconstructing, or improving the project.

The TLGC should be consulted for a comprehensive list of all eligible expenditures.

Conclusions and Recommendations

Based on the review and analysis of the items listed above, we offer the following conclusions and recommendations to the City of McKinney.

The TLGC allows for the use of EDC and CDC authorized funds to be utilized for eligible transportation projects. The City also has a set of Master Planning tools (its Comprehensive Plan, MTP, and Future Land Use Plan) adopted by City Council to help drive and direct transportation investments. The City regularly reviews its Pavement Management Plan to maximize the life span of its transportation assets.

Business enterprises currently within McKinney and business enterprises considering McKinney may use this foundation of planning tools to rely on a supporting transportation network. A supporting transportation network helps them to confidently make their own economic investments. These decisions promote and develop new and expanded business enterprises within the City of McKinney which help to the strengthen the economic base of the community.

Accordingly, it is our opinion that funds collected by the City on behalf of the MEDC and MCDC under the above referenced provisions of the TLGC could be utilized for the construction, reconstruction, and/or rehabilitation of transportation infrastructure facilities should the following three conditions below be satisfied:

1. Approval of eligible transportation infrastructure as an annual, ongoing “project” by the EDC and CDC Boards in accordance with their bylaws and the TLGC,
2. The transportation infrastructure project’s functional classification is:
 - Identified as a Principal Arterial, Major Arterial, Greenway Arterial, and/or Minor Arterial on the City’s Master Thoroughfare Plan, OR
 - Any functional classification transportation facility that provides direct access to, or an immediate connection to, one of the uses on the City’s Future Land Use Plan that the Boards’ find to be required or suitable to promote or develop new or expanded business enterprises. The list of these specific land use categories is provided in the section above.
3. The type of transportation infrastructure is:
 - The construction of a new or expanded roadway facility, OR
 - The total reconstruction of an existing roadway facility that is substandard, OR
 - The rehabilitation of a roadway facility (in accordance with the City’s Pavement Management Plan) that is intended to significantly extend the life span of the facility and moves the condition of the roadway from ‘Fair’ (or worse) to ‘Satisfactory’ (or better).

The set of conditions listed above allows for the City to regularly amend and update its Comprehensive Plan, MTP, Future Land Use Plan, Pavement Management Plan (and related Master Planning tools) without the need to develop and maintain a comprehensive list of eligible projects. City staff may also apply these criteria to available funds and assign them to targeted, eligible projects as designated in the Boards’ annual budget or bylaws.

Exhibit B

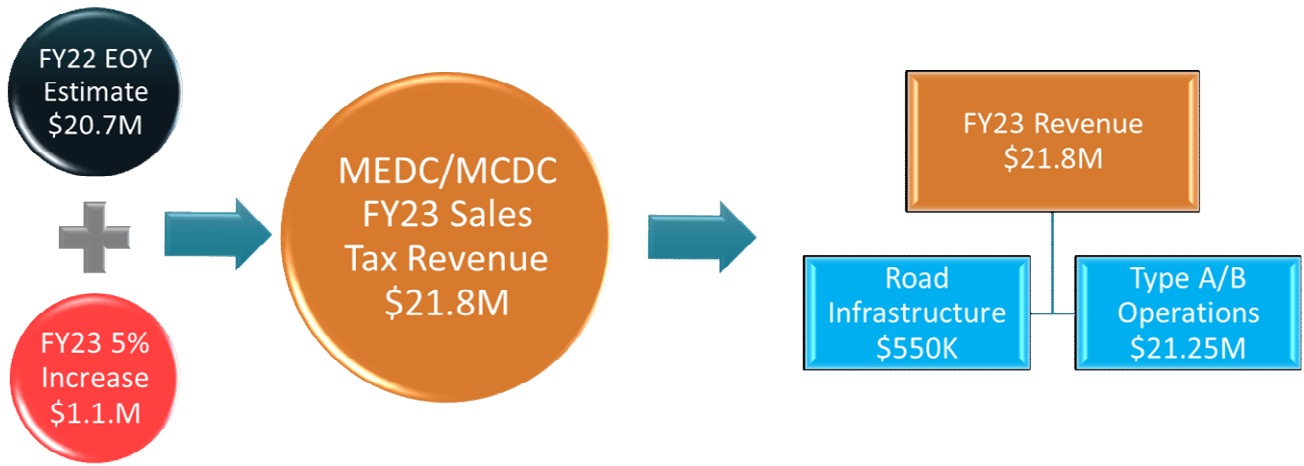


EXHIBIT B

	Annual Sales tax (LSO)	MEDC and MCDC	Road fund share	Straight 25c	Full Excess Share Road Fund	Roadway Fund
2022	40,000,000	1,000,000	1,000,000	10,500,000	2,000,000	1,000,000
2023	42,000,000	2,050,000	2,050,000	11,025,000	4,100,000	2,050,000
2024	44,100,000	3,152,500	3,152,500	11,575,000	6,305,000	3,152,500
2025	46,305,000	4,310,125	4,310,125	12,135,063	8,620,250	4,310,125
2026	48,620,250	5,525,631	5,525,631	12,762,816	11,051,263	5,525,631
2027	51,051,263	6,801,913	6,801,913	13,400,956	13,603,826	6,801,913
2028	53,603,826	8,142,008	8,142,008	14,071,004	16,284,017	8,142,008
2029	56,284,017	9,549,109	9,549,109	14,774,554	19,098,218	9,549,109
2030	59,098,218	11,026,564	11,026,564	15,513,282	22,053,129	11,026,564
2031	62,053,129	12,577,893	12,577,893	16,288,946	25,155,785	12,577,893
2032	65,155,785	14,206,787	14,206,787	17,103,394	28,413,574	14,206,787
2033	68,413,574	15,917,127	15,917,127	17,998,563	31,834,253	15,917,127
2034	71,834,253	17,712,983	17,712,983	18,856,491	35,425,966	17,712,983
2035	75,425,966	19,598,632	19,598,632	19,799,316	39,197,264	19,598,632
2036	79,197,264	21,578,564	21,578,564	20,789,282	43,157,127	20,789,282
2037	83,157,127	23,657,492	23,657,492	21,828,746	47,314,984	22,828,746
2038	87,314,984	25,840,366	25,840,366	22,920,183	51,680,733	22,920,183
2039	91,680,733	28,132,385	28,132,385	24,066,192	56,264,769	24,066,192
2040	96,264,769	30,539,004	30,539,004	25,269,502	61,078,008	25,269,502
2041	101,078,008	33,065,954	33,065,954	26,532,977	66,131,908	26,532,977
2042	106,131,908	35,719,252	35,719,252	27,859,626	71,438,504	27,859,626
2043	111,438,504	38,505,214	38,505,214	29,252,607	77,010,429	29,252,607
2044	117,010,429	41,430,475	41,430,475	30,715,238	82,860,950	30,715,238
2045	122,860,950	44,501,999	44,501,999	32,250,999	89,003,988	32,250,999
2046	129,003,998	47,727,099	47,727,099	33,863,549	95,454,198	33,863,549
2047	135,454,198	51,113,454	51,113,454	35,556,727	102,226,908	35,556,727
2048	142,226,908	54,669,126	54,669,126	37,334,563	109,338,253	37,334,563
2049	149,338,253	58,402,583	58,402,583	39,201,291	116,805,166	39,201,291
2050	156,805,166					

Growth through 2030:
Growth from 2031-2050:

0.05
0.05

Year	MEDC Rev	MCDC Rev	Road MNT Rev
1997	1,949,002	1,949,002	
1998	2,374,689	2,374,689	
1999	2,754,634	2,754,634	
2000	3,202,382	3,202,382	
2001	3,495,984	3,495,984	
2002	3,615,438	3,615,438	
2003	3,891,413	3,891,413	
2004	4,543,198	4,543,198	
2005	5,819,236	5,819,236	
2006	6,688,274	6,688,274	
2007	7,698,751	7,698,751	
2008	8,412,677	8,412,677	
2009	8,155,285	8,155,285	
2010	8,067,609	8,067,609	
2011	8,101,418	8,101,418	
2012	8,759,753	8,759,753	
2013	9,700,659	9,700,659	
2014	10,075,479	10,075,479	
2015	10,818,246	10,818,246	
2016	11,697,417	11,697,417	
2017	12,590,081	12,590,081	
2018	13,466,103	13,466,103	
2019	14,251,055	14,251,055	
2020	16,099,254	16,099,254	
2021	18,349,959	18,349,959	
2022	20,000,000	20,000,000	
2023	20,500,000	20,500,000	1,000,000
2024	21,025,000	21,025,000	2,050,000
2025	21,576,250	21,576,250	3,152,500
2026	22,155,063	22,155,063	4,310,125
2027	22,762,816	22,762,816	5,525,631
2028	23,400,956	23,400,956	6,801,913
2029	24,071,004	24,071,004	8,142,008
2030	24,774,554	24,774,554	9,549,109
2031	25,513,282	25,513,282	11,026,564
2032	26,288,946	26,288,946	12,577,893
2033	27,103,394	27,103,394	14,206,787
2034	27,958,563	27,958,563	15,917,127
2035	28,856,491	28,856,491	17,712,983
2036	29,799,316	29,799,316	19,598,632
2037	31,183,923	31,183,923	20,789,282
2038	32,743,119	32,743,119	21,828,746
2039	34,380,275	34,380,275	22,920,183
2040	36,099,289	36,099,289	24,066,192
2041	37,904,253	37,904,253	25,269,502
2042	39,799,466	39,799,466	26,532,977
2043	41,789,439	41,789,439	27,859,626
2044	43,878,911	43,878,911	29,252,607
2045	46,072,856	46,072,856	30,715,238
2046	48,376,499	48,376,499	32,250,999
2047	50,795,324	50,795,324	33,863,549
2048	53,335,090	53,335,090	35,556,727
2049	56,001,845	56,001,845	37,334,563
2050	58,801,937	58,801,937	39,201,291

976,947,861 976,947,861 539,012,755