



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor, Assistant City Manager

DATE: June 17, 2025

SUBJECT

Consider adoption of an ordinance of the City of Denton, Texas, allocating expiring Economic Development incentives to the Catalyst Fund; providing for an evaluation of and limit of the amount of allocation; providing a severability clause; and providing an effective date.

BACKGROUND

Council and Board Direction

On December 12, 2024, an Informal Staff Report (2025-014) was prepared for City Council in response to a two-minute pitch by Council Member Jill Jester regarding the utilization of expiring incentives as a funding mechanism for the Catalyst Fund.

On April 9, 2025, a presentation was given to the Economic Development Partnership Board. Feedback from the board included the discussion of the ideal Catalyst Fund balance and the potential to partially reallocate expiring incentives to the Catalyst Fund.

On May 6, 2025, a Work Session was held to provide the recommendation from the EDPB board and to seek direction from City Council regarding the dedication of funds from incentives as they expire. An analysis of expiring incentives was presented that could generate \$8.9 million for the fund over a 10-year period. Council directed staff to reallocate expiring economic development incentives to the Catalyst Fund contingent on annual budget evaluations and general fund status for a maximum of \$9 million from expiring incentives.

Fund History

The City Council created the Economic Development Investment Fund in 2016 to increase the City's competitiveness in the recruitment and retention of large or targeted companies. A total of \$150,000 of mixed beverage tax revenue served as the dedicated funding source.

In 2019, the City engaged economic development consulting firm TIP Strategies to lead Denton's comprehensive economic development strategic planning process. Staff and the TIP team worked together for more than a year to engage community stakeholders and develop a strategic plan for economic development that outlines a specific vision for Denton, as well as the strategies and tactics to bring the vision to fruition. The final plan was adopted by City Council on February 9, 2021.

A proposed strategy outlined in the plan was the creation of a Catalyst Fund, made up of contributions of various funding sources, that would provide support for economic development programs, incentives, and initiatives. The recommended strategy was based on the premise of ensuring Denton was well positioned to execute the recommendations and priorities laid out in the strategic plan and ensuring that Denton could

remain competitive with communities with dedicated economic development funding (e.g. those communities that have adopted the dedicated economic development sales taxes). Denton is not eligible to levy the economic development sales tax since it has already hit the local sales tax cap in 2004. Instead of a Type A or Type B funding mechanism, in 2004, the City of Denton chose to dedicate the City's 0.5 cent local sales and use tax to support the Denton Transportation Authority (DCTA) along with the Cities of Highland Village and Lewisville.

The Catalyst Fund was created on September 27, 2022, with the renaming and assigning of the Economic Development Investment Fund via adoption of Ordinance 22-1803. The ordinance establishing the Catalyst Fund allowed Council to commit a portion of fees, taxes, and other funds. The fund was authorized and approved in the FY2022/23 Budget for \$7.3 million, with the actual fund balance ending at \$4.3 million. The fund balance, as of September 2024, is approximately \$5.3 million. As a Special Revenue Fund, the Catalyst Fund is included in the City's annual budget but is separate from the Economic Development department budget.

Amendment

The proposed amendment to Ordinance 22-1803 seeks to allocate a portion or all of the annual expiring economic development incentive amount from the General Fund to the Catalyst Fund, contingent on annual budget evaluations and General Fund status for an amount not to exceed \$9 million beginning with the new Fiscal Year 2025-2026 through 2035-2036. Exhibit 2 provides the proposed changes to the ordinance to accomplish this.

PRIOR ACTION REVIEW

December 12, 2024 – An Informal Staff Report (ISR) was prepared for City Council in response to a two-minute pitch by Council Member Jill Jester.

April 9, 2025 – The Economic Development Partnership Board (EDPB) gave direction at a Work Session

May 6, 2025 – The Denton City Council gave staff direction at a City Council Work Session

June 11, 2025 – Catalyst Fund item was scheduled to go before the EDPB for a recommendation to City Council. The meeting was canceled due to lack of quorum.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Catalyst Fund Ordinance

Exhibit 3 – Presentation

Respectfully submitted:
Brittany Sotelo
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