

FY 2023 License Tax Committee Annual Report

March 15, 2024

George Binger III, P.E.

Deputy Director of Public Works / City Engineer

Agenda

- License Tax Background and Current Status
- Annual Report of Revenue, Permits and Projects
- Staff Recommendations
- Committee Discussion and Guidance

License Tax Background

- City Ordinance 4592
 - Sections 28-175 through 28-123 in Code of Ordinances
 - Adopted March 17, 1998
 - Fees Amended 2007, 2015, 2018, 2020 and 2022
 - Administrative cleanup 2019; Term limits and appointment rules updated 2023
- Tax paid by development activity
 - Building permit, and/or
 - Creates additional traffic / vehicle trips
- Tax used for “streets and related improvements... including but not limited to...”
 - Design
 - Construction
 - Reconstruction
 - Repair and maintenance

License Tax Background

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

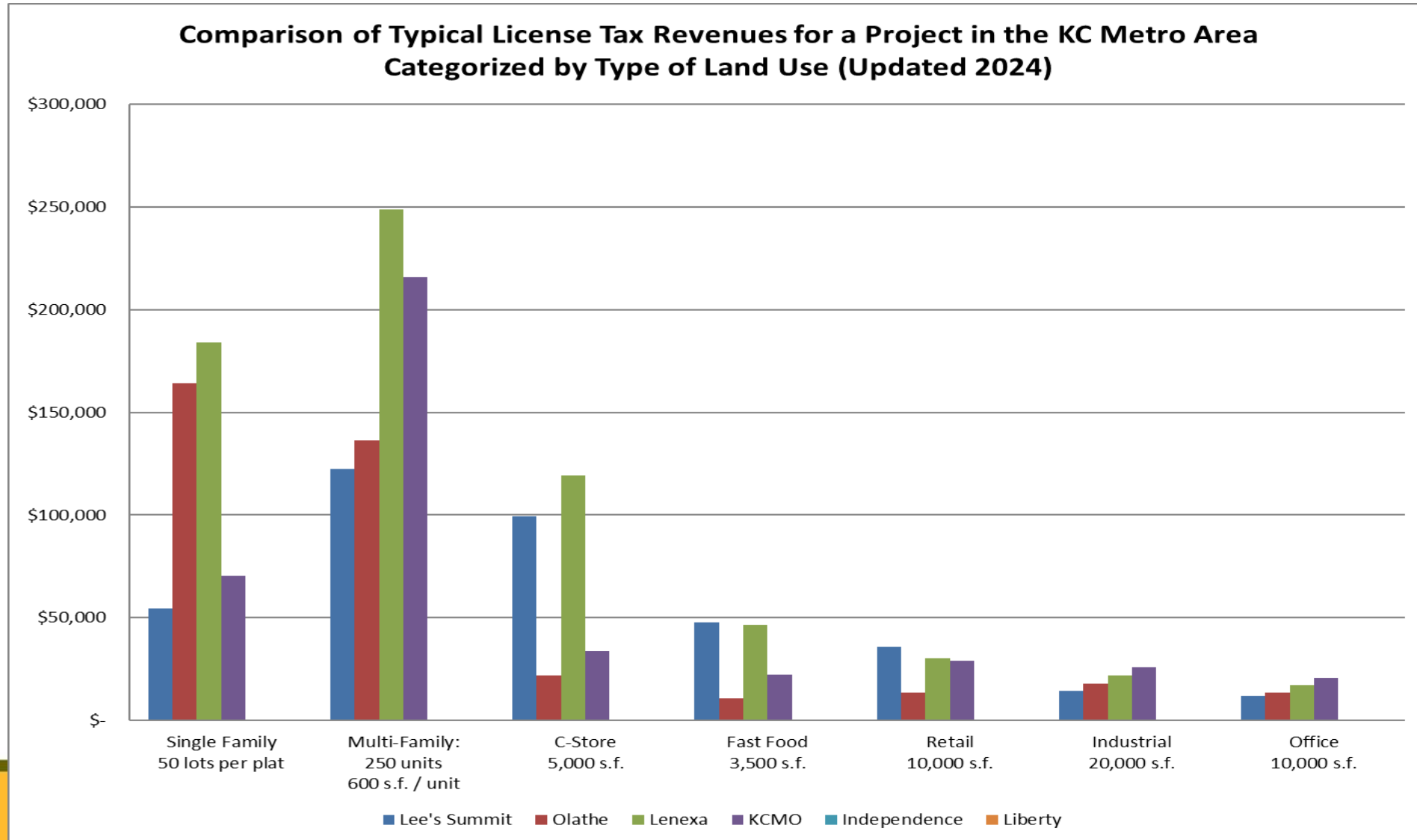
Current Tax Rates

Land Use Category	License Tax Rate (as of July 1, 2022)
Residential	\$1,088 per residential unit
Manufacturing / Industrial	\$1,100 per new trip
Commercial	\$ 825 per new trip

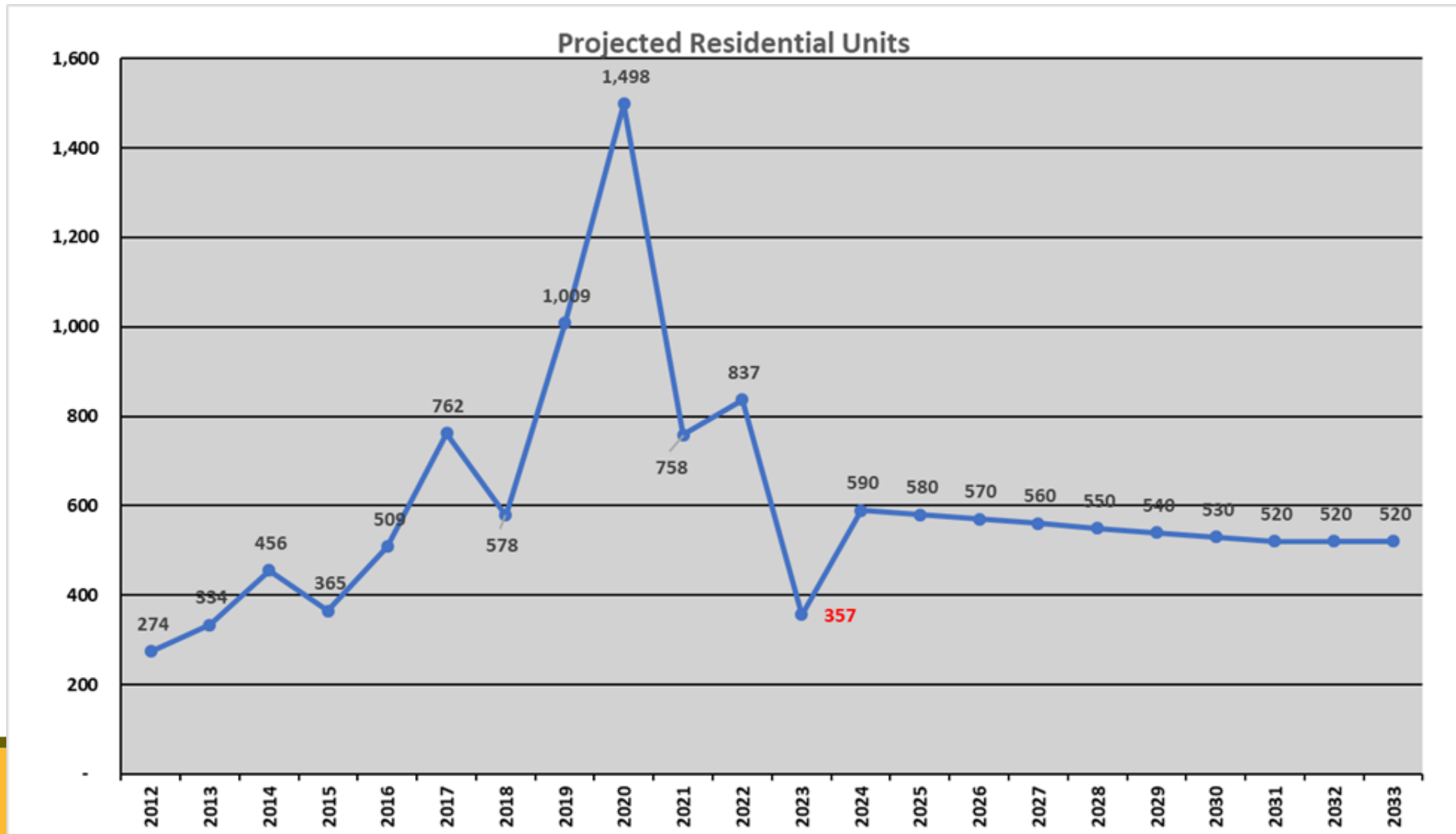
Notes regarding Rates:

- o Maximum rate \$2,116 approved by voters in 1997
- o Residential fees relatively low compared to KC Metro area
- o Commercial fee above average compared to KC Metro area
- o Industrial fee about near average

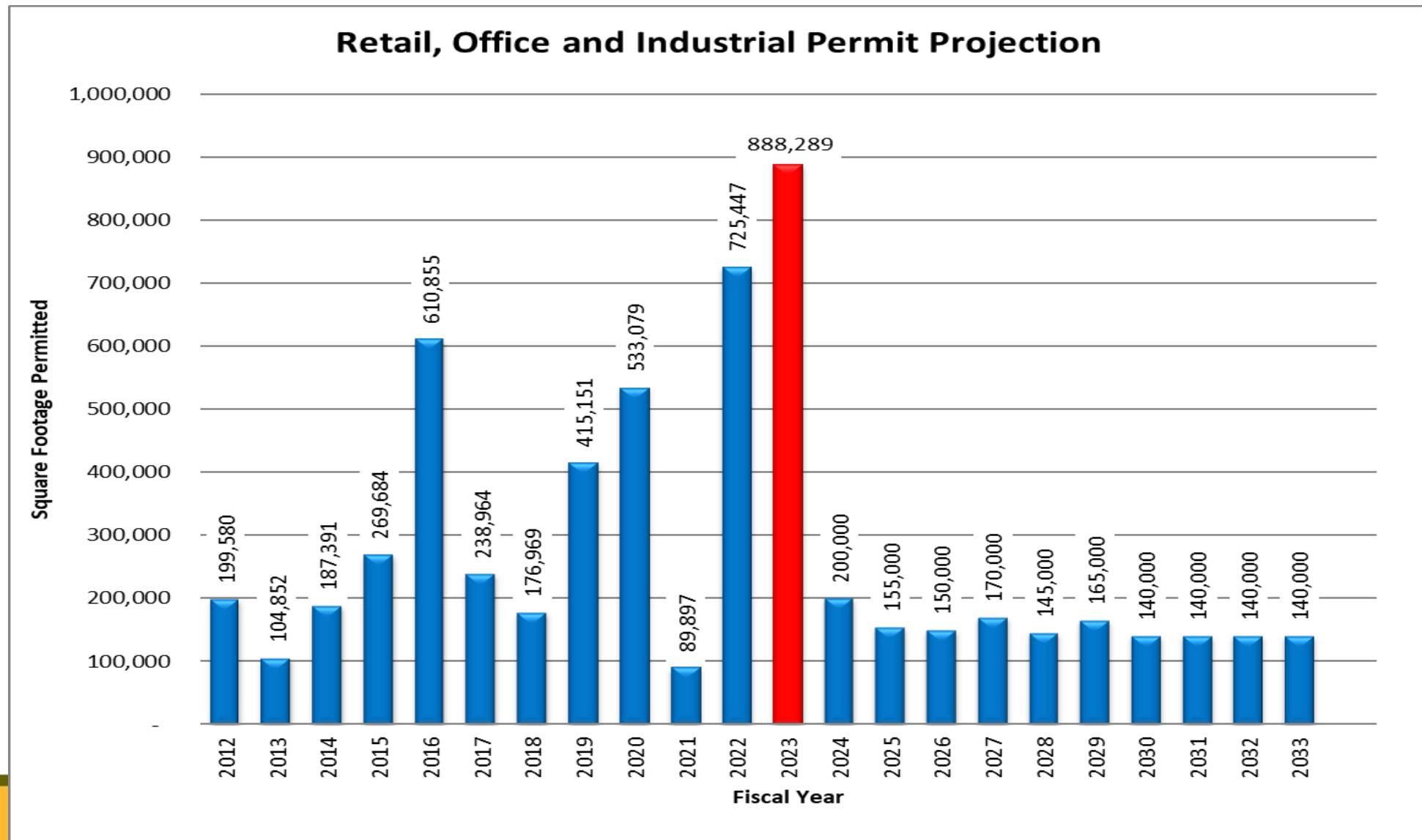
Community Fee Comparisons (typical project)



Residential Building Permits

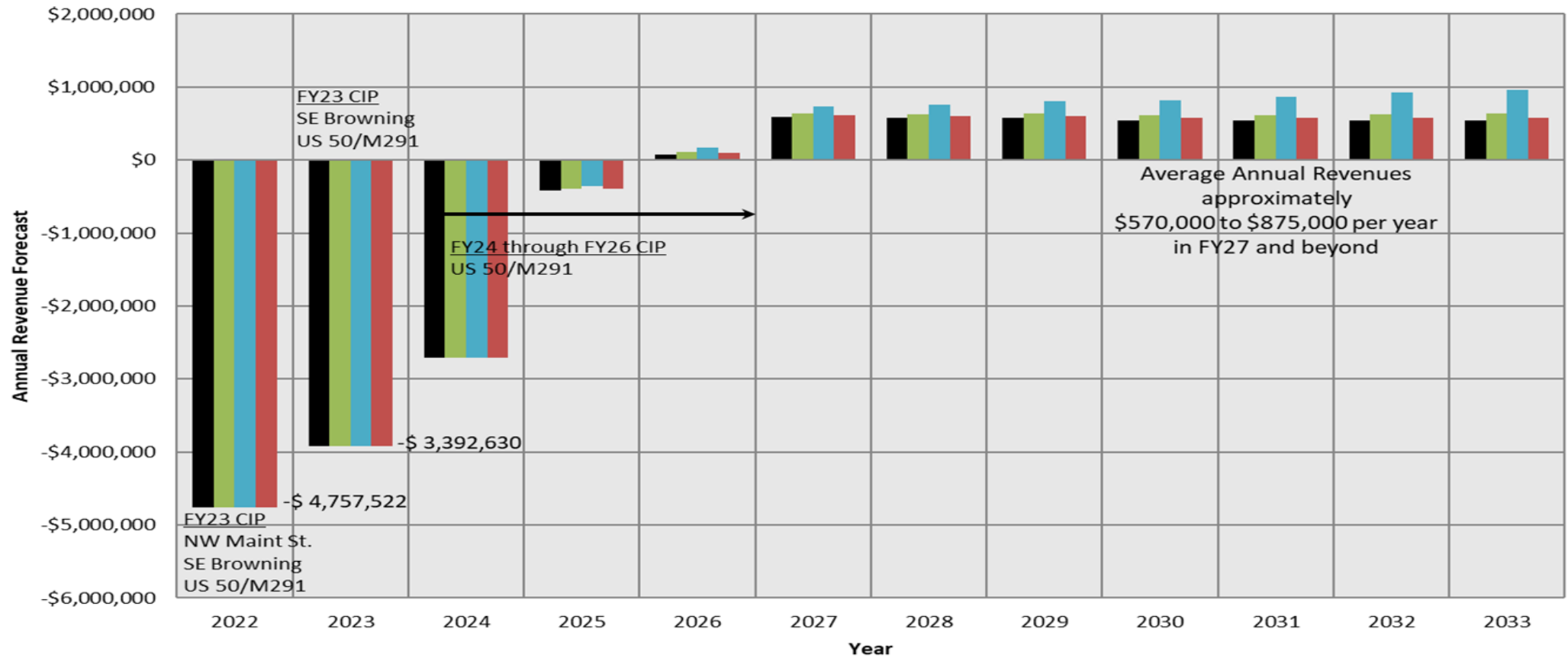


Retail, Office & Industrial Building Permits



License Tax Net Revenue Estimates

Annual License Tax Net Revenue Projections for 4 Scenarios
 (Showing Total Revenues Less Programmed CIP Project Funding Commitments)



- Net Excise Tax (Current Rates)
- Net Excise Tax plus Non-Residential CCI annual adjustments
- Net Excise Tax with Annual CCI Adjustments (all categories)
- Net Excise Tax: Non-Residential One-time 10% increase in FY25



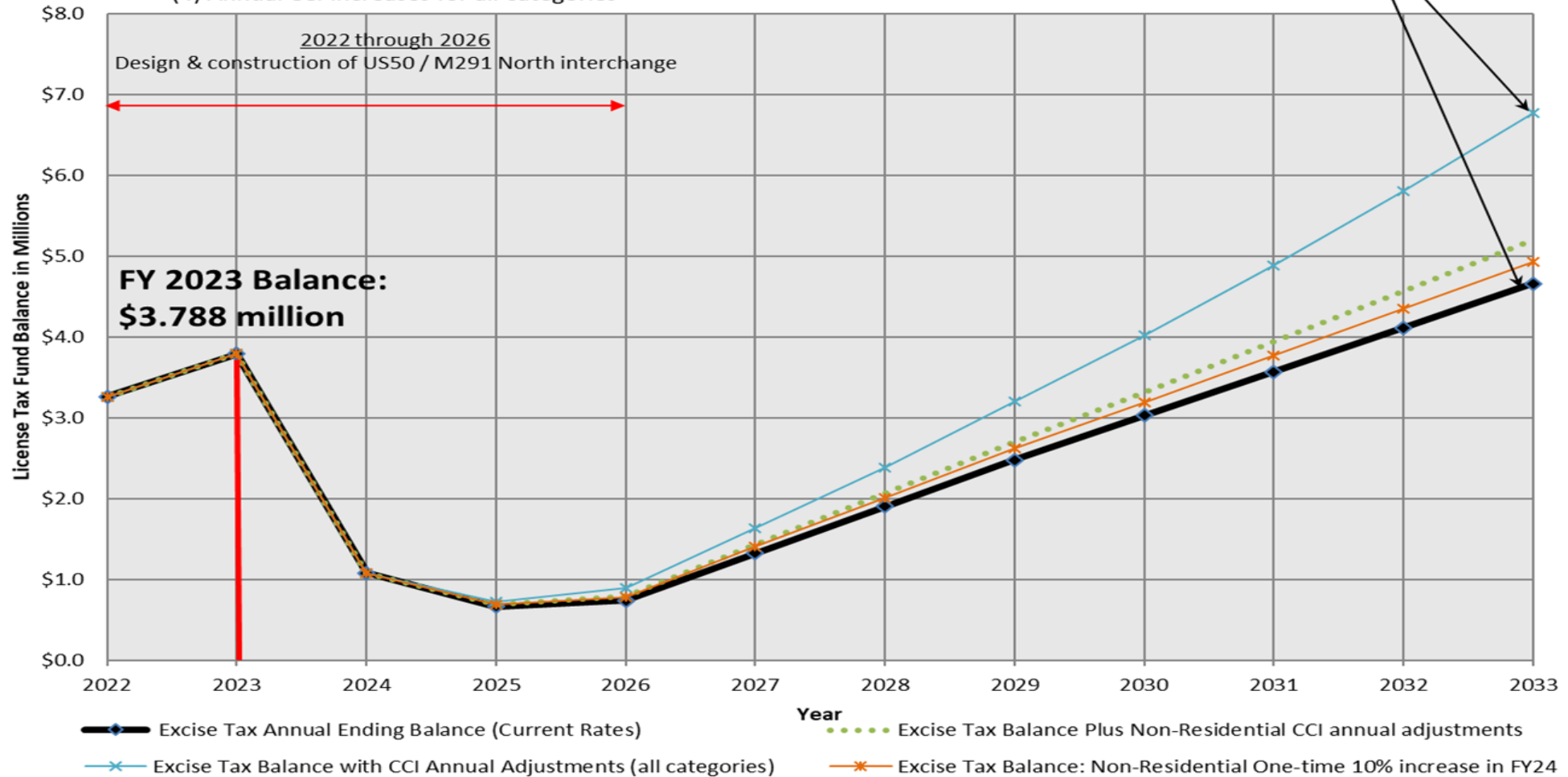
License Tax Fund Balance Projections

Comparison of Total License Tax Fund Balance Scenarios Tax Balance

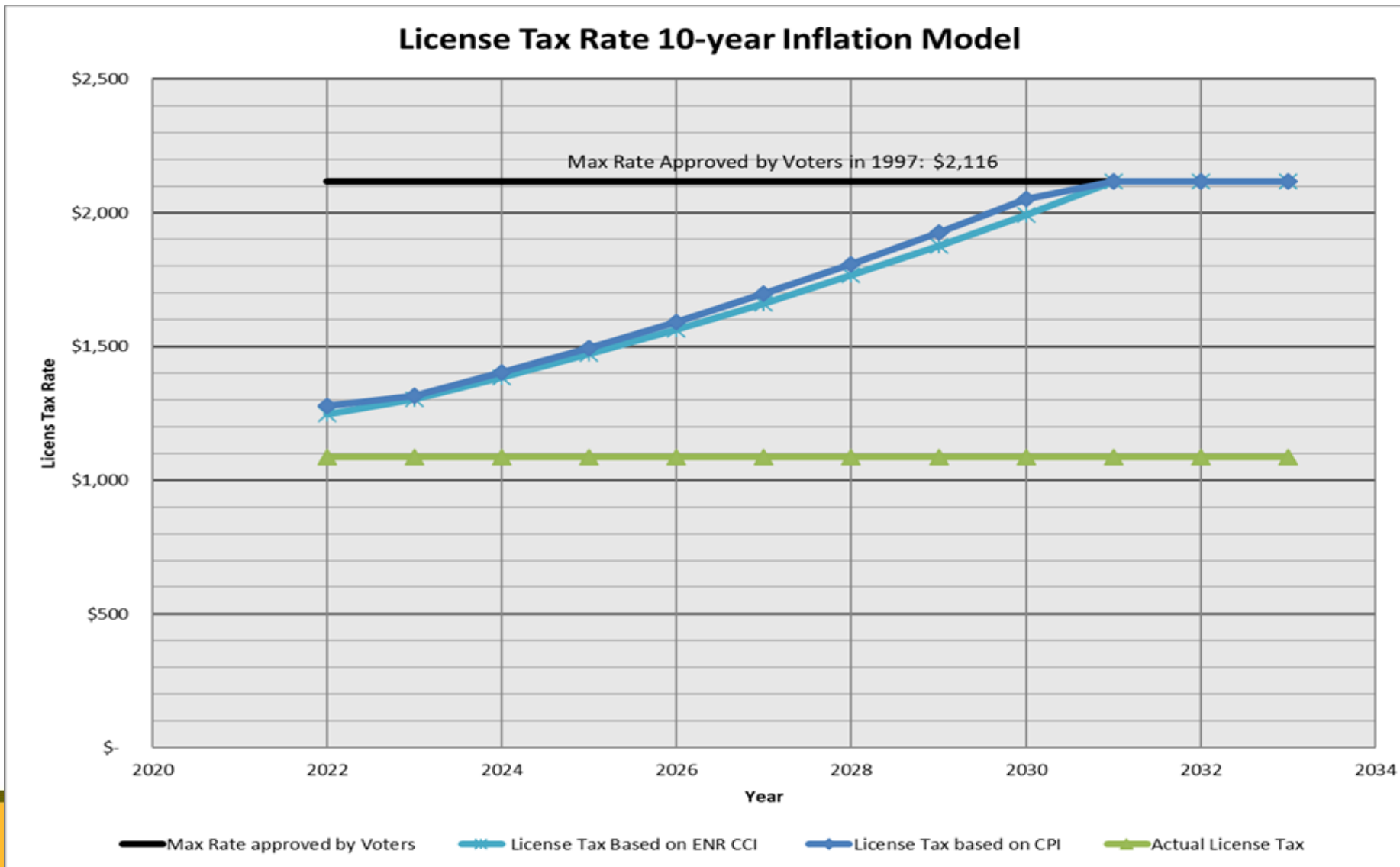
Fund Balance Ranges from \$4.658M to \$6.769M for various Scenarios:

Low to High Order:

- (1) No Change, (2) One-time 10% increase in Non-residential, (3) Annual CCI adjustments in Non-Residential,
- (4) Annual CCI increases for all categories



Inflation



Excise Tax Project Status

Status of Projects Underway	
SE Browning Street	<ul style="list-style-type: none">• Project completed
US-50 & M-291 North Interchange	<ul style="list-style-type: none">• Design Contract Awarded• CIP total project funding = \$22.5 million• Excise tax amount = \$6.0 million• Received 2 Grants<ul style="list-style-type: none">Federal STBG Grant for \$6.4 millionGovernor's Cost Share Grant of \$9.0 million• Construction estimated to occur in 2024-2026 (includes facilities relocations)

April 2023 No Tax Increase Bond Issue

Transportation Projects

- *Scherer Parkway from Sampson Rd to M-291*
- *Longview Boulevard from Scherer Pkwy to Longview Rd*
- *Todd George Parkway from Woods Chapel Rd to Colbern Rd*
- SE Douglas Street from Blue Pkwy to 5th St
- Lakewood Way Reconstruction from Woods Chapel Rd to Bowlin Rd
- Lakewood Way from Bowlin Rd to north city limits (add turn lanes and shoulders)
- NE Langsford Road from M-291 to Todd George (turn lanes and access management)
- Hangar 2
- Air Traffic Control Tower property
- Sidewalk Gap Program

Staff Discussion for 2023 Meeting

- US 50 and M-291 North Interchange project underway
- Inflation a significant factor; using 4-year average, inflation adds approximately 4.2 percent to project budgets annually
- Re-iterate previous policy guidance
 - Projects eligible for license tax funding should be limited to projects identified in the City's Thoroughfare Master Plan (TFMP)
 - Support economic activity among several sites; not sole benefit for single development
 - Cash flow projects

Committee Discussion, Guidance or Recommendations

- Adjust Rate?
 - One time
 - Follow Construction Cost Index
 - All categories or selected categories
- Projects to consider ?
 - US 50 south outer road from Todd George to Blackwell
 - SE Hamblen Road from Thompson Road to south city limits
- Other Considerations ?
- *Note: Committee voted to make no changes to current rates; did not recommend new projects;*

Next Steps

- Submit License Tax Review Committee Report to Council
 - Submit written report
 - Ordinance if changing fees
- FY 2025-2029 Capital Improvement Plan
 - Public comment period, April 1 to April 30
 - April Public Works Committee
 - City Council in April
 - Planning Commission in May
 - City Council FY25 budget approval and adoption of CIP in June
- Schedule FY24 License tax report