

Memorandum



CITY OF DALLAS

DATE June 9, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **Update of the Dallas Area Rapid Transit (DART) Allocation of Funds to Service Area Cities**

Background

On June 7, 2023, the City Council was briefed on an, [“Update of DART Excess Sales Tax Revenues.”](#) As the City Council could not maintain a quorum during the questions and discussion portion of the briefing, the purpose of this memorandum is to provide an overview of the June 7th briefing, share feedback and additional information in response to some of the questions asked by City Council Members during the briefing and to further detail next steps, to include a briefing by memorandum to the Transportation and Infrastructure (TRNI) Committee on Monday, June 12, 2023, leading up to City Council’s consideration of the Excess Sales Tax ILA as part of the voting agenda on June 14, 2023.

City Council Briefing Overview

Discussed during the City Council briefing on June 7, 2023, the City of Dallas (COD) was originally allocated \$111.1M in DART excess sales tax revenues and as communicated beginning in February 2023, DART sought to reduce a total of \$79.5M from those funds. Through mediation by the North Central Texas Council of Government (NCTCOG), the initial reduction of \$79.5M has been negotiated to \$21.1M and pending City Council approval through execution of an interlocal agreement (ILA), would result in the COD receiving \$90.0M of the DART sales tax revenues. Additional details of the June 7th briefing included:

1. Mediated by the NCTCOG, the proposed and negotiated total of \$90.0M in DART excess sales tax revenues being made available to the City of Dallas assumes a reduction of Silver Line betterment costs of \$5.2M (instead of \$36.0M) and Silver Line permit review and approval delay costs of \$15.9M (instead of \$79.5M),
2. Recommended use of the \$90.0M of excess sales tax revenues,
3. Highlights of the DART Excess Sales Tax Interlocal Agreement (ILA),
4. Next steps to include:
 - a. City Council consideration of the Excess Sales Tax ILA as part of the June 14, 2023, City Council voting agenda,
 - b. Development of the appropriate mechanism and City Council consideration for a transfer of \$10.0M of DART excess sales tax revenues to the North Central Texas Council of Governments (NCTCOG) to leverage \$15.4M of federal funds for COD funding for the Five-Mile Creek Hike and Bike Trail Project.
 - c. Drafting of a memorandum of understanding (MOU) to further define “Good Standing” and milestones for disbursement of the \$80.0M (\$90.0M minus the \$10.0M DART transfer to the NCTCOG to leverage \$15.4M of funding for the Five-Mile Creek Hike and Bike Trail) of excess sales tax revenues.

City Council Questions and Additional Information

Based upon the items discussed as part of the June 7th City Council briefing (provided in the City Council Briefing Overview section), this section of the memorandum will reiterate feedback provided to some City Council questions posed during the briefing and provide additional supporting information to items included in the briefing overview.

- 1. Question:** As the MOU seeks to further define “Good Standing,” will the COD be considered in good standing once City Council approves the Excess Sales Tax ILA and the DART President/Chief Executive Officer and the City Manager sign the MOU? **Response:** Yes, once the ILA is approved by the City Council and the MOU is signed, the COD will be in good standing. Under the provision of the City/DART Master ILA, Sec. 2.3.2, which states that, “The City Manager has final authority for implementation of City policy and technical issues relating to DART,” through development of the drafted MOU, careful attention was made to ensure that the MOU would not supersede or modify any existing DART/COD ILA or Supplemental Agreement (SA), such as, City/DART Master ILA, Article IV and SA 11, Sec. IX, 9.0, which identify the DART President/Executive Director and the City Manager as final arbiters of dispute resolution.
- 2. Question:** Will you please provide details of the \$10.0M recommended to fund a revolver fund for the NCTCOG and how that will leverage \$15.4M for the Five-Mile Creek Hike and Bike Trail Project? **Response:** In-lieu of directly funding \$15.4M to the Five-Mile Creek Hike and Bike Trail Project, City staff recommends transferring \$10.0M, of the negotiated \$90.0M DART excess sales tax revenues, to the NCTCOG to leverage \$15.4M in federal funding for the Five-Mile Creek Hike and Bike Trail Project. The \$15.4M in federal funds was briefed to the Regional Transportation Council on June 8, 2023, and with City Council approval of the \$10.0M of excess sales tax revenues to the NCTCOG, the \$15.4M in federal funding would be approved in the current Transportation Improvement Program (TIP); not approving or delaying the use of funds would cancel or delay the availability of the \$15.4M for the Five-Mile Creek Hike and Bike Trail Project.
- 3. Question:** In addition to the Excess Sales Tax ILA, do other DART member cities have a \$30.0M escrow and how does the COD ensure it receives any of the negotiated \$90.0M? **Response:** The COD is the last DART member city to not execute the ILA to receive the excess sales tax revenues and is the only member City that DART has sought to recover nearly \$80.0M in Silver Line betterment and delay costs, which would have left \$31.1M available in DART excess sales tax revenues. As part of the negotiated \$90.0M in excess sales tax revenues that would be made available, DART and the COD have drafted an MOU that includes a provision that \$30.0M be held in escrow to ensure that the Silver Line Project stays on track. The \$30.0M in escrow will be tied to the following Silver Line project milestones:

- a. \$6.0M made available upon COD approval of outstanding Silver Line design elements and permit requests,
- b. \$6.0M made available on the first day of the full closure on Hillcrest Rd.,
- c. \$6.0M made available when the Certificates of Occupancy are received at the Knoll Trail and Cypress Waters Stations,
- d. \$6.0M made available when the COD submits all quiet zone applications for the Silver Line grade crossings to the Federal Railroad Administration (DART to review applications prior to submissions),
- e. \$6.0M made available once Silver Line revenue service commences.

Next Steps

Referenced in the background section of this memorandum, this information was briefed to the Mayor and City Council on June 7, 2023 and the City Council will consider the Excess Sales Tax Revenue ILA as part of the June 14, 2023, voting agenda. Prior to City Council consideration on June 14, 2023, briefings by memorandum for the Excess Sales Tax Revenue ILA will be provided to the Transportation and Infrastructure Committee on June 12, 2023, and to the Government Performance and Financial Management Committee on June 13, 2023.

Given these updates on the DART excess sales tax revenues, the upcoming City Council Committee briefings, and City Council consideration for approval of the ILA, should there be any follow-up questions, please do not hesitate to contact me by email at robert.perez@dallas.gov.



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