

LS

License Tax
Report for 2015

June 16, 2015

Agenda

- o License Tax Background
- o Summary of Report to License Tax Review Committee
- o Committee Comments
- o Committee Recommendations
- o Request for Council Guidance

License Committee Members

Composition of 5-member License Tax Review Committee as Established by Ordinance

- o Chair: Public Works Committee Chairman – Rob Binney
- o Two Citizens of Lee’s Summit –
Cynda Rader and Karl Blumenhorst
- o One local developer: Glen Jones
- o One City Staff Member: Dena Mezger, Dir. of Public Works

License Tax Background

- o City Ordinance 4592
 - o Sections 28-123 through 28-175 in Code of Ordinances
 - o Adopted March 17, 1998
 - o Amended September 2000, March 2010, August 2010 & June 2015
- o Tax paid by development activity
 - o Building permit, and/or certificate of occupancy
 - o Creates additional traffic / vehicle trips
- o Tax used for “streets and related improvements”

License Tax Administration

- o License Tax Administrator: Director of Finance, or designee
- o Implementation Team:
 - o City Traffic Engineer, Codes/Plans Examiner
- o Annual Review Required by Ordinance
 - o Finance: Report revenues
 - o Planning: Report building permit activities
 - o Public Works: Report status of road construction projects
 - o Recommendations regarding rates
- o License Tax Committee “shall review Staff’s Annual Report and forward comments to the Council”

Excise Tax Project Status

Projects Completed

Blackwell Pkwy (Langsford to Colbern)	Pryor Rd (Longview to Chipman)
Chipman Rd (US 50 to M-291)	Scruggs Rd (M-291 to Blackwell)
Independence Ave (Tudor to Colbern)	Todd George Pkwy (McKee to Tudor)
Langsford Rd (Todd Geo. to Blackwell)	Ward Rd (M-150 to Scherer)
Longview Pkwy (Longview to 3rd)	5 th Street (Grand to M-291)
Longview Rd (Sampson to Ward)	Woods Chapel Rd (1-470 to East City Limits)

Projects Remaining

No project currently programmed for License Tax Funding

Current Tax Rates

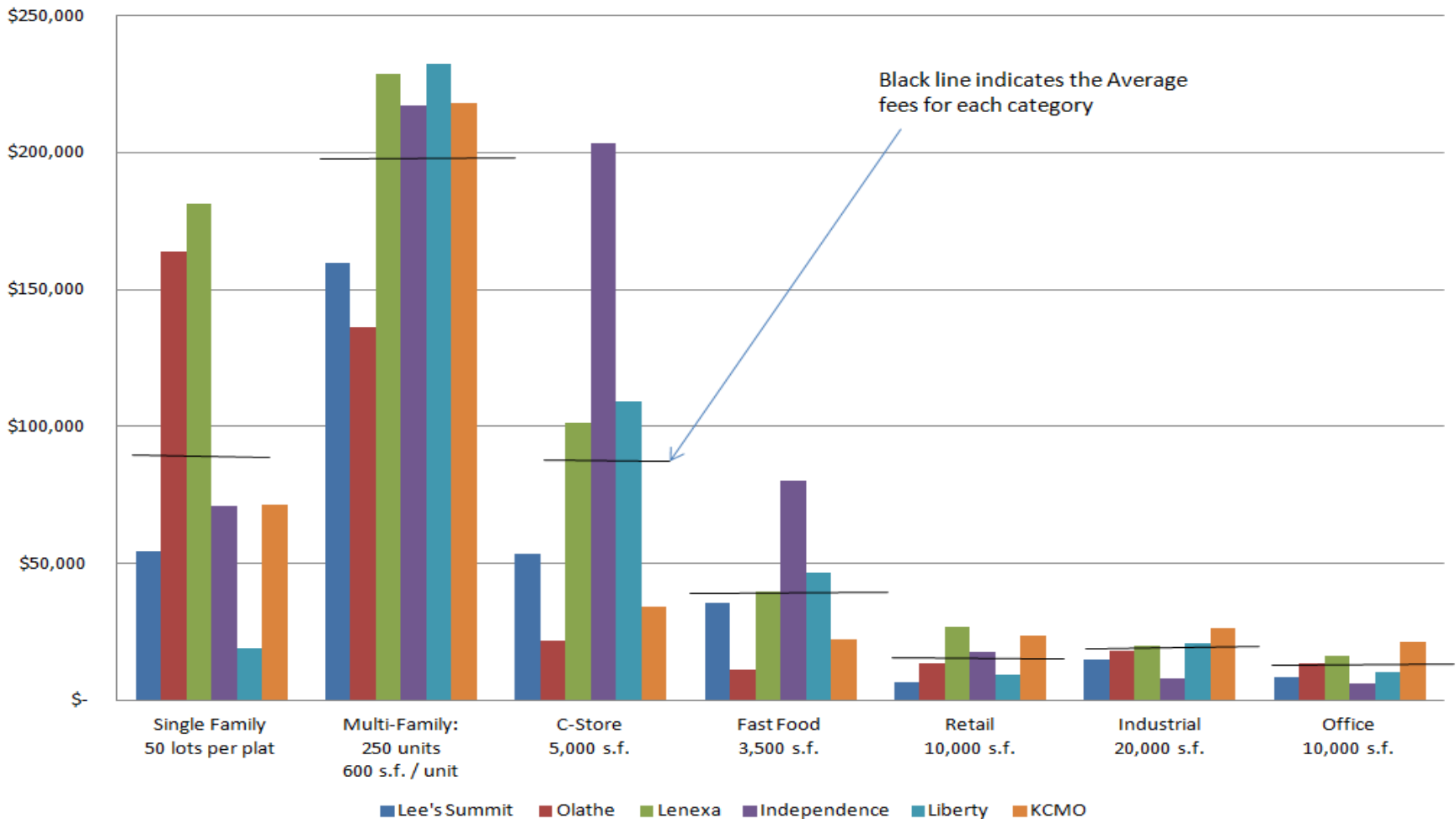
Land Use Category	License Tax Rate
Residential	\$1,083 per new trip
Manufacturing / Industrial	\$ 866 per new trip
Commercial	\$ 650 per new trip

Notes regarding Rates:

- o Current rate is approximately 50% of the maximum rate authorized by voters
- o Rates increased by 3% in 2007 and 5% in 2015

Current Rates Comparison

Comparison of Typical License Tax Revenues for a Project in the KC Metro Area
Categorized by Type of Land Use



Analysis

Comparison of Existing License Tax Rates to Recommended 10% Increase for Commercial and Manufacturing / Industrial Developments

Year	Residential Rate	Manufacturing / Industrial Rate	Commercial Rate
FY 2016 (current rates)	\$1,083.00	\$ 866.00	\$ 650.00
FY 2017 (proposed)	\$1,083.00	\$ 953.00	\$ 715.00

Analysis

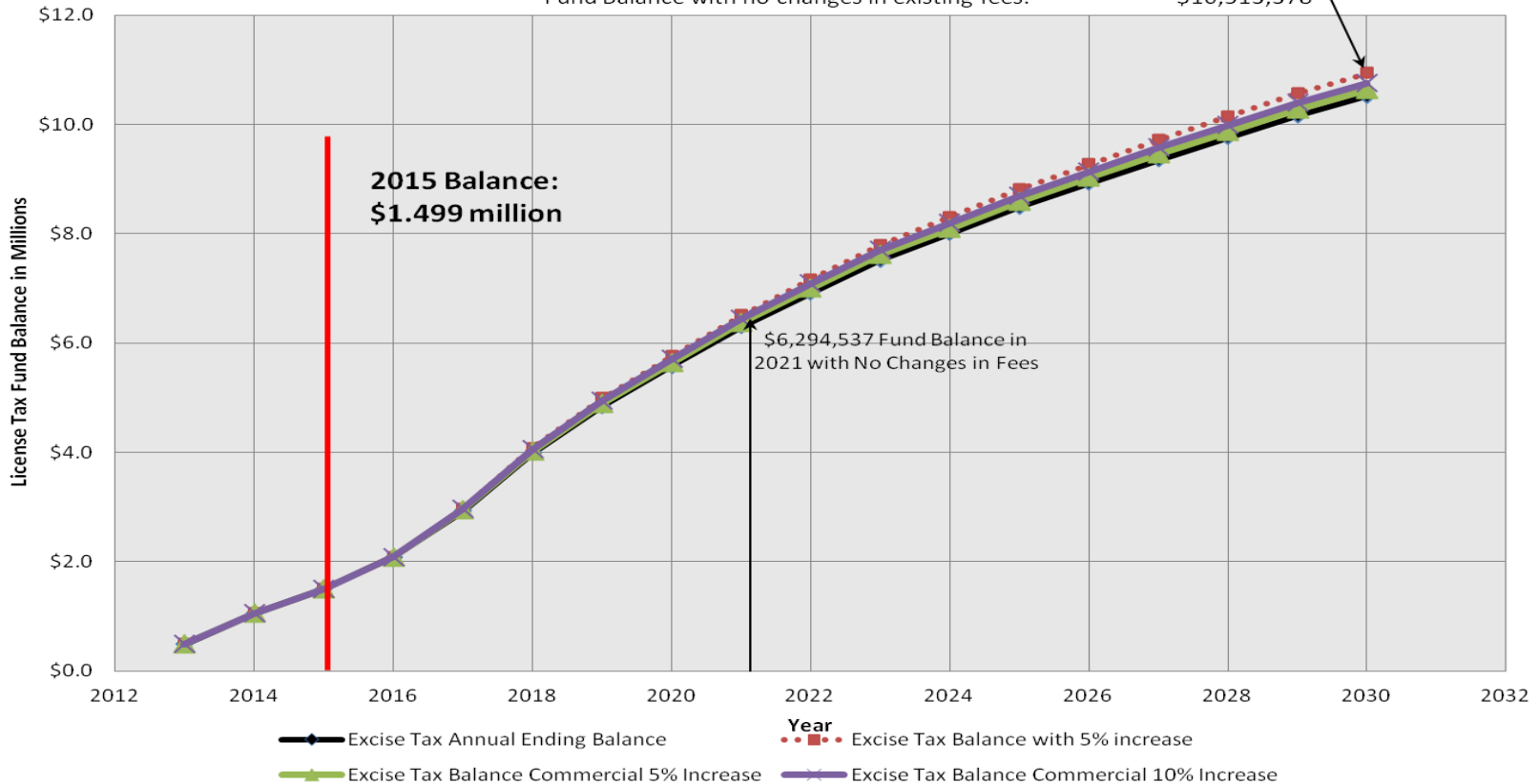
Comparison of Current License Tax Revenue Projections to Revenues Created by a Rate Increase of 10% for Selected Categories in FY2017

Year	Fund Balance Forecast at Current Rates	Fund Balance Forecast with Increased Rates	Net increase of funds	Comments
2016	\$ 2,092,942	--		
2019	\$ 4,843,768	\$ 4,944,837	\$ 101,069	Fast-track project schedule
2021	\$ 6,294,537	\$ 6,442,238	\$ 147,701	5-year projection
2030	\$ 10,513,378	\$ 10,754,814	\$ 241,436	15-year projection

Revenue Report and Projections

Comparison of Total License Tax Fund Balance Scenarios Tax Balance

Fund Balance with 5% Across the Board Increase in FY2017: \$10,934,900
 Fund Balance with 10% Commercial Fee Increase in FY2017: \$10,754,814
 Fund Balance with 5% Commercial Fee Increase in FY2017: \$10,634,092
 Fund Balance with no changes in existing fees: \$10,513,378



License Tax Review Committee

Comments (1 of 2)

- o License Tax program very successful; strong performance has helped meet growing transportation needs of Lee's Summit and goals set in 1998
- o Program should remain viable
 - o Opportunity to capture fees from development peaks
 - o Fund should help pay for the continuing demand for good roads
 - o All stakeholders should pay a fair share
 - o Annually review rates, and adjust appropriately when warranted

License Tax Review Committee

Comments (2 of 2)

- o Discussed balance between residential and commercial fees
- o Project selection should be governed by the Thoroughfare Master Plan
- o License tax program should continue to manage cash flow so projects are funded on a pay as you go basis

License Tax Review Committee Recommendations for FY 2017

1. Projects eligible for license tax funding should be limited to projects indentified in the City's Thoroughfare Master Plan.
2. Manage fund on cash-flow basis; no debt-financing
3. Committee move and voted to increase Commercial and Manufacturing/Industrial rates by 10%, with no change in residential rates

Request for Guidance

- o Council direct staff to draft and present ordinance to Amend Section 28-179 by increasing license tax rates, as recommended by the License Tax Committee, for FY2017