

# City of Lee's Summit, Missouri

## Recommendations for Issuance of Bonds

*\$14,575,000 General Obligation Bonds, Series 2017A*

The Council has under consideration the issuance of bonds to fund public safety related facility and equipment improvements. This document provides information relative to the proposed issuance.

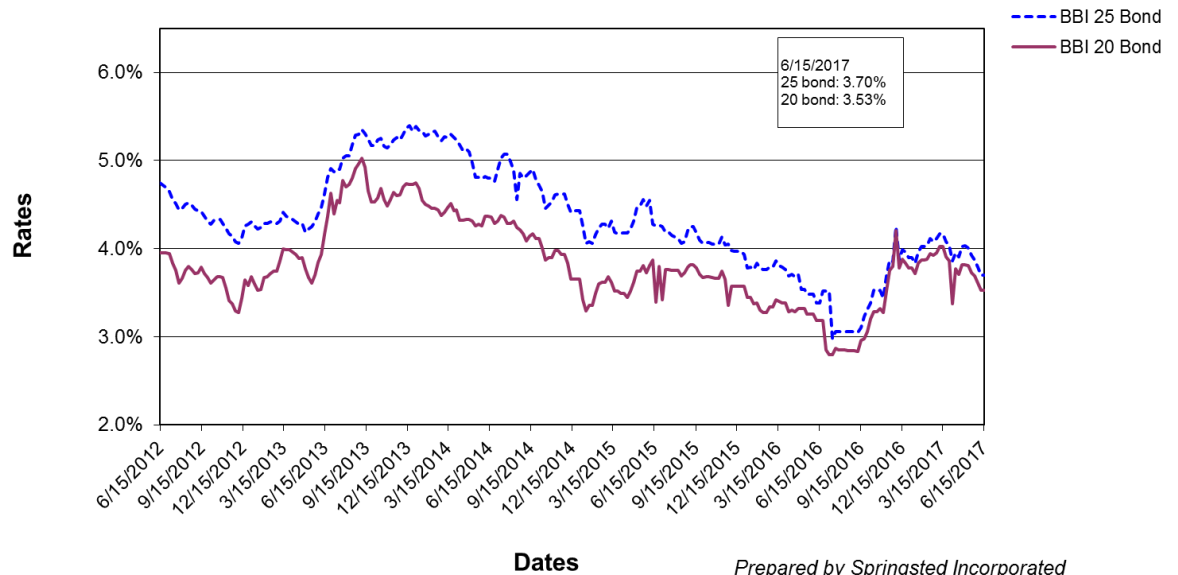
**KEY EVENTS:** The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.

May 4, 2017	Council sets sale date and terms
Week of July 24, 2017	Rating conference is conducted
<b>August 10, 2017, 10:00 AM</b>	<b>Competitive bids are received</b>
<b>August 10, 2017, 6:15 PM</b>	<b>Council considers award of the Bonds</b>
August 30, 2017	Proceeds are received

**RATING:** An application will be made to Moody's Investors Service (Moody's) for a rating on the Bonds. The City's general obligation debt is currently rated "Aa1" by Moody's.

**THE MARKET:** Performance of the tax-exempt market is often measured by the Bond Buyer's Index ("BBI") which measures the yield of high grade municipal bonds in the 20<sup>th</sup> year for general obligation bonds (the BBI 20 Bond Index) and the 30<sup>th</sup> year for revenue bonds (the BBI 25 Bond Index). The following chart illustrates these two indices over the past five years.

**BBI 25-bond (Revenue) and 20-bond (G.O.) Rates for 5 Years Ending 6/15/2017**



*Prepared by Springsted Incorporated*

**POST ISSUANCE COMPLIANCE:**

The issuance of the Bonds will result in post-issuance compliance responsibilities. The responsibilities are in two primary areas: i) compliance with federal arbitrage requirements and ii) compliance with secondary disclosure requirements.

Federal arbitrage requirements include a wide range of implications that have been taken into account as the Bonds have been structured. Post-issuance compliance responsibilities for this tax-exempt issue include both rebate and yield restriction provisions of the IRS Code. In general terms, the arbitrage requirements control the earnings on unexpended bond proceeds, including investment earnings, moneys held for debt service payments (which are considered to be proceeds under the IRS regulations) and/or reserves. Under certain circumstances any “excess earnings” will need to be paid to the IRS to maintain the tax-exempt status of the Bonds. Any interest earnings on gross bond proceeds or debt service funds should not be spent until it has been determined based on actual facts that they are not “excess earnings” as defined by the IRS Code.

The arbitrage rules provide for spend-down exceptions for proceeds that are spent within either a 6-month, 18-month or 24-month period in accordance with certain spending criteria. Proceeds that qualify for an exception will be exempt from rebate. These exceptions are based on actual expenditures and not based on reasonable expectations; and expenditures, including any investment proceeds, will have to meet the spending criteria to qualify for the exclusion. The City expects to meet the 24-month spending exception. Regardless of whether the issue qualifies for an exemption from the rebate provisions, yield restriction provisions will apply to the debt service fund and any project proceeds unspent after three years and the funds should be monitored on an ongoing basis.

Secondary disclosure requirements result from an SEC requirement that underwriters provide ongoing disclosure information to investors. To meet this requirement, any prospective underwriter will require the City to commit to providing the information needed to comply under a continuing disclosure agreement.

Springsted and the City have entered into an Agreement for Municipal Advisor Services. We understand the City either manages their own post issuance compliance or contracts with third parties for those services.

**SUPPLEMENTAL INFORMATION AND BOND RECORD:**

Supplementary information will be available to staff including detailed terms and conditions of sale, comprehensive structuring schedules and information to assist in meeting post-issuance compliance responsibilities.

Upon completion of the financing, a bond record will be provided that contains pertinent documents and final debt service calculations for the transaction.

**PURPOSE:**

The proceeds of Bonds will be used to fund public safety related improvements facility and equipment improvements including; (a) the acquisition and installation of new emergency services radio equipment and related infrastructure, (b) the acquisition, construction, furnishing and equipping of a new fire station to replace Fire Station No. 3 and (c) the acquisition of fire equipment and apparatus.

**AUTHORITY:**

Statutory Authority: The Bonds are being issued pursuant to Section 95 of the Revised Statutes of Missouri, all as amended and voter referenda held by the City on November 5, 2002 and November 8, 2016. The City has previously issued bonds pursuant to the 2002 and 2016 elections. A 4/7<sup>th</sup>s result was necessary for authorization to occur. The election results for the authorization of issuance of the Bonds were as follows:

	<u>Yes</u>	<u>No</u>
November 5, 2002 (public safety improvements) -	20,107	6,303
November 8, 2016 (public safety improvements) -	38,168	9,993

Upon the issuance of the Bonds the City will have no further remaining voter authorized bonding authorizations for these projects.

Existing Covenants/Policies: Per City policy, the debt service on the Bonds will be paid from the existing property tax levy. No tax rate increase is anticipated. It is our understanding that the structure of the Bonds takes into account existing debt service requirements, preliminary future borrowing plans and forecasted revenue capacity.

**SECURITY AND SOURCE OF PAYMENT:**

The Bonds will be general obligations of the City, secured by its full faith and credit and taxing power. The Bonds will be paid from ad valorem property taxes. The City will make its first levy for the Bonds in September 2017 for collection in December 2017. Beginning with the April 1, 2018 principal and interest payment and the October 1, 2018 interest payment, each year's collection of taxes will be used make the following year's debt service payments.

**STRUCTURING SUMMARY:**

The size of the issue was determined by City staff in accordance with the voter authorization for the various projects and forecasted capacity to fund Bond debt service without a property tax increase.

Estimated interest rates applied in the structuring of the Bonds are based on current market conditions and assume a reoffering premium sufficient to compensate the underwriter under a par bidding limitation. Par bidding requires that an underwriter bid not less than 100% of the face amount of the Bonds.

Debt service has been structured in such a way as to conform to the City's requested individual project funding levels assuming the Bonds will price with a premium. To the extent the sale results in a premium greater than this estimate, the City has decided to keep the additional amount to fund projects with remaining capacity.

**SCHEDULES ATTACHED:**

Schedules attached include a sources and uses of funds; estimated pricing summary; and estimated debt service requirements, overall and by project, given the current interest environment.

**RISKS/SPECIAL CONSIDERATIONS:**

The outcome of this financing will rely on the market conditions at the time of the sale. Any projections included herein are estimates based on current market conditions.

**SALE TERMS AND MARKETING:**

Variability of Issue Size: A specific provision in the sale terms permits modifications to the issue size and/or maturity structure to customize the issue once the price and interest rates are set on the day of sale.

Prepayment Provisions: Bonds maturing on or after April 1, 2025 may be prepaid at a price of par plus accrued interest on or after April 1, 2024.

Bank Qualification: The City is issuing more than \$10 million in tax-exempt obligations that count against the \$10 million limit for this calendar year; therefore, the Bonds are not designated as bank qualified.

Bidding Parameters: The issue size has been made adjustable so that the principal amount of the issue may be decreased should the winning bid provide greater funds than the authorized amount of the borrowing. To decrease the likelihood of the proceeds being too great relative to the voted authorization we will limit pricing of any maturity to no more than 110% of the principal amount of that maturity.

**\$14,575,000**

City of Lee's Summit, Missouri  
General Obligation Bonds, Series 2017A  
Issue Summary

**Total Issue Sources And Uses**

**Dated 08/30/2017 | Delivered 08/30/2017**

	Fire Station - 2016 Referendum	Fire Equipment - 2016 Referendum	Fire Equipment - 2002 Referendum	Police Radios - 2016 Referendum	Police Interconnect - 2016 Referendum	Issue Summary
<b>Sources Of Funds</b>						
Par Amount of Bonds.....	\$5,000,000.00	\$1,000,000.00	\$75,000.00	\$8,000,000.00	\$500,000.00	\$14,575,000.00
Reoffering Premium.....	36,506.00	15,132.50	414.75	49,635.00	7,566.25	109,254.50
<b>Total Sources.....</b>	<b>\$5,036,506.00</b>	<b>\$1,015,132.50</b>	<b>\$75,414.75</b>	<b>\$8,049,635.00</b>	<b>\$507,566.25</b>	<b>\$14,684,254.50</b>
<b>Uses Of Funds</b>						
Available for Project Costs.....	4,985,554.04	1,004,942.10	74,650.47	7,968,111.85	502,471.04	14,535,729.50
Total Underwriter's Discount (0.600%).....	30,000.00	6,000.00	450.00	48,000.00	3,000.00	87,450.00
Costs of Issuance.....	20,951.96	4,190.40	314.28	33,523.15	2,095.21	61,075.00
<b>Total Uses.....</b>	<b>\$5,036,506.00</b>	<b>\$1,015,132.50</b>	<b>\$75,414.75</b>	<b>\$8,049,635.00</b>	<b>\$507,566.25</b>	<b>\$14,684,254.50</b>

**\$14,575,000**

**City of Lee's Summit, Missouri**  
**General Obligation Bonds, Series 2017A**  
**Issue Summary**

**Pricing Summary**

<b>Maturity</b>	<b>Type of Bond</b>	<b>Coupon</b>	<b>Yield</b>	<b>Maturity Value</b>	<b>Price</b>	<b>Dollar Price</b>
04/01/2018	Serial Coupon	2.000%	1.050%	1,150,000.00	100.553%	1,156,359.50
04/01/2019	Serial Coupon	2.000%	1.150%	1,075,000.00	101.331%	1,089,308.25
04/01/2020	Serial Coupon	2.000%	1.250%	1,275,000.00	101.902%	1,299,250.50
04/01/2021	Serial Coupon	2.000%	1.350%	1,475,000.00	102.267%	1,508,438.25
04/01/2022	Serial Coupon	2.000%	1.500%	1,400,000.00	102.207%	1,430,898.00
04/01/2023	Serial Coupon	1.600%	1.600%	1,900,000.00	100.000%	1,900,000.00
04/01/2024	Serial Coupon	1.700%	1.700%	2,100,000.00	100.000%	2,100,000.00
04/01/2025	Serial Coupon	1.850%	1.850%	2,300,000.00	100.000%	2,300,000.00
04/01/2026	Serial Coupon	2.050%	2.050%	1,900,000.00	100.000%	1,900,000.00
Total	-	-	-	\$14,575,000.00	-	\$14,684,254.50

**Bid Information**

Par Amount of Bonds.....	\$14,575,000.00
Reoffering Premium or (Discount).....	109,254.50
Gross Production.....	\$14,684,254.50
Total Underwriter's Discount (0.600%).....	\$(87,450.00)
Bid (100.150%).....	14,596,804.50
Total Purchase Price.....	\$14,596,804.50
Bond Year Dollars.....	\$75,592.57
Average Life.....	5.186 Years
Average Coupon.....	1.8651161%
Net Interest Cost (NIC).....	1.8362713%
True Interest Cost (TIC).....	1.8341254%

**\$14,575,000**

**City of Lee's Summit, Missouri**  
General Obligation Bonds, Series 2017A  
Issue Summary

**Aggregate Principal Payments**

DATE	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	TOTAL
	Fire Station - 2016 Referendum	Fire Equipment - 2016 Referendum	Fire Equipment - 2002 Referendum	Police Radios - 2016 Referendum	Police Interconnect - 2016 Referendum	
04/01/2018	300,000.00	250,000.00	75,000.00	400,000.00	125,000.00	1,150,000.00
04/01/2019	200,000.00	250,000.00	-	500,000.00	125,000.00	1,075,000.00
04/01/2020	400,000.00	250,000.00	-	500,000.00	125,000.00	1,275,000.00
04/01/2021	500,000.00	250,000.00	-	600,000.00	125,000.00	1,475,000.00
04/01/2022	600,000.00	-	-	800,000.00	-	1,400,000.00
04/01/2023	700,000.00	-	-	1,200,000.00	-	1,900,000.00
04/01/2024	700,000.00	-	-	1,400,000.00	-	2,100,000.00
04/01/2025	800,000.00	-	-	1,500,000.00	-	2,300,000.00
04/01/2026	800,000.00	-	-	1,100,000.00	-	1,900,000.00
Total	\$5,000,000.00	\$1,000,000.00	\$75,000.00	\$8,000,000.00	\$500,000.00	\$14,575,000.00

**Par Amounts Of Selected Issues**

-Fire Station - 2016 Referendum.....	5,000,000.00
-Fire Station - 2012 Referendum.....	1,000,000.00
-Fire Equipment - 2016 Referendum.....	75,000.00
-Police Radios - 2016 Referendum.....	8,000,000.00
-Police Interconnect - 2016 Referendum.....	500,000.00
<b>TOTAL.....</b>	<b>14,575,000.00</b>

**\$14,575,000**

**City of Lee's Summit, Missouri**  
**General Obligation Bonds, Series 2017A**  
**Issue Summary**

**Aggregate Debt Service**

DATE	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	2017A GO Bonds	TOTAL
	Fire Station - 2016 Referendum	Fire Equipment - 2016 Referendum	Fire Equipment - 2002 Referendum	Police Radios - 2016 Referendum	Police Interconnect - 2016 Referendum	
04/01/2018	355,270.28	261,722.22	75,879.17	487,506.39	130,861.11	1,311,239.17
04/01/2019	288,300.00	265,000.00	-	641,300.00	132,500.00	1,327,100.00
04/01/2020	484,300.00	260,000.00	-	631,300.00	130,000.00	1,505,600.00
04/01/2021	576,300.00	255,000.00	-	721,300.00	127,500.00	1,680,100.00
04/01/2022	666,300.00	-	-	909,300.00	-	1,575,600.00
04/01/2023	754,300.00	-	-	1,293,300.00	-	2,047,600.00
04/01/2024	743,100.00	-	-	1,474,100.00	-	2,217,200.00
04/01/2025	831,200.00	-	-	1,550,300.00	-	2,381,500.00
04/01/2026	816,400.00	-	-	1,122,550.00	-	1,938,950.00
<b>Total</b>	<b>\$5,515,470.28</b>	<b>\$1,041,722.22</b>	<b>\$75,879.17</b>	<b>\$8,830,956.39</b>	<b>\$520,861.11</b>	<b>\$15,984,889.17</b>

**Par Amounts Of Selected Issues**

-Fire Station - 2016 Referendum.....	5,000,000.00
-Fire Station - 2012 Referendum.....	1,000,000.00
-Fire Equipment - 2016 Referendum.....	75,000.00
-Police Radios - 2016 Referendum.....	8,000,000.00
-Police Interconnect - 2016 Referendum.....	500,000.00
<b>TOTAL.....</b>	<b>14,575,000.00</b>



**\$14,575,000**  
**City of Lee's Summit, Missouri**  
**General Obligation Bonds, Series 2017A**  
**Issue Summary**

**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I
04/01/2018	1,150,000.00	2.000%	161,239.17	1,311,239.17
04/01/2019	1,075,000.00	2.000%	252,100.00	1,327,100.00
04/01/2020	1,275,000.00	2.000%	230,600.00	1,505,600.00
04/01/2021	1,475,000.00	2.000%	205,100.00	1,680,100.00
04/01/2022	1,400,000.00	2.000%	175,600.00	1,575,600.00
04/01/2023	1,900,000.00	1.600%	147,600.00	2,047,600.00
04/01/2024	2,100,000.00	1.700%	117,200.00	2,217,200.00
04/01/2025	2,300,000.00	1.850%	81,500.00	2,381,500.00
04/01/2026	1,900,000.00	2.050%	38,950.00	1,938,950.00
Total	\$14,575,000.00	-	\$1,409,889.17	\$15,984,889.17

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$75,592.57
Average Life.....	5.186 Years
Average Coupon.....	1.8651161%
Net Interest Cost (NIC).....	1.8362713%
True Interest Cost (TIC).....	1.8341254%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	1.9202431%

**IRS Form 8038**

Net Interest Cost.....	1.7126387%
Weighted Average Maturity.....	5.172 Years

**\$5,000,000**

**City of Lee's Summit, Missouri**  
General Obligation Bonds, Series 2017A  
Fire Station - 2016 Referendum

**DEBT SERVICE SCHEDULE**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>
04/01/2018	300,000.00	2.000%	55,270.28	355,270.28
04/01/2019	200,000.00	2.000%	88,300.00	288,300.00
04/01/2020	400,000.00	2.000%	84,300.00	484,300.00
04/01/2021	500,000.00	2.000%	76,300.00	576,300.00
04/01/2022	600,000.00	2.000%	66,300.00	666,300.00
04/01/2023	700,000.00	1.600%	54,300.00	754,300.00
04/01/2024	700,000.00	1.700%	43,100.00	743,100.00
04/01/2025	800,000.00	1.850%	31,200.00	831,200.00
04/01/2026	800,000.00	2.050%	16,400.00	816,400.00
<b>Total</b>	<b>\$5,000,000.00</b>	<b>-</b>	<b>\$515,470.28</b>	<b>\$5,515,470.28</b>

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$27,530.56
Average Life.....	5.506 Years
Average Coupon.....	1.8723570%
Net Interest Cost (NIC).....	1.8487251%
True Interest Cost (TIC).....	1.8466591%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	1.9279062%

**IRS Form 8038**

Net Interest Cost.....	1.7318136%
Weighted Average Maturity.....	5.491 Years

**\$1,000,000**  
**City of Lee's Summit, Missouri**  
**General Obligation Bonds, Series 2017A**  
**Fire Equipment - 2016 Referendum**

**DEBT SERVICE SCHEDULE**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>
04/01/2018	250,000.00	2.000%	11,722.22	261,722.22
04/01/2019	250,000.00	2.000%	15,000.00	265,000.00
04/01/2020	250,000.00	2.000%	10,000.00	260,000.00
04/01/2021	250,000.00	2.000%	5,000.00	255,000.00
Total	\$1,000,000.00	-	\$41,722.22	\$1,041,722.22

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$2,086.11
Average Life.....	2.086 Years
Average Coupon.....	1.9999999%
Net Interest Cost (NIC).....	1.5622236%
True Interest Cost (TIC).....	1.5509844%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	1.7560069%

**IRS Form 8038**

Net Interest Cost.....	1.2513867%
Weighted Average Maturity.....	2.093 Years

**\$75,000**

**City of Lee's Summit, Missouri**  
**General Obligation Bonds, Series 2017A**  
**Fire Equipment - 2002 Referendum**

**DEBT SERVICE SCHEDULE**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>
04/01/2018	75,000.00	2.000%	879.17	75,879.17
Total	\$75,000.00	-	\$879.17	\$75,879.17

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$43.96
Average Life.....	0.586 Years
Average Coupon.....	2.0000076%

Net Interest Cost (NIC).....	2.0801972%
True Interest Cost (TIC).....	2.0793191%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	2.8048602%

**IRS Form 8038**

Net Interest Cost.....	1.0506902%
Weighted Average Maturity.....	0.586 Years

**\$8,000,000**

**City of Lee's Summit, Missouri**  
General Obligation Bonds, Series 2017A  
Police Radios - 2016 Referendum

**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I
04/01/2018	400,000.00	2.000%	87,506.39	487,506.39
04/01/2019	500,000.00	2.000%	141,300.00	641,300.00
04/01/2020	500,000.00	2.000%	131,300.00	631,300.00
04/01/2021	600,000.00	2.000%	121,300.00	721,300.00
04/01/2022	800,000.00	2.000%	109,300.00	909,300.00
04/01/2023	1,200,000.00	1.600%	93,300.00	1,293,300.00
04/01/2024	1,400,000.00	1.700%	74,100.00	1,474,100.00
04/01/2025	1,500,000.00	1.850%	50,300.00	1,550,300.00
04/01/2026	1,100,000.00	2.050%	22,550.00	1,122,550.00
Total	\$8,000,000.00	-	\$830,956.39	\$8,830,956.39

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$44,888.89
Average Life.....	5.611 Years
Average Coupon.....	1.8511405%
Net Interest Cost (NIC).....	1.8474981%
True Interest Cost (TIC).....	1.8467540%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	1.9265721%

**IRS Form 8038**

Net Interest Cost.....	1.7341469%
Weighted Average Maturity.....	5.597 Years

**\$500,000**

**City of Lee's Summit, Missouri**  
General Obligation Bonds, Series 2017A  
Police Interconnect - 2016 Referendum

**DEBT SERVICE SCHEDULE**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>
04/01/2018	125,000.00	2.000%	5,861.11	130,861.11
04/01/2019	125,000.00	2.000%	7,500.00	132,500.00
04/01/2020	125,000.00	2.000%	5,000.00	130,000.00
04/01/2021	125,000.00	2.000%	2,500.00	127,500.00
Total	\$500,000.00	-	\$20,861.11	\$520,861.11

**SIGNIFICANT DATES**

Dated Date.....	8/30/2017
Delivery Date.....	8/30/2017
First Coupon Date.....	4/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$1,043.06
Average Life.....	2.086 Years
Average Coupon.....	1.9999999%
Net Interest Cost (NIC).....	1.5622236%
True Interest Cost (TIC).....	1.5509844%
Bond Yield for Arbitrage Purposes.....	1.7116715%
All Inclusive Cost (AIC).....	1.7560079%

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Net Interest Cost.....	1.2513867%
Weighted Average Maturity.....	2.093 Years