

Memorandum



DATE March 30, 2018

TO The Honorable Members of the Economic Development & Housing Committee: Tennell Atkins (Chair), Rickey D. Callahan (Vice Chair), Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **South Dallas Fair Park Trust Fund Update**

Summary

Since October 2017, staff has recommended a number of changes to the South Dallas Fair Park Trust Fund (Fund) to address previous audit findings, to update the policies and procedures of the Fund, to focus the use of the Fund dollars on economic development, and to cause more of the funds to revolve back to the City for additional investment in the community.

As approved by Council in 2015 (CR 15-1264), the Fund has three remaining \$800,000 general fund awards which can only be used for economic development. After the last general fund payment is made in July 2020, the Fund's sole financial sources will be ticket sales from Fair Park activities plus enough PILOT funding to guarantee a minimum of \$500,000 is allocated to the Fund annually. The ticket sales and PILOT funds can be used for either economic development or social services purposes. The staff recommendations are intended to align the purposes of the Fund with the purposes of the Office of Economic Development, and also to ensure that the Fund is prepared to deal with this reduction in funding.

The Fund advisory board recently considered and rejected the staff recommendations related to the use of funds for economic development and the awarding of funds primarily as loans. This committee will either approve the staff recommendations or move the administration of the Fund to the Department of Human Services.

Background

On October 16 and December 4, 2017 this committee was briefed on the history of the South Dallas Fair Park Trust Fund advisory board, pending 2014 audit issues, and five proposed changes intended to resolve the audit and align the Fund and the Office of Economic Development:

1. Change the name of the Fund to reduce confusion about the existence of a trust entity
2. Rewrite all policies and procedures
3. Expand the service area boundary where neighborhoods are divided

4. Limit the funds to primarily economic development uses with a \$100,000 cap on social service uses
5. Require that at least 75% of funds be loaned and no more than 25% be awarded as grants

Issue

Per Council Resolution No. 15-1264, the purposes of the Fund are to (1) support community programs that assist human service needs, and (2) promote business and economic development activity. Despite this dual purpose, virtually all funding awards in recent years have been social service grants. The staff recommendations are intended to increase the amount of economic development accomplished by the Fund and to ensure that a majority of the funding revolves back to the City to continue business and economic development activity.

In March of 2018, the Fund advisory board voted on each of the five proposed changes. While the proposed name change and the recommendation to rewrite the Fund policies and procedures were approved by the board, the board did not recommend amending the use of the funds to prioritize economic development, or to set a loan/grant ratio.

It appears that there is a disconnect between the recommendations of staff and the desire of the advisory board to maintain flexibility to make grants for human and social services to serve the residents in the neighborhoods surrounding Fair Park. If the Fund is to primarily serve as a human services tool, staff recommends that the Fund move from the Office of Economic Development to the Department of Human Services.

Next Steps

After the briefing, the committee will vote to either adopt the staff recommendations or to move the Fund to the Department of Human Services.

Alternatives

If the committee approves the staff recommendations, staff will complete its rewrite of the policies, procedures, and guidelines of the Fund to reflect the new focus on economic development loans. If the committee votes to move the Fund to the Department of Human Services, the two departments will coordinate budget and staffing changes to quickly transfer the Fund to a staff that can better serve the social service function.

Fiscal Impact

This action has no fiscal impact.

Department/Committee Coordination

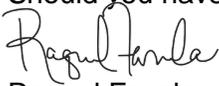
The proposed changes have been briefed to this committee and the Fund advisory committee on several occasions. Additionally, the City Auditor's Office has briefed the Fund advisory committee. If the committee votes to move the Fund to the Department of Human Services,

the Office of Economic Development will coordinate with that department to quickly transfer the function.

Staff Recommendation

Staff recommends the proposed changes, and requests that the committee vote to approve the changes so that the re-write of the policies and procedures may be completed.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela

Chief of Economic Development and Neighborhood Services

c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

South DallasFair Park Trust Fund Update

**Economic Development and
Housing Committee
April 2, 2018**

**Courtney Pogue, Director
Office of Economic Development
City of Dallas**



Presentation Overview

- Background/History
- Proposed Program Changes
- Next Steps
 - Vote to either:
 - Adopt Staff Recommendations to align the purpose of the Fund with the Office of Economic Development, or
 - Move the Fund to the Department of Human Services to accommodate the current Fund purpose.



Background/History

- On October 16 and December 4, 2017, this committee was briefed on the background of the South Dallas Fair Park Trust Fund, the pending audit issues of the Fund, and five staff proposed changes:
 1. Change the name
 2. Rewrite all policies and procedures
 3. Expand the boundary where neighborhoods are divided
 4. Limit the funds to primarily economic development uses with a \$100,000 cap on social service uses
 5. Require that at least 75% of funds be loaned and no more than 25% be granted

Background/History

Per Council Resolution No. 15-1264, the purposes of the Fund are to make loans and grants to:

- Support community programs that assist human service needs, and
- Promote business and economic development activity.

Recent funding awards have mostly been for social service grants. The staff recommendations are intended to refocus the Fund on business and economic development activity.

Additionally, the recommendations will cause more funding to revolve back to the City for future investment in the Fair Park area, which will be of particular importance once the general fund "catch up" payments of \$800,000 end in 2020.

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Audit Issues

- The Fund has been audited many times and procedural and compliance issues have been found each time.
- In 2014, the City Auditor noted that in addition to the procedural and compliance issues, it is not clear what the Fund is trying to accomplish. Furthermore, it does not appear that mechanisms are in place to track progress toward any goal.
- The auditor's office briefed the Fund board on January 10, 2018 regarding the 2014 audit findings

Audit Issues – Board Position

In response to the audit, in March of 2018 the board recommended adoption of the following five following funding goals:

1. Increase workforce participation and readiness in the SDFP community
2. Stimulate small business activity and growth
3. Improve health outcomes
4. Improve public safety
5. Improve education outcomes

In addition, the board voted to reject or table three of the five staff recommendations.

Today we will recommend that this committee either:

1. Vote to endorse the staff recommendations and align the goals of the Fund with the goals of the Office of Economic Development, or
2. Vote to move the Fund to the Department of Human Services and maintain its existing use as a flexible social service fund.

Proposed Program Changes

- The board has considered five proposed changes at each meeting since October 2017.
- In March of 2018, the board voted on each of the five proposals, as detailed on the following pages.



Proposed Program Changes

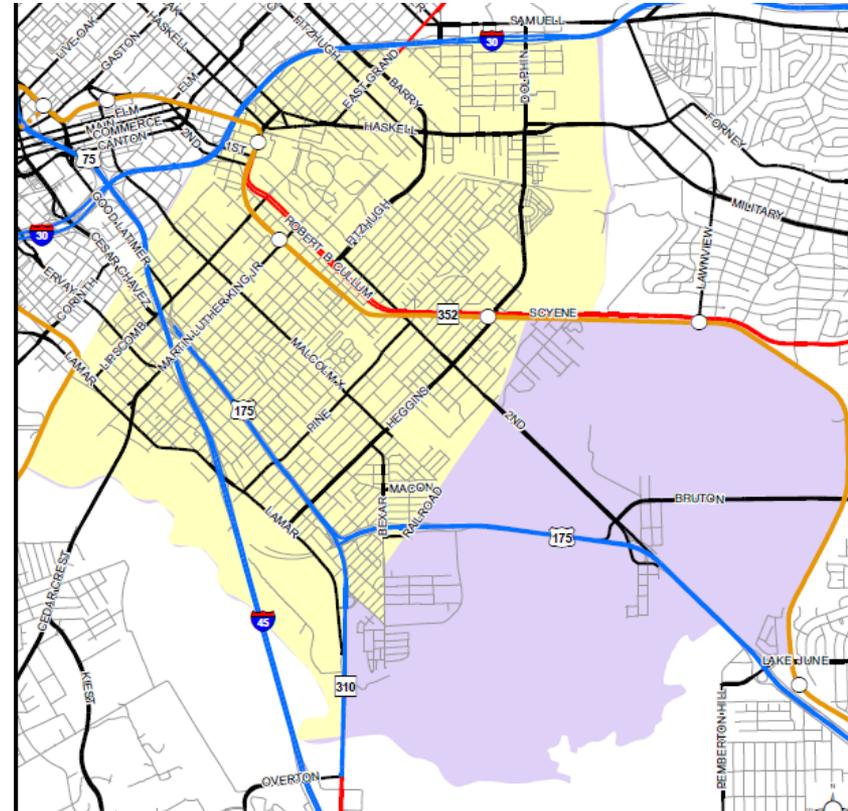
1. Name Change:

- **Current Name:** "South Dallas Fair Park Trust Fund advisory board" per Dallas City Code Sections 2-130 through 2-132.
- **Staff Recommendation:** Amend Dallas City Code to change the name of the advisory board to the "South Dallas Fair Park Opportunity Fund advisory board" to decrease confusion about the existence of a trust entity.
- **Board Vote:** Approved the staff recommendation 9-1.

Proposed Program Changes

2. Geography:

- **Current:** Map in yellow.
- **Staff recommendation:** Expand Fund footprint to include Census Tract 115 (shown in purple) to capture edges of neighborhoods.
- **Board vote:** Table this proposal for now. Revisit once they have a chance to study the map and conduct a site visit.



Proposed Program Changes

3. Process Changes:

- **Current Policy:** The "Policies and Guidelines" document includes some useful policy and procedure concepts. However, per the 2014 audit, staff has not consistently enforced this document and it is out of date.
- **Staff Recommendation:** Work with the advisory board to create a new policy manual with revised application, underwriting, and contract management procedures. This manual will be presented to the committee and council for approval before any further funding applications are accepted.
- **Board Vote:** The board unanimously concurred.

Proposed Program Changes

4. Purpose:

- **Current Policy:** CR 15-1264 allows funding awards for business and economic development activity and for human services activity. There is no floor or cap on the funding for either purpose, and virtually all recent awards have been for human services.
- **Staff Recommendation:** Limit the Fund's purposes primarily to economic development loan and grants. A maximum of \$100,000 may be used for social service awards.
- **Board Vote:** The board rejected this recommendation by an 8-1 vote.

Proposed Program Changes

5. Loan/Grant Ratio:

- **Current Policy:** Most current funding categories are limited to grants. Loans are only allowed under the “special loan/grant” funding category. As a result, very little Fund money revolves back to the Fund for future investment.
- **Staff Recommendation:** At least 75% of each fiscal year's budgeted funds must be in the form of loans. A maximum of 25% of funds may be awarded as grants.
- **Board Vote:** The board rejected this recommendation by an 8-1 vote.

Next Steps

Committee vote to either:

1. Adopt the staff recommendations to align the Fund purpose with the Office of Economic Development:

- **NAME:** Amend Dallas City Code to change the name of the advisory board to the “South Dallas Fair Park Opportunity Fund advisory board.”
- **POLICY:** Create a new policy manual with revised application, underwriting, and contract management procedures.
- **GEOGRAPHY:** Expand boundary to include Census Tract 115 to capture edges of neighborhoods.
- **PURPOSE:** Limit the Fund’s purposes primarily to economic development loan and grants. A maximum of \$100,000 may be used for social service awards.
- **USE:** At least 75% of each fiscal year's budgeted funds must be in the form of loans. A maximum of 25% of funds may be awarded as grants.

OR

2. Move the South Dallas Fair Park Trust Fund advisory board oversight, staffing, and funding to the Human Services Department.

- **BUDGET:** The budgets of the Office of Economic Development (OED) and Department of Human Services (DHS) would be amended to move the \$800,000 general fund payment and up to \$500,000 in PILOT funding from OED to DHS.
- **STAFFING:** One position and its funding would be moved from OED to DHS.
- **PURPOSE:** This decision would allow the Fund to continue to support social and human services initiatives in the neighborhoods surrounding Fair Park.

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Office of Economic Development
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