


FROM	NAME & TITLE	<i>Andrew W. Klein</i> Andrew W. Klein, Chief	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Room 469, City Hall (396-4941)		
	SUBJECT	City Council Bill No.10-0484 Downtown Management District—Adjustment to Supplemental Tax		

TO

DATE: May 19, 2010

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

This bill changes the composition of the Downtown Management District (DMD) Board, removes limitations on supplemental tax rate, eliminates Board of Estimates approval for borrowing, increases debt ceiling from \$2 million to \$20 million, eliminates debt to revenue ratio requirement and permits the board to let bonds in excess of the Downtown Management District's legislated existence.

Analysis

This bill has several provisions that make incurring debt easier and at the same time eliminates safeguards that insure timely and complete payment.

The bill removes the \$1.7 million cap currently placed on total supplemental tax collections. While it does limit tax increases to 10% without an 80% board approval, this will likely introduce instability into the tax bills levied against property owners in the District. It is important for property tax payers and particularly business, to be able to anticipate taxes from year to year.

Several items in the bill increase the debt risk, which in turn will likely increase the cost of the debt. The bill increases the debt ceiling tenfold from \$2 million in outstanding debt to \$20 million. The bill also eliminates the required debt to revenue ratio which helps to insure that the debt is liquidated. Furthermore, the bill permits the term of the debt to extend beyond the legislated term of the DMD Board.

Finally, it should be noted that the long term debt is secured by a continuance of the Supplemental tax beyond the potential termination of the DMD Board.

Recommendation

The Department of Finance opposes this bill.

Cc: Edward J. Gallagher
Angela Gibson

