

CALENDAR YEAR 2014 ANNUAL REPORT

CITY OF LEE'S SUMMIT DEBT

City staff is presenting this report pursuant to the City's Debt Management Policy adopted during 2008. The following information will provide an overview of the City of Lee's Summit Debt for the calendar year 2014. The report includes information regarding the details of Debt Obligations issued by the City, and selected other entities as well as a discussion of potential future debt obligations.

DEBT OBLIGATIONS ISSUED BY THE CITY

GENERAL OBLIGATION BONDS

The City began the year with \$50,655,000 in outstanding General Obligation Debt, and ended the year with \$44,455,000 in Outstanding General Obligation Debt.

During Calendar Year 2014 no new General Obligation Debt was issued. Principal of \$6,200,000 along with \$1,476,483 of interest was paid during Calendar Year 2014.

For Calendar Year 2015, scheduled debt service on issued debt is \$6,446,150 with expected revenues for Debt Service of \$7,900,000, resulting in an additional \$1,453,850 that could be added to the estimated \$6,699,856 Debt Service Reserve Fund balance as of December 31, 2014, or used for debt service on new General Obligation Debt. It is expected Calendar Year 2016 Debt Service will be approximately \$8,000,000.

REVENUE BONDS AND SPECIAL OBLIGATION BONDS

The City had no Special Obligation Bonds Outstanding during Calendar Year 2014.

The City's only Water System Sewerage System bonds Outstanding were issued during 2012 to refund the City's 2002 Water System Sewerage System bonds. The Calendar Year 2014 debt service on the 2012 WW/SS bonds was \$1,037,450, which was paid from Water Utilities revenues. The Outstanding Principal Balance of the 2012 WW/SS bonds at December 31, 2014 was \$6,170,000. The scheduled debt service on the bonds for Calendar Year 2015 is \$1,003,400, which is also expected to be paid from Water Utilities Revenues.

CERTIFICATES OF PARTICIPATION

During Calendar Year 2014, \$8,985,000 and \$316,146.88 of interest was paid on the City's 2006 Parks Certificates of Participation to fully redeem the Certificates on October 1, 2014. The Certificates were redeemed using monies on hand plus the principal of Lease Financing Obligations in the amount of \$7,432,500. The Lease Financing Obligations bear an effective interest rate of 1.35%. No principal or interest was paid on the Lease during Calendar Year 2014. For Calendar Year 2015, principal of \$1,022,500 and interest of \$83,058.19 will be due. For Calendar Year 2016, principal of \$1,497,000 and interest of \$86,535.00 will be due.

TIF REVENUE BONDS

The City issued Tax Increment Revenue Bonds (Summit Fair Project), Series 2011, on June 27, 2011 in the original principal amount of \$22,300,000. During Calendar Year 2014, \$1,430,000 of principal and \$1,314,807.75 of interest was paid on the bonds. The Outstanding Principal Balance as of December 31, 2014 was \$19,510,000. It is expected that 2015 Debt Service for principal and interest will be approximately \$2,373,000.

DEBT OBLIGATIONS ON WHICH OTHER ENTITIES ARE THE ISSUER

The Strother Interchange TDD

The Strother Interchange Transportation Development District issued its 2006 bonds to finance infrastructure in its District, which overlaps a portion of the Chapel Ridge TIF District in the original principal amount of \$7,005,000. The 2006 Strother Interchange TDD bonds as of December 31, 2014 had an outstanding principal balance of \$5,185,000. During 2014, the TDD paid \$150,000 of principal and \$262,387.50 of interest on the bonds. It is expected during Calendar Year 2015, the scheduled principal payment of \$155,000 plus interest of \$255,181.25 will be paid.

In anticipation of the construction of the Strother Interchange at I-470, the City and MoDOT agreed to share the cost of the Interchange and related road projects. The City was able to fund its portion using available monies from the North TIF (now terminated), the Chapel Ridge TIF, and an inter-fund loan to the Chapel Ridge TIF Fund. All TIF

revenues from the North TIF prior to its termination and revenues from the Chapel Ridge TIF have been used to pay construction costs of the Interchange and related road projects, as well as make payments on the inter-fund loan. At December 31, 2014, the remaining unpaid balance on the loan was \$223,814.66.

Currently, the Chapel Ridge TIF PILOTs and EATs are being used to reimburse the costs of the Interchange Improvements, but the Chapel Ridge TIF through its Cooperative Agreement with the Strother Interchange TDD, must also provide monies to pay the principal and interest on the Strother TDD when certain conditions are met. It is expected that during Calendar Year 2015 those conditions will be met, and a portion of the Chapel Ridge TIF PILOTs and EATs will be utilized to pay a portion of the debt service on the Strother Interchange TDD bonds as well as continue to pay down the inter-fund loan to the City. It is expected that the inter-fund loan will be repaid in full by fiscal year end 2015, at which time the Chapel Ridge TIF monies will be used to pay scheduled debt service on the 2006 bonds, and, to accumulate monies to redeem bonds on the first optional redemption date, May 1, 2016.

The I-470 & 350 Highway TDD

The I-470 & 350 Highway TDD refunded its 2001 bond issue in 2007, and the 2007 bond issue remains as the sole outstanding bond issue of this TDD. During Calendar Year 2014, the District paid \$1,925,000 on principal and \$464,140 of interest on the bonds. As of December 31, 2014, principal of \$9,375,000 remained Outstanding. It is expected that approximately \$1,700,000 of principal plus interest will be paid during Calendar Year 2015.

The Industrial Development Authority of Lee's Summit, Missouri

The Industrial Development Authority (IDA) of Lee's Summit issued \$5,500,000 of bonds during 2007, for the Kensington Farms NID Project. As of December 31, 2014, \$4,525,000 of Outstanding Principal remained. The City has certain obligations under the various agreements related to the bond issue, but the City is not obligated for the payment of debt service.

ISSUES RELATED TO POTENTIAL DEBT OBLIGATIONS

General Obligation Bonds

The City's voters have authorized the issuance of General Obligation Bonds, at elections held on November 5, 2002; November 6, 2007; November 2, 2010; April 2, 2013; and April 8, 2014. As of December 31, 2014, the following amount of General Obligation Bonds had been authorized by the voters but remained unissued:

Public Safety \$ 75,000

Storm Water Projects: \$1,500,000

Strother Road/View High \$2,175,000

Tudor Road \$7,370,000

Constructing and Rehabilitating
Public Improvements for
Cultural Arts \$ 63,000

Constructing Road Improvements
And Sidewalks, rehabilitating
Existing road improvements \$595,000

Constructing Road Improvements
To U.S. Highway 50 and Missouri
State Route 291 intersection and
Bridge \$10,000,000

Staff does anticipate that additional General Obligation Bonds will be issued in Calendar Year 2015 to fund some of the projects listed above.

Revenue Bonds and Certificates of Participation

At this time, there is no indication that additional Revenue Bonds or Certificates of Participation will be issued in 2015.

The East 50 Highway TIF

The City and the Missouri Highways Transportation Commission have entered into a Municipal Agreement to share the costs of a new interchange at Highway 50 and Blackwell Road. The East 50 Highway TIF revenues have been used to pay for the City's share of the Cost of Designing the Project, and Right of Way Acquisition. However, the City is obligated to deposit 60 days prior to the project letting into the Missouri Highways and Transportation Commission—Local Fund, \$7,865,830 to cover its estimated share of the construction costs of the project. It is expected that a portion of those construction monies might be provided by a TIF Revenue Bond issue.

Conclusion

Staff has been, and will continue, to monitor the capital needs of the City, the availability of monies to fund the capital projects as they are built, and the funding alternatives to pay for the projects. In addition, during the next year, staff and the City's financial advisor will be monitoring the credit markets to determine an optimum time to issue the bonds necessary to fund the remaining projects that have been authorized by the voters in order to provide timely funding for their completion.