
**INFORMAL STAFF REPORT
TO MAYOR AND CITY COUNCIL**

SUBJECT:

Denton County Transportation Authority (DCTA) Board composition and voting rights.

BACKGROUND:

Council recently requested information regarding DCTA Board of Director's membership and voting rights. DCTA is governed by a 14-member board appointed by respective entities. Large cities, small cities, and at-large members serve two-year terms.

DISCUSSION:

There are three member cities (Participating Members) that have dedicated a ½-cent sales tax to DCTA. These Participating Members are Denton, Highland Village, and Lewisville. Each Denton County municipality with a population over 17,000, currently eight, may appoint a representative to the Board: Corinth, Denton, Flower Mound, Frisco, Highland Village, Lewisville, Little Elm, and The Colony. Three members representing municipalities with populations between 500 and 17,000 are designated by the County Judge subsequent to being nominated by their respective communities to serve on the Board. Three members are appointed by Denton County Commissioners Court, two of which must reside in unincorporated areas of the county.

Each member of the DCTA Board has an equal vote except for specific policy issues and matters involving financial commitment. In these situations, "an action of the Board of Directors requires an affirmative vote of a majority of the Directors, but not less than five (5) Directors present and voting" and two-thirds of the Participating Members vote is required. Thus, two of the following municipalities, Denton, Highland Village or Lewisville are required for action on any votes on the following issues:

- A capital expenditure;
- Operating or maintenance expenditure for a capital asset;
- Material change of the service plan;
- Amendment of the bylaws;
- The approval of a comprehensive development agreement (CDA) or similar financial contractual obligation for a purpose not an express commitment of the DCTA Service Plan;
- The approval of a contract or other agreement between the DCTA and a municipality or other governmental authority located within the A-Train Corridor for participation in DCTA; or
- The formation of a local government corporation, contracting with, joining or becoming a member or owner of a local government corporation.

A copy of the Denton County Transportation Authority Bylaws (Revised September 26, 2016) have been attached for reference. Article III, Section 2 of the Bylaws outlines the number and composition of the DCTA Board and Article III, Section outlines voting. Additional information regarding the DCTA Board of Directors is available on DCTA's website:

<https://www.dcta.net/about-dcta/dcta-board-information/board-of-directors>

ATTACHMENT

1. DCTA Bylaws – Dated September 22, 2016
2. DCTA Sales Tax Allocation Summary (Five-year history)

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DENTON COUNTY TRANSPORTATION

AUTHORITY BYLAWS

Adopted January 3, 2002
(rev. February 13, 2004, October 26, 2006, September 27, 2007, December 17, 2009, November 17, 2011, April 25, 2013, September 26, 2013, February 16, 2016, and September 22, 2016)

DENTON COUNTY TRANSPORTATION AUTHORITY BYLAWS,

ARTICLE I NAME

Section 1. Name. The name of the authority shall be the Denton County Transportation Authority ("Authority").

Section 2. Authorization. These Bylaws are adopted pursuant to authority granted in Section 460.204(c)(2) of the Texas Transportation Code ("Code"). In the event of any conflict between these Bylaws and the Code or other applicable laws of the State of Texas, such laws shall be controlling. In the event any provision of these Bylaws shall be determined to be invalid, the remainder of these Bylaws shall nevertheless remain in force and effect.

Section 3. Definitions.

- (a) **Alternate Member.** Alternate Board Member shall mean a person appointed to serve in the absence of the regular appointed member of the Board of Directors representing such city.
- (b) **Board Member.** Board Member means and includes appointed or elected members of the Board of Directors, as well as alternate board members serving in the absence of appointed board members.
- (c) **Capital Asset.** Land, a fixture attached to land, or an item of personal property that meets all of the following criteria: (1) the cost of acquisition or the cost of improvement of such property exceeds \$5,000; (2) the expected useful life of the property when acquired is more than 1 year or the extension of the useful life of the property as a result of the improvement is more than 1 year; (3) the property retains its original shape and appearance with use; and (4) the property is nonexpendable (meaning that if the property is damaged or some of its constituent parts are lost or worn out, it is usually more economical to repair the property than to replace it with an entirely new unit).
- (d) **Capital Expenditure.** Expenditure made to acquire or improve one or more Capital Assets and includes the acquisition and/or improvement of real property.
- (e) **Executive Committee.** Executive Committee shall mean the committee appointed by the DCTA Chair consisting of the Directors as set forth in Article III, Section 9 (c).
- (f) **Financial Participating Member.** A Financial Participating Member shall mean a municipality that has imposed the transit sales and use tax authorized by Chapter 460 of the Transportation Code or which has contracted with DCTA for financial participation through tax increment payments as provided by Subchapter I, Chapter

460 of the Transportation Code, and which is entitled to have a Director on the DCTA Board of Directors.

ARTICLE II OFFICES

Section 1. Principal Office. The principal office of the Authority shall be in Denton County, Texas.

Section 2. Additional Offices. Authority also may have offices at such other places as the Authority from time to time may determine or as the activities of Authority may require.

ARTICLE III BOARD OF DIRECTORS

Section 1. General Powers. The responsibility for the management operation and control of the Authority and its properties is vested in the Board of Directors. [Section 460.401].

Section 2. Number and Composition. The Board of Directors is composed of:

- (a) One member appointed by the governing body of each municipality with a population of 17,000 or more that is located in the county;
- (b) Three members appointed by the Commissioner's Court of Denton County, two of whom must reside in the unincorporated area of the county; and
- (c) Three members to be designated by the remaining municipalities with a population of more than 500 but less than 17,000 located in the Denton County. These three members will be selected according to provisions of the Code. [Section 460.054(c)].
- (d) One member appointed by the governing body of each municipality in the county with a population of more than 500 but less than 17,000 that:
 - (i) designates a public transportation financing area under Section 460.603;
 - (ii) enters into an agreement with the Authority to provide public transportation services in the public financing area under Subchapter I, Chapter 460; and
 - (iii) did not approve the designation of any member designated under Section 2 (c) above.

(e) Member appointed by the governing body of a municipality that was entitled to appoint a member under Section 460.054 (b)(1) of the Code before the effective date of an increase in the population threshold. (Section 460.2015) The Board of Directors may increase the population threshold amounts stated in Section 460.054(b)(1) in increments up to 5,000 each year. A municipality that appointed a member to the Board of Directors according to the provisions of Section 460.054(b)(1) of the Code prior to any increase in population threshold is grandfathered and may continue to appoint a member to the Board of Directors.

(f) Appointing entities may appoint a member to the Board of Directors and may also provide for the appointment of one alternate to serve in the absence of the appointed member. An Alternate Member may attend Board and committee meetings but shall not vote on any matter before the Board or committee or participate in any discussion in matters before the Board or a committee except when serving in place of the regular Board of Directors member [Section 460.054(b)(1)]. Appointing entities shall notify the Authority in writing of the appointment, reappointment, resignation or removal of an Alternate Member.

Section 3. Eligibility.

(a) To be eligible for appointment to the Board of Directors, a person must: (i) have professional experience in the field of transportation, business, government, engineering or law; and (ii) reside: (A) within the territory of the Authority; or (B) outside the territory of the authority in a municipality that is located partly in the territory of the Authority. [Section 460.202].

(b) Three consecutive unexcused absences of a Director at a noticed Board of Directors meeting or the death, resignation or inability to serve shall create a vacancy.

Section 4. Vacancy. A vacancy on the Board of Directors is filled in the same manner as the original appointment to the Board of Directors. [Section 460.201(c)].

Section 5. Terms. The term of office for a member of the Board of Directors is two years. A vacancy on the Board of Directors is filled in the same manner as the original appointment to the Board of Directors to fill the unexpired portion of such term of office, except as provided by Section 460.2015 of the Code for grandfathered municipalities.

Section 6. Meetings. The Board of Directors shall hold at least one regular meeting each month. [Section 460.055(c)]. Special meetings of the Authority may be called by the Chair or Vice-Chair as necessary. [Section 460.204(b)].

Section 7. Quorum. Five members constitute a quorum for purpose of conducting business. [Section 460.205(a)].

Section 8. Notice. All meetings of the Authority and its committees shall be in compliance with Texas Open Meetings Act. [Section 460.102(a)(1)].

Section 9. Committees

- (a) The Chair of the Board may appoint such committees as from time to time may be deemed necessary and appropriate. The committee shall not have any power or authority to act on behalf of the Denton County Transportation Authority. The Chair will designate the chair of each committee, which will be comprised of at least three Board of Directors members, and will serve as an ex officio member of each committee.
- (b) The committee shall report its discussions or recommendations, subsequent to its meeting, to the next Board of Directors meeting. [Section 460.401].
- (c) The Executive Committee shall consist of the four (4) officers of the Board of Directors, and the Chair may appoint one additional eligible Director of the Board of Directors to the Executive Committee. Notwithstanding the foregoing, no member of the Board of Directors, who is an employee of the governmental unit appointing such a person to the Board of Directors, may serve on the Executive Committee.

Section 10. Voting.

- (a) An action of the Board of Directors requires an affirmative vote of a majority of the Directors, but not less than five (5) Directors present and voting, except for a vote pursuant to paragraph (b) of this section. [Section 460.205(b)].
- (b) An affirmative vote of the majority of the entire Board of Directors, including two-thirds (2/3) vote of Directors representing Financial Participating Members is required for:
 - (1) a capital expenditure;
 - (2) operating or maintenance expenditure for a capital asset;
 - (3) material change of the service plan;
 - (4) amendment of the bylaws;
 - (5) the approval of a comprehensive development agreement (“CDA”) or similar financial contractual obligation for a purpose not an express commitment of the DCTA Service Plan;
 - (6) the approval of a contract or other agreement between the DCTA and a municipality or other governmental authority located within the A-train Corridor for participation in DCTA; or
 - (7) the formation of a local government corporation, contracting with, joining or becoming a member or owner of a local government corporation.
- (c) Alternate Members. An alternate Board Member may only serve in the absence of the regular board member. An alternate Board Member may vote in place of the regular Board Member when the regular Board Member is absent.

Section 11. Procedure of Meetings. Notice of all meetings and hearings of Authority shall be given, and such meetings and hearings shall be held and conducted in accordance with the following order: applicable law, these Bylaws, the Board of Directors Rules of Procedure and Robert's Rules of Order, newly revised, to the extent not in conflict. The General Counsel of the Authority shall serve as parliamentarian to the Authority.

Section 12. Conflicts of Interest. Members of the Board of Directors and officers are subject to Chapter 171 Local Government Code. [Section 460.203].

Section 13. Population Changes.

- (a) At least annually but before any vote authorizing confirmation of the Authority or imposition of a sales and use tax, the Authority shall determine if any municipality located in the county that has not appointed a member to the Board of Directors as provided by Section 460.054(b)(1) of the Code, has grown to a population of 17,000 or more.
- (b) A determination of population growth to 17,000 or more will be documented by "Annual Population Estimates" for municipalities located in Denton County published by North Central Texas Council of Governments. The population of the municipality submitted to the Authority for approval may be challenged by a member of the Board of Directors.
- (c) The Board of Directors may certify: (i) that a municipality has a current population of 17,000 or more; and (ii) does not have a member appointed to the governing body as provided by Section 460.054(b)(1). Subsequent to the certification vote, a municipality so certified may forthwith appoint one member to the Board of Directors as provided by the Code.

ARTICLE IV

OFFICERS

Section 1. Election. The Board of Directors shall elect four (4) of its members to serve as the Chair, Vice-Chair, Treasurer, and Secretary. [Section 460.055(a)]. **The Chair or Vice Chair shall be a Director representing a Financial Participating Member.**

Section 2. Chair. The Chair shall preside at all regular and special meetings of the Authority.

Section 3. Vice-Chair. The Vice-Chair shall preside at any meeting of the Authority on the request of the Chair, or at which the Authority Chair is absent.

Section 4. Treasurer. The Treasurer shall work with the Chief Financial Officer in preparing the budget and supervising the annual audit.

Section 5. Secretary. The Secretary shall review the minutes of all Board proceedings, make any necessary revisions, and attest to the accuracy of the minutes.

Section 6. Term. The officers of the Authority shall be elected from among the members of the Board of Directors and shall hold office for one (1) year. The term of office for each officer shall be for a period of one year and shall run from January 1 through and including December 31 of the calendar year.

ARTICLE V BUDGET AND FINANCE

Section 1. Fiscal Year. The Fiscal Year of the Authority shall end on September 30 of each year.

Section 2. Annual Budget. The Authority shall prepare an Annual Budget. [Section 460.403].

Section 3. Audit. The Authority shall have an annual audit of the affairs of the Authority prepared by an independent certified public accountant. Any deficiencies noted in the audit report shall be addressed at a regular meeting of the Authority and addressed on the record [Section 460.402].

ARTICLE VI RULES, POLICIES AND PROCEDURES

The Board of Directors is responsible for the management, operation, and control of the authority and its properties. [Section 460.401].

ARTICLE VII INDEMNIFICATION

The Denton County Transportation Authority shall indemnify any member of the Board of Directors involved in any litigation including any civil, criminal or administrative action suit or proceeding, for reason of such member's alleged negligence or misconduct in the performance of his or her duties as a Board of Directors Member to the extent funds are lawfully available and subject to any other limitations that exist by law against liability, and reasonable expenses, including attorneys' fees, actually and necessarily incurred, except where it is adjudged that such Board of Directors member acted with gross negligence or willful misconduct in the performance of their duties.

ARTICLE VIII AMENDMENT TO BYLAWS

These Bylaws may be altered, amended or repealed, or new Bylaws may be adopted pursuant to Article III, § 10(b) at any regular, properly posted meeting of the Authority, or any properly posted special meeting of the Authority, at which a quorum is present; provided that prior to consideration and vote by the Authority, any proposed revisions to the Bylaws may be reviewed and commented on by the Board of Directors and shall be provided in writing to all Authority Board of Directors members at least two weeks prior to action on the amendments.

CITY OF DENTON
DCTA SALES TAX ALLOCATION SUMMARY

Historical Sales Tax Allocations by Fiscal Year						
	2012	2013	2014	2015	2016	2017
City of Denton*	\$ 25,886,940	\$ 26,522,473	\$ 27,764,114	\$ 30,601,965	\$ 32,624,297	\$ 34,956,511
City of Lewisville	22,666,950	27,451,139	29,361,613	31,362,273	33,215,415	37,100,767
City of Highland Village	3,252,413	3,304,660	3,613,216	3,690,787	3,786,900	3,727,798
Total	\$ 51,806,303	\$ 57,278,272	\$ 60,738,943	\$ 65,655,025	\$ 69,626,612	\$ 75,785,076
DCTA	\$ 19,301,430	\$ 20,218,321	\$ 21,665,827	\$ 23,261,746	\$ 24,658,546	\$ 26,315,041

*Does not include approximately \$1.5 million attributable to Denton Municipal Utilities per calendar year.

Estimated Contributions to DCTA by Member City						
	2012	2013	2014	2015	2016	2017
City of Denton	\$ 9,644,675	\$ 9,362,012	\$ 9,903,572	\$ 10,842,356	\$ 11,554,027	\$ 12,138,037
City of Lewisville	8,445,006	9,689,816	10,473,406	11,111,735	11,763,373	12,882,592
City of Highland Village	1,211,749	1,166,493	1,288,849	1,307,655	1,341,146	1,294,413
Total	\$ 19,301,430	\$ 20,218,321	\$ 21,665,827	\$ 23,261,746	\$ 24,658,546	\$ 26,315,041

Estimated Percentage of Contributions to DCTA by Member City						
	2012	2013	2014	2015	2016	2017
City of Denton	50.0%	46.3%	45.7%	46.6%	46.9%	46.1%
City of Lewisville	43.8%	47.9%	48.3%	47.8%	47.7%	49.0%
City of Highland Village	6.3%	5.8%	5.9%	5.6%	5.4%	4.9%

Sources: Texas Comptroller of Public Accounts and City of Denton Finance Department