

Andrew Klein

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	SUBJECT	City Council Bill # 10-0484- Downtown Management District

CITY of
BALTIMORE
MEMO



TO

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

DATE: June 2, 2010

Attention: Karen Randle

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 capped 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 the debt is secured by a continuance of the Supplemental tax beyond the potential termination of the DMD Board.

Recommendation

The Department of Finance supports this bill with the amendments proposed by the Law Department.

Cc: Edward J. Gallagher
Angela Gibson

F/A

