



LEE'S SUMMIT MISSOURI

License Tax Review Committee Annual Report for FY2020

January 19, 2021

EXECUTIVE SUMMARY

City staff presented the FY2020 update to the License Tax Review Committee on December 3, 2020. This report presents the discussion and recommendations from the Committee. The discussion and data is based on information before the announcement by PRI to sell large parcels of land in Lee's Summit.

Current Status

- The License Tax is assessed for development or re-development activity that increase traffic
- The City must spend funds received on transportation projects
- The License Tax Fund current balance was \$7.204 million as of June 30, 2020
- Maximum rate approved by voters in 1997 was \$2,116 per residential unit
- Current rates are: \$1,088 per Residential unit;
\$1,000 per trip for Manufacturing/Industrial; \$750 per trip for Commercial

Projections

- The analysis and presentation does not include any projections for PRI land
- All categories of building permit activity exceeded projections in 2020
- All categories for building permit is expected to decline for the next five years
- Fund is forecast to approach zero balance in 5 years when used for U.S.-50 / M-291 North Interchange, NW Main Street, and SE Browning Street projects
- Fund is project to have a positive balance of \$950,000 in 10 years

Committee Guidance

- Projects funded by the License Tax should be limited to projects identified in the City's Thoroughfare Master Plan (TFMP)
- Projects should exclude site specific projects such as adding a turn lane or signal required by one developer or landowner to complete a project
- Projects that remove impediments to future commercial or industrial development are the preferred use of this fund
- The License Tax funds should continue to manage cash flow so that projects are funded on a pay as you go basis

Actions

- No motions were made
- The Committee re-affirmed previous recommendations to use the license tax funds for the US 50 / M291 North Interchange improvements project

Background

The license tax, or sometimes called excise tax, was adopted by voters in November 1997 and then adopted by Ordinance No. 4592 on March 17, 1998. The provisions of the license tax ordinance are found in Sections 28-175 through 28-183 of the City’s Code of Ordinances. The tax is administered by City Staff subject to the oversight of the License Tax Committee. The ordinances established the Finance Director as the License Tax Administrator and designated the City Traffic Engineer and a Plans Examiner as part of the implementation team.

The license tax uses a formula based on the additional traffic created by development to calculate the tax for each project. The license tax helps to fund the expansion of the City’s street system needed to support traffic generated by new development. Revenues collected by the License Tax can be spent on any road projects throughout the City.

Funding is not intended to benefit site specific improvements, but the overall street network in all areas of the community. The tax is paid when building permits are issued for residential construction or when the certificate of occupancy is issued for commercial and industrial development.

The tax has been used to fund road projects identified in the Thoroughfare Master Plan (TFMP). The master plan has been updated on a regular basis to adjust for changing development patterns, traffic conditions, and updated projections. The original projects proposed in 1997 were identified in the 1995 TFMP, and those projects were completed by 2011. The TFMP was updated in 2005 and 2017. TFMP updates, increasing License Tax fund balances, and increased traffic demands caused by new developments created a need to evaluate new projects to be funded from the License Tax program. New projects recommended by the License Tax Committee can be added as part of annual Capital Improvement Planning process so that projects can be vetted through the public hearing process at Planning Commission and funded through the City Council budgetary process. This was the process used to add SE Browning Street and NW Main Street projects into the current Capital Improvement Plan. A detailed list of the projects funded using the License Tax is presented in Appendix A.

The current tax rates are shown in Table 1. The current rates are below the \$2,116.00 rate that was authorized by voters when the tax was adopted in 1997, so rate adjustments below that amount do not require voter approval. The current rates include a 3% rate increase adopted in 2007, a 5% rate increase in 2015 for all categories, a 10% rate increase on non-residential development in 2016, and a 5% rate increase on non-residential development in 2018. No rate adjustments were made this year.

Table 1: License Tax Rates for 2020-21 (FY21)

Land Use Category	License Tax
Residential	\$1,088 per new trip
Manufacturing / Industrial	\$1,000 per new trip
Commercial	\$ 750 per new trip

Current Status and Projections for Permitting Activity

The City issued 1,498 permits for residential living units in FY20, which was significantly more than the 1,009 permits issued in FY19. The current activities are projected to be a peak in was projected to be the peak activity based on land currently available for development, but that is hard to forecast with current building activity, interest rates, and other economic factors. The concerns related to economic

shutdowns for COVID-19 did not seem to affect the building and construction industry. Those industries were initially classified as “essential,” thus this type of work never had to stop.

2021 and 2022 projections estimate 500 to 800 residential permits. Starting in 2021-22, the residential construction activity is expected to gradually decline over the next 10 years. This recent peak included several multi-family units currently under construction or planned for construction in the next 2 years. Activity is expected to be equal or greater than 300 residential units per year for the next 3 to 5 years. The number of permits forecast in 3 to 5 years is less than previous years. The current increase, coupled with fewer permits in the future, tends to indicate construction activity has accelerated in 2019 and 2020, thus reducing available land inventory available for future growth.

Growth may flatten sometime after 2023 because new construction is expected to use most of the existing inventory of platted land or easily developable land. Forecasting permits beyond 5 years is difficult due to the uncertainty of available land and the increased infrastructure costs associated with more challenging land areas. Figure 1 shows the building permit projections for residential units.

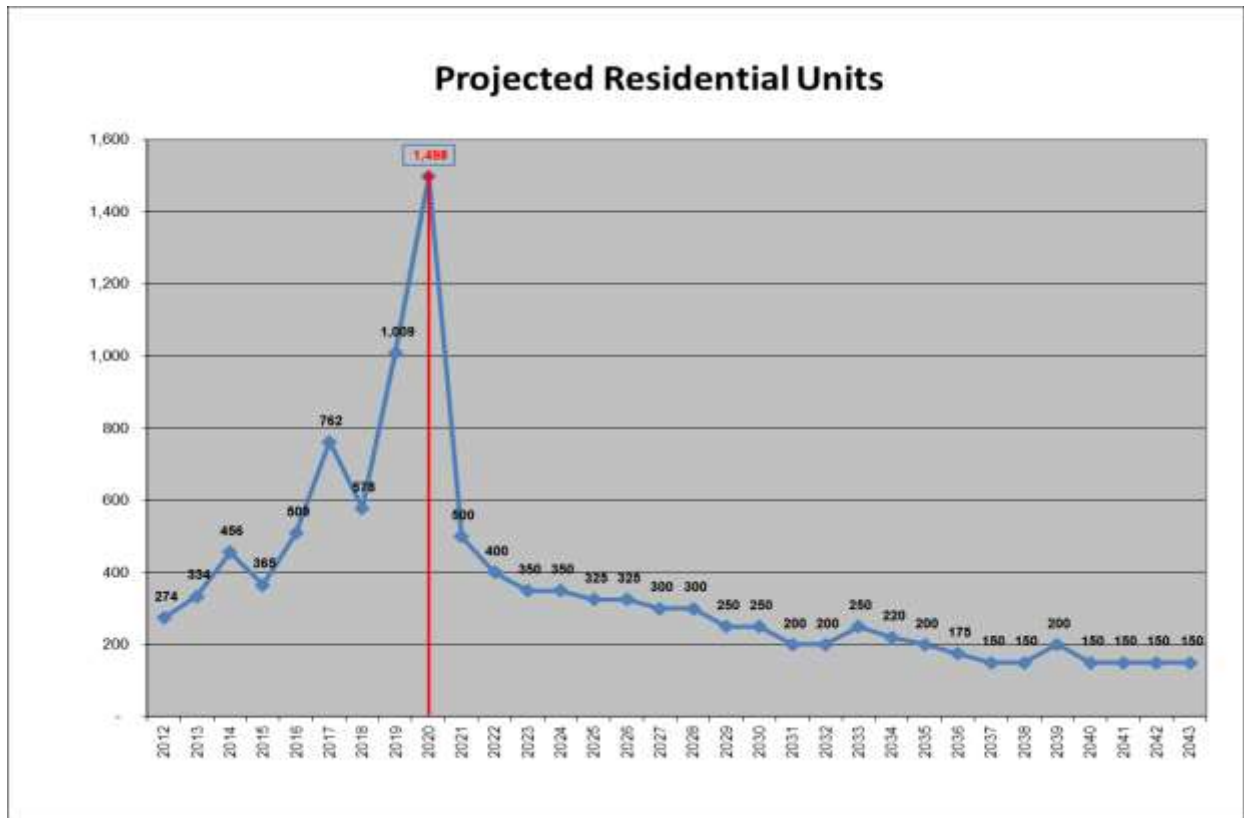


Figure 1: Projected Number of Residential Building Permits.

Commercial and industrial permitting is reported based on the square footage of buildings added to the City’s existing inventory. 533,079 square feet were permitted in 2020, which is more than the 415,151 square feet permitted in 2019. The total non-residential square footage permitted in FY2020 breaks down as follows: 105,590 square feet of office space, 213,780 square feet of retail, and 213,810 square feet of industrial space.

Commercial and industrial is forecast to peak this year and then decline starting in 2021. Commercial square footage construction is expected to be less than 150,000 square feet per starting in 2024. The peaks and downward trends are shown below in Figure 2.

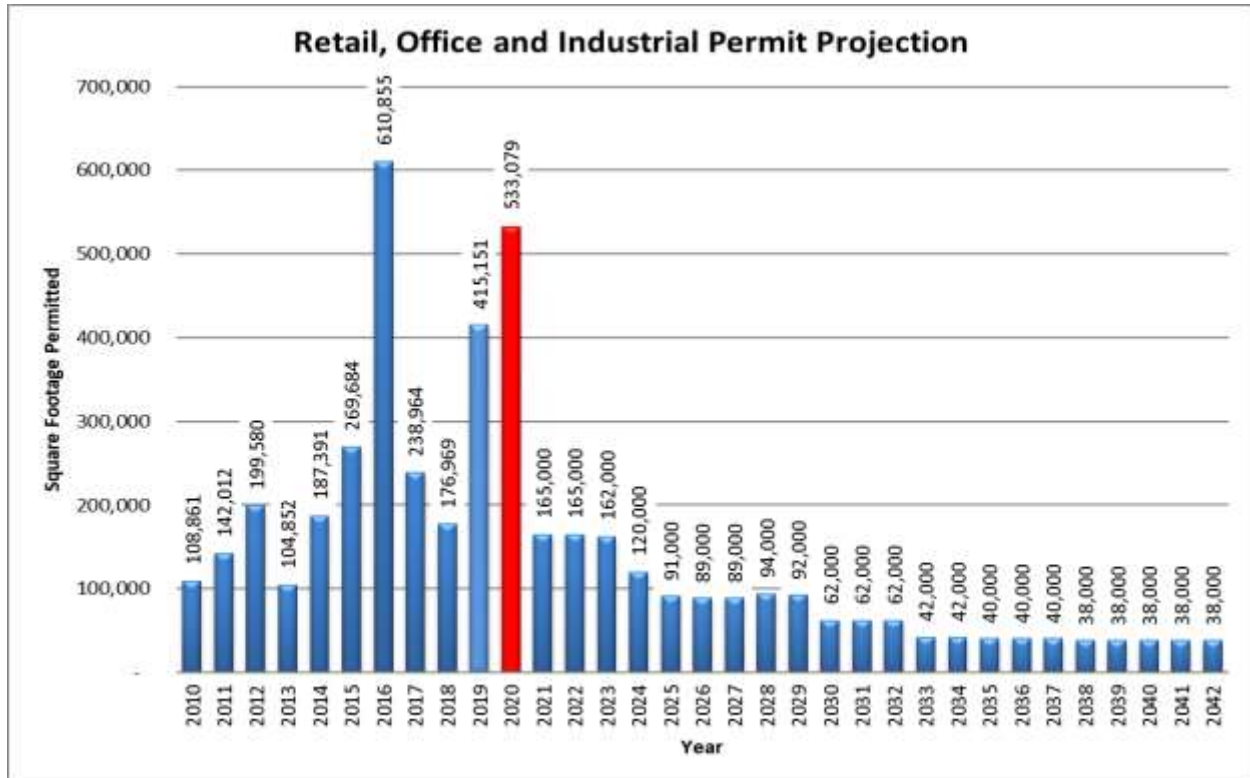


Figure 2: Projected Square Footage of Retail, Office and Industrial and Building Permits.

The total number of permits forecast is expected to be achieved because permit estimates are based on land area. The actual timing of the permit activity is more difficult to forecast. For example, a project development expected to start in 2020 may be delayed a few months, which would push the permit, and thus the revenues, into 2021. The City still receives the revenues, but the timing will change.

City staff has conservatively projected permits. The unpredictable timing and changes in projects may change the building footprint or use of a site, and thus change the license tax amount. Only known projects were considered for the next 2 to 4 years. Additional projects are likely to occur, but no such hypothetical projects were counted in the forecast.

Current Status and Projections for License Tax Fund Balances

The license tax generated \$1,784,000 of revenue for FY 2020 to yield a year-end balance of \$7.204 million. Based on currently active development projects, FY 2021 license tax net revenues are forecast to be about \$570,694 by the end of this fiscal year for June 30, 2021. \$4.107 million of license tax funding is currently programmed in the Capital Improvement Plan (C7IP) to construct SE Browning Street and NW Main Street. The M-291 North Interchange project is not programmed until FY2022 or later. The current balance, plus expected revenues, less the programmed money would create a

projected available fund balance of about \$3.667 million available for programming in FY2022. Detailed revenue tables can be found in Appendix B.

Analysis

Based on conversation with the Committee in previous years, there was not a strong desire to fund projects that correct transportation issues caused by existing development. The Committee expressed a desire to prioritize spending to remove impediments to future development. SE Browning Street and NW Main Street are such projects that address a roads the need to be improved to facilitate development in commercial / industrial areas. The Committee also recommended using the License Tax revenues serve as local matching funds to help secure grants and augment local funds for the M291 North – US 50 Interchange project.

These projects were consists with the committee's guidance to use this funding source to help remove impediments to development in areas that would benefit multiple sites. The committee also expressed the desire to focus in areas in which development and re-development would help generate new license tax revenues for the City, increase property tax base values, and potential help increase sales tax revenues.

Efforts to improve the M291 North – US 50 interchange have been discussed for many years. Recently, re-development in the area has started, others have expressed interest in re-developing near the interchange, the School District is planning to undertake significant renovations at the high school, and traffic continues to get worse. This project would qualify for the State's cost share programs, so there is an opportunity for the City to partner with the State to rebuild the interchange. The total transportation costs to rebuild the interchange and outer roads will be about \$21 million, of which the City needs to provide about \$9 million from dedicated transportation funds to provide local matching dollars. The license tax could be used towards meeting the local match. The license tax coupled with savings from other projects would be a way to meet the local commitments.

The fund itself does not generate enough annual revenue to complete a project every year. The Committee does not want to issue bonds backed by the license tax, so several years of funds should be accumulated to pay cash for eligible projects identified in the TFMP. Based on current tax rates and current project funding schedules, the license tax fund is estimated to have a balance of negative \$701,545 in FY2025. The fund projections show negative balances in FY2024-27. Historically, from 1997 through 2013, this fund carried a negative balance. The future negative balances can be managed in several ways.

CIP funding for the M-291 North Interchange project can be spread out over more years in the CIP. Currently the funding will be programmed over 4 years from FY22 through FY25. Spreading the funding over 6 years through FY27 would keep the license tax fund balance positive. This deferral could be done as the project schedule becomes more refined knowing when construction would occur when local matching funds area available.

The second option would be using inter-fund loans. The City regularly conducts inter-fund loans to transfer City cash on hand among different revenue sources, and then repays them through internal fund transfers. Past examples were the CIP Sales Tax funds collected by the City were transferred into the License Tax fund. The total estimated loan to the license tax fund would be \$1.131M from FY24

through FY27. The revenues generated from FY28 through 30 would be sufficient to repay the CIP Sales Tax fund, which would occur well before the CIP Sales Tax sunsets in 2032. A combination of spreading the License Tax funding over more years could reduce the inter-fund loan amount.

Any of these options will provide up to \$6.0M in local funds towards the M-291 North interchange project. These options will not impact the City’s general operating budget. These options do not require debt financing, so these options would support the Committee’s guidance for not using debt financing as part of the License Tax Fund.

The excise tax rate changes since 1997 have been relatively low, so the real value of funds collected has been declining due to inflation. However, the combined License Tax, sales taxes dedicated to transportation, bond issues, and special assessment districts have been sufficient to improve the City’s road networks in accordance with adopted goals and policies. Another consideration would be the structure of the tax. Changes in the retail market, housing alternatives, and the potential development of PRI may warrant reviewing how the license tax is calculated to adjust for changes over time.

Table 2 shows the historical license tax rates compared to values adjusted for inflation. Consumer inflation is based on annual adjustments to the Consumer Price Index (CPI) published by the Department of Labor. Construction inflation is based on annual adjustment to the 1993 Construction Cost Index (CCI) published by RS Means.

Table 2: Comparison of Actual License Tax Rates to Original 1998 Rate Adjusted for Consumer Price Inflation and Construction Cost Inflation

Year	Actual Residential License Tax Rate	Residential Rates Adjusted for CPI	Residential Rates Adjusted for CCI	Max. Rate Allowed by 1997 Election
2020	\$1,088.00	\$1,495.00	\$2,079.00	\$2,116.00

The current License Tax for residential rates lags 37% below the CPI and 91% below the CCI. The existing ordinance allows for increasing the License Tax rate to \$2,116.00, which would exceed the rates adjusted for inflation. So a 37% rate adjustments to match current costs would still be much less than the voter-approved threshold can be approved by City Council without requiring a citywide public vote. Appendix C presents license tax rates adjusted for CPI data and CCI data in comparison with the actual license tax rates.

Based on recent comments by the Committee, they desired to raise rates as one-time events in 2015, 2018 and 2020 in efforts to capture revenue associated with new non-residential development without adversely affecting development activity. As seen in Figures 1 and 2, development activity increased significantly, which would indicate the license tax rate increases did not have a negative impact on the overall development activity. Reduced rates in 2011 did not increase local development activity during the recession years. Based on those observations, City Staff’s assessment is that (a) regional and national economies have a greater effect on development activity than the license tax rates, and (b) small changes in those rates have not altered development activity.

Based on the current fund balance, and the projected multi-million dollar fund balance building over the next 5 to 10 years, the Committee recommended programming funds as part of the 5-year Capital Improvement Plan. Planning Commission and City Council have approved all of the project

recommendations for inclusion in the City's FY21 Capital Improvement Plan. The project lists are subject to annual reviews so project programmed beyond the current fiscal year can easily be deferred, adjusted, removed, replaced, change the scope, or other actions to adjust to future changes in the City.

Status of Committee Recommendations from 2019 Report

The Committee recommended using License Tax funds to support the SE Browning Street, NW Main Street and the US-50/M-291 North Interchange projects.

SE Browning street has final plans completed, but it still working with the Union Pacific Railroad to purchase right of way. City Council has authorized condemnation if needed. The NW Main Street Project is near final design. Temporary construction easements and some utility relocation work will be required. That project is expected to be constructed in 2021.

The interchange project was delayed due to issues related to the COVID-19 pandemic. The State temporarily withheld the cost-share offer to re-direct funds into public health and emergency response programs. The drop in state revenues further necessitated reallocation of state funding in early 2020.

City staff re-applied for the next round of state cost share funding later in 2020. Following the License Tax committee meeting, City Staff was notified on December 10, 2020 that the city was awarded \$8.7M from the state. This slight lag in state matching funds will help the City manage the cash flow and fund balances from the local funding sources.

Summary of Committee Comments, Questions and Discussion for FY2021

The Committee's comments, discussion and action can be found in the meeting minutes attached to the Council packet as part of the presentation.

The Committee re-affirmed the following guidance for the License Tax Program:

- A. Projects eligible for license tax funding should be limited to projects identified in the City's Thoroughfare Master Plan (TFMP)
- B. License tax funding should be managed on a cash-flow basis, and not used for debt financing
- C. Projects should exclude site specific projects required by one developer or landowner to complete a project
- D. Projects funded from the license tax funds should be prioritized to support new roads that remove impediments to development for non-residential developments

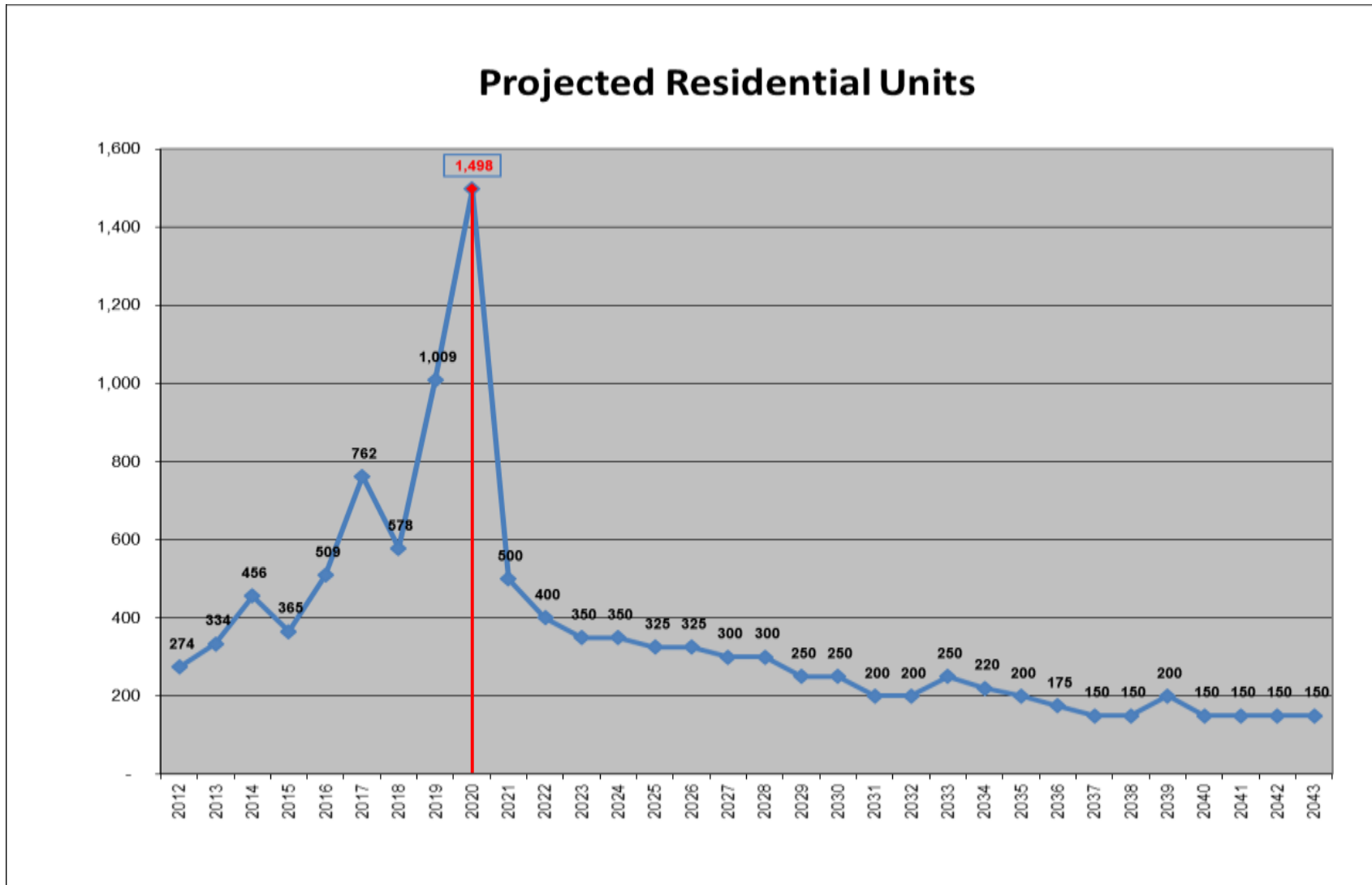
The Committee made no motions. The Committee re-affirmed support of the U.S. 50 / M-291 North interchange project.

APPENDIX A to FY2020 LICENSE TAX REPORT: Transportation Project Completed as Part of the License Tax Program Adopted in 1998

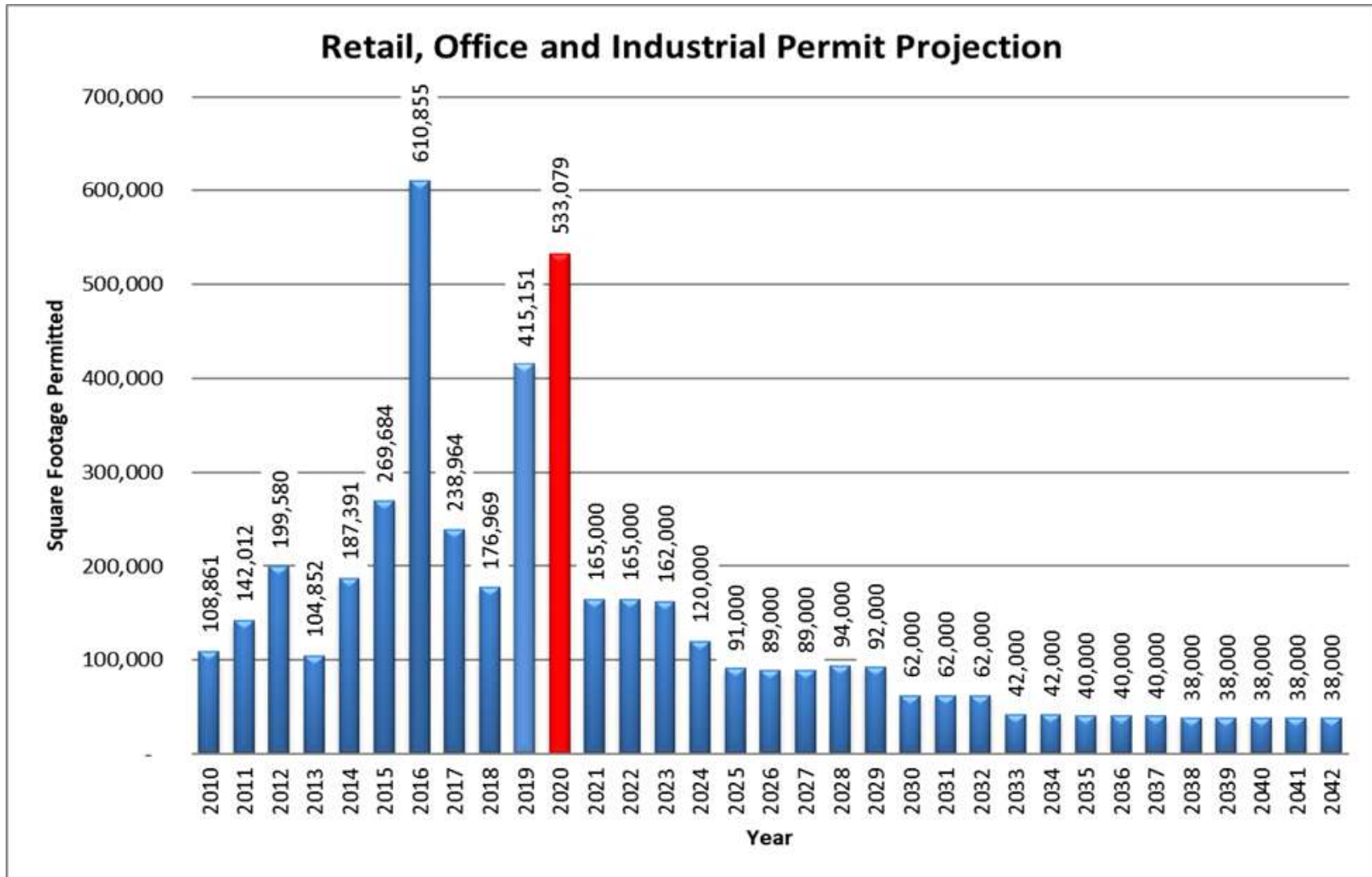
Transportation Projects Completed with Use of License Tax Funds	
Blackwell Pkwy (Langsford to Colbern)	Pryor Rd (Longview to Chipman)
Chipman Rd (US 50 to M-291)	Scruggs Rd (M-291 to Blackwell)
Independence Ave (Tudor to Colbern)	Todd George Pkwy (McKee to Tudor)
Langsford Rd (Todd Geo. To Blackwell)	Ward Rd (M-150 to Scherer)
Longview Pkwy (Longview to 3 rd)	5 th Street (Grand to M-291)
Longview Rd (Sampson to Ward)	Woods Chapel Rd (1-470 to East City Limits)
License Tax Projects Currently Underway	
SE Browning Street (Oldham to Hamblen) <ul style="list-style-type: none"> • Added to CIP in FY 2019 • Design complete • Working Right of way acquisition with railroad • Construct in 2021 	NW Main Street (Chipman to Commerce) <ul style="list-style-type: none"> • Design underway • Working right of way acquisition and utility relocations • Construct in 2021
US-50 and M-219 North Interchange: License tax funding programmed into Capital Improvement Plan for FY2022, 2023, and 2024	

Note: The License Tax Committee recommended the Chipman Road Phase III project (from M-291 to Birchwood) be removed from the program so License Tax funds can be used for other projects in the Thoroughfare Master Plan. Chipman Road project will remain in the master plan, but funded from other sources in the future if the project is deemed necessary in context of the Thoroughfare Master Plan.

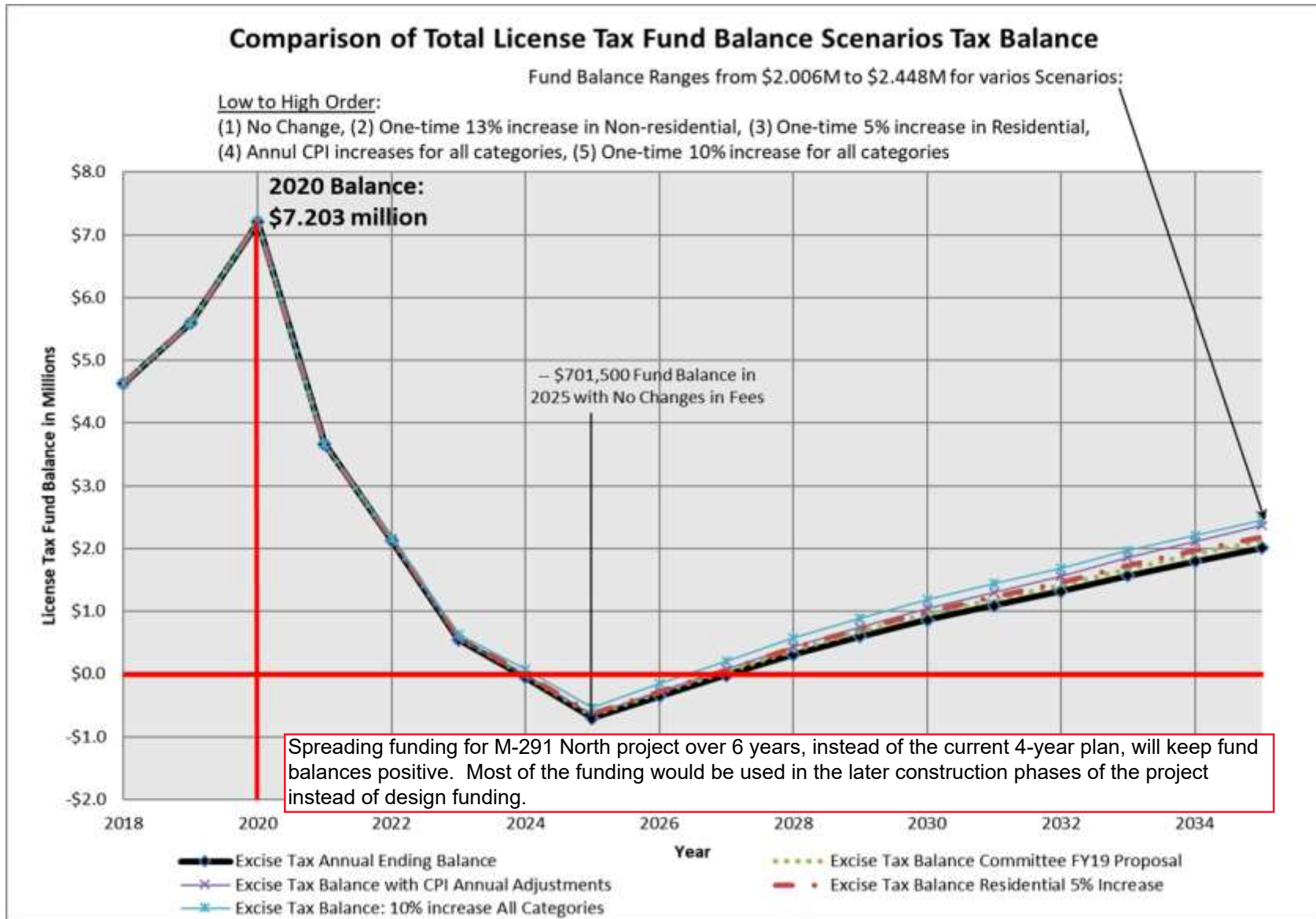
APPENDIX B to FY2020 LICENSE TAX REPORT: Building Permit Activity and Projections Through 2042

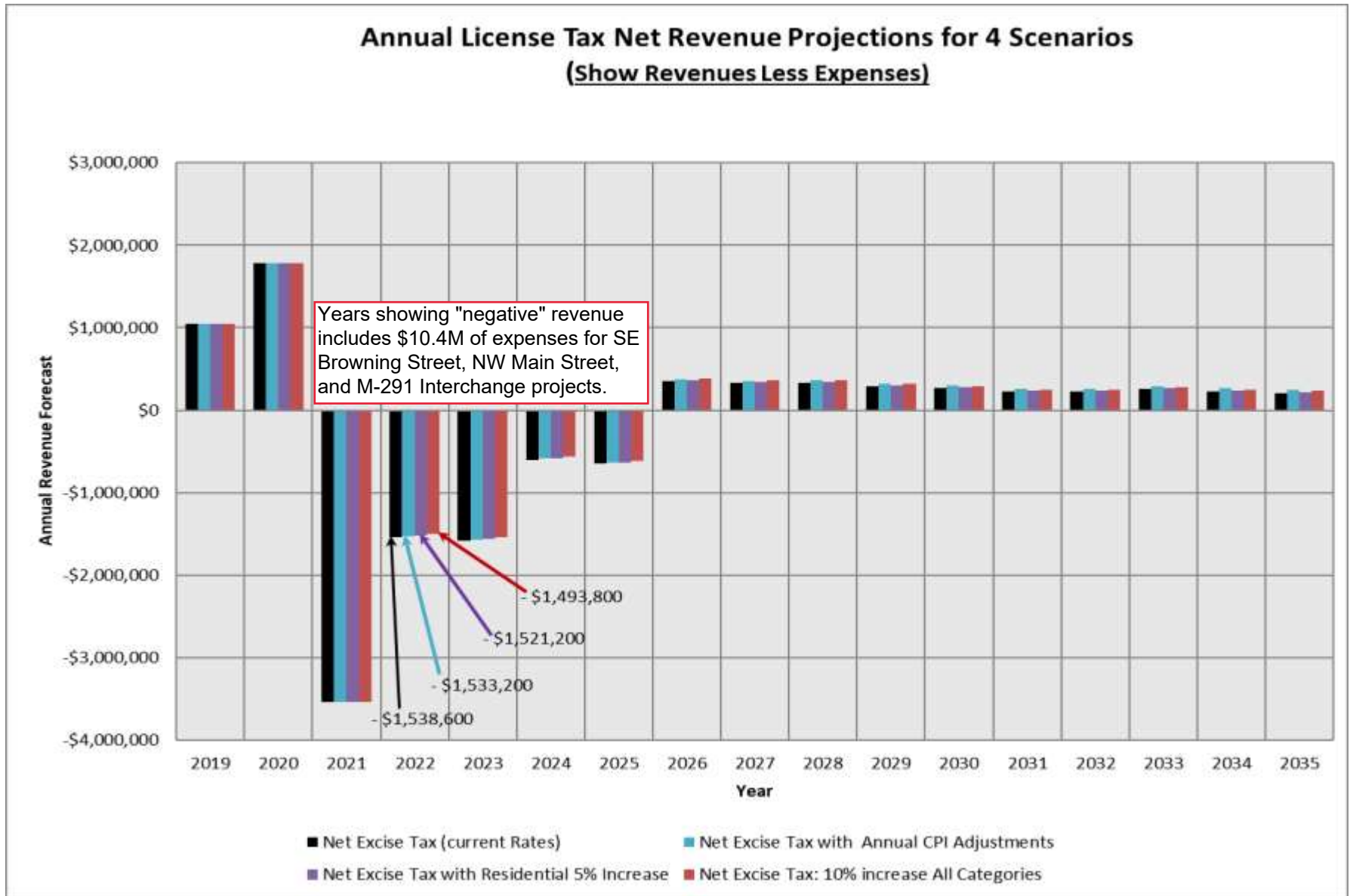


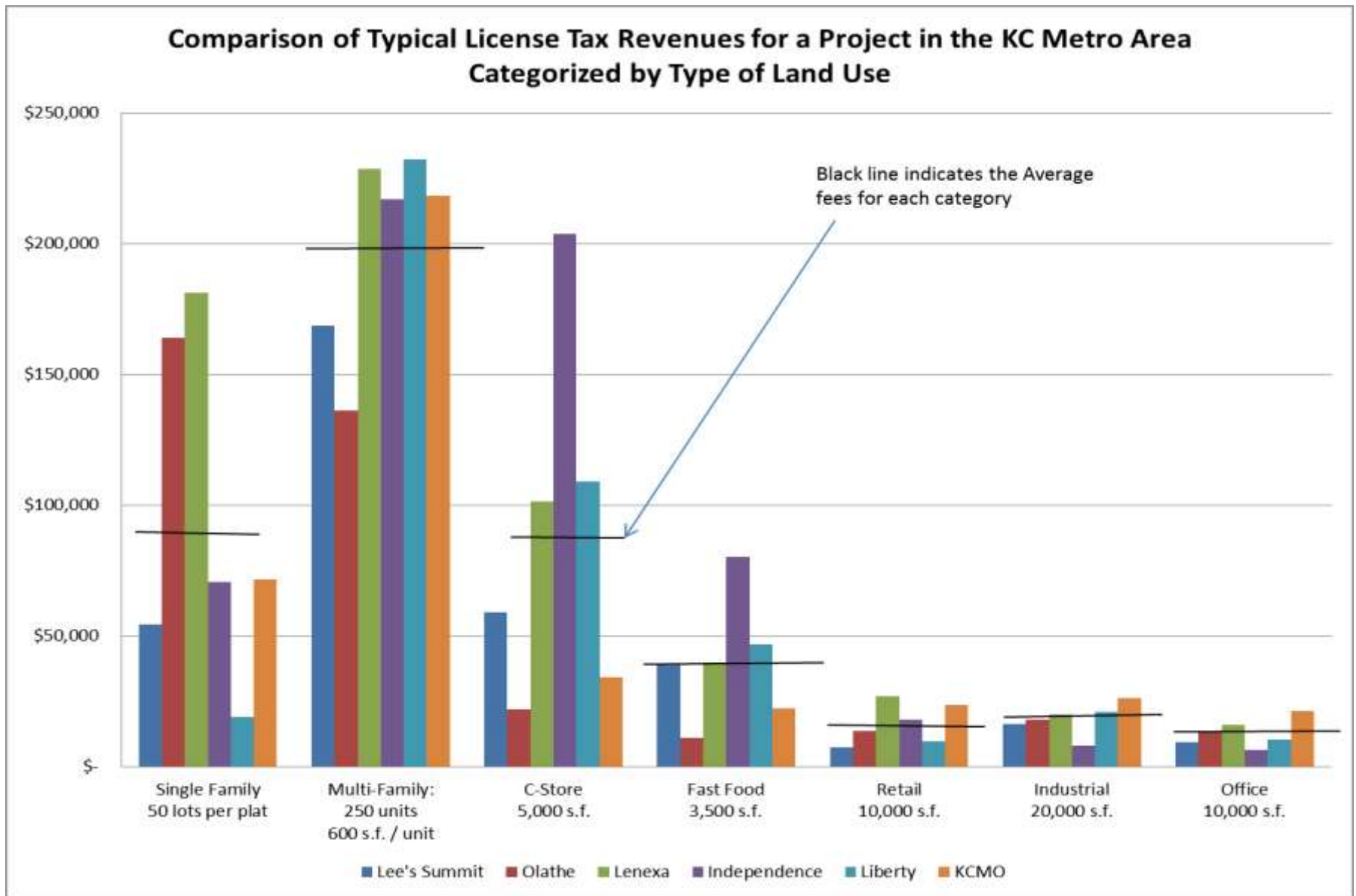
APPENDIX B to FY2020 LICENSE TAX REPORT: Building Permit Activity and Projections Through 2042



APPENDIX C to FY2020 LICENSE TAX REPORT: Projected Fund Balance, Annual Revenues, and Fees Compartmented to Other Agencies







**License Tax Review Committee
Action Letter
Via Zoom
Thursday, December 3, 2020
11:30 p.m.**

Attendees:

Members: Chairman DeMoro, Glen Jones, Karl Blumenhorst, Cynda Rader, Bob Hartnett

Staff Support: George Binger, Mike Weisenborn, Bette Wordelman, Michael Park, Christal Weber, Lisa Azimi, Victoria Nelson, Jennifer Thompson

Call to Order:

Chairman DeMoro called the meeting to order at 11:33 a.m.

Roll Call: Chairman DeMoro, Mr. Glen Jones, Mr. Karl Blumenhorst, Ms. Cynda Rader and Mr. Bob Hartnett present.

Approval of Agenda: A motion was made by Bob Hartnett, seconded by Glen Jones, to approve the agenda. The motion carried unanimously with a 5-0 vote.

Approval of Action Letter: A motion was made by Ms. Rader, seconded by Mr. Jones, to approve the action letter dated January 27, 2020. The motion carried unanimously with a vote of 5-0.

There were no Public Comments.

Summary of Presentation:

Mr. George Binger, City Engineer, gave a PowerPoint presentation to detail the license tax background and current status as required by Ordinance. He led the discussion and said staff will show a forecast, request guidance, and discuss ways to handle projected negative fund balances in 3 to 5 years.

Last year the Committee recommended to change fees, with Council electing to wait until there was a better idea of what is going on this year. January through March of this year there were significant concerns about revenues due to economic uncertainty caused by COVID-19 responses. However, on the construction side, both Development and Capital Public Infrastructure construction have had a busy year.

The License Tax was established in 1998 by ordinance and has been amended four times for

adjustments in rates. It is a tax paid for by Development activity based on building permits and the amount of traffic generated. Mr. Binger explained the tax and the purpose behind it. The license tax administrator is the Director of Finance or a representative. The implementation team includes the City Traffic Engineer and the Development Services Department. It is required to report the revenues, permits, status on projects and any other recommendations. The Committee is to review the report then forward comments to Council.

Mr. Binger discussed the current tax rates. The taxes are based on traffic generated by new development. The current rates are relatively low compared to the KC Metro area.

Mr. Hartnett asked about the trip generation manual. Mr. Park responded that there is a prescriptive method of calculating the license tax and the ordinance refers to the ITE trip generation manual. There has not been a new publication of that manual in the last two years. Mr. Binger stated that last year administrative cleanups were made in order to make sure the City is using the most current version of the trip generation manual.

Mr. Binger then stated that when forecasting each year, the planners are conservative. This is based on the available inventory of land and does not include the Property Reserve, Inc. (PRI) property. The planners are holding off on changing the forecast until after the Comprehensive Plan updates. The PRI group announced they would release some of their property for development, with those changes expected within the next year or two. However, PRI has not had any meetings or planning activities since early 2020, so that process may be on hold. The current projections do not factor in the comprehensive planning that is underway.

The retail, office, and industrial permits graph showed 2020 was a busy year. Mr. Binger then presented the license tax annual net revenue estimates. For 2021, the annual net revenue shows as negative because the City is starting to program money into the CIP for the US 50 and M-291 north interchange project (M-291 north project), as per direction from the Committee last year. It shows negative revenues for the next few years because of expenditures from this fund. The on-going annual revenues will bring the fund balance back up over time. The graph showed a negative balance in 2025 with no change in fees, but is projected to be positive again in 2027-2028.

Mr. Binger shared the status of two projects currently underway: SE Browning Street and NW Main. Both projects are in Right of Way acquisition with construction in 2021. He then gave a list of completed projects using revenue from this fund. What was not shown on the slide was the M-291 north project that is programmed in the CIP plan for FY21.

COVID impacted state revenues with the state withdrawing their cost share program to balance the state budget, putting the project on hold. The license tax fund will serve as a local match to leverage money to get the grants through the state cost share program, with Law working on arrangements for other ways to generate revenue for the interchange.

Staff Discussion for 2020-2021

Looking for input from the Committee as the iGNITE comprehensive master plan is underway. Guidance from the Committee has been to use the license tax funds to remove impediments for development. Funded projects should not be specifically suited for one site but multiple projects. Projects should fit the City's thoroughfare master plan (TFMP), as well. The TFMP is folded into the comprehensive plan to get guidance.

Mr. Binger listed bullet points for guidance from the Committee. Projects eligible for license tax funding should: support economic activity among several sites, cash flow projects, be projects identified in the TFMP, and the projects should help re-generate additional revenues for the City.

It should be noted that Council elected not to increase fees due to COVID concerns. By programming the SE Browning, NW Main Street, and M-291 north projects into the CIP, the license tax fund is projected to have negative fund balance for FY24-26. That is not uncommon. The license tax showed a negative fund balance for several years before 2013. There are several ways to reimburse or augment the license tax fund.

Chairman DeMoro opened up the meeting for questions. Ms. Rader asked about the negative projection for 2024-2026. Mr. Binger explained the projections graph is a combination of spending money on projects and a change in the permit activity. Revenue is still coming in but spending for the SE Browning and NW Main projects will exceed revenue for this year. The net from the current balance of \$7.2M minus \$4M of expenses plus \$500,000 in revenue will produce a net negative revenue of minus \$3.5M, but the fund balance is still a positive balance of \$3.7M on June 30, 2021, because of the large fund balance as of 2020.

Mr. Jones asked when staff thought the permits are going to drop off and how reliable the figure is for next year. Victoria Nelson, City Planner, said they try to stay conservative and have more than projecting. It's hard to project out to how much there will be especially with PRI becoming available. Mr. Park, City Traffic Engineer, reiterated the importance of conservative so that the City does not over program and underfund a project, and that it is unlikely to go negative if it follows past trends. Actual revenues typically outperform these projections.

Mr. Blumenhorst asked if the numbers going negative also include funding and development on the M-291 north project. Mr. Park stated that the City has committed \$6M from this fund, which is about one-third to one-fourth of the total project cost. City Council approved a TIF and will hopefully hear back favorably from the State cost share by year end. Best case scenario is to begin construction in the 2023-2024 time period, if that comes together within the next 6-9 months.

Mr. Blumenhorst asked if staff feels confident the State will assist with that later this year given the funding issues. Mr. Park replied that \$8M of the Governor's cost share, which was rescinded by the State, had been allocated for another project (Colbern Road). The additional money on the other project would have allowed the City to use some of the CIP Sales tax from that other project for the M-291 project. The City is still seeking State cost share funds in the next round of applications.

Mr. Blumenhorst asked if the City's portion was based on current funds that are available now. Mr. Park replied that the \$8M will come from State, local, or wherever. The City has been waiting for this TIF to develop it. The highway patrol facility is an \$8M relocation. The Mayor and City Council are continuing to work with them so the City does not pay for the highway patrol relocation. The interchange cannot be rebuilt without relocating the highway patrol. Mr. Binger stated that in the CIP, if the license tax funds are spread out over more time, the fund balance can remain positive. Also, these numbers may start moving to the right (later years) and stretching it out to avoid a negative balance. As the project develops this can be revisited to see about looking to spread over time or using inter-fund loans, as was done before 2013, with this fund.

Concerning the negative balance, Mr. Park said that permit activity could bring this back up to positive. The TIF is developed to pay for non-interchange improvements before the relocation of the Highway Patrol. Mr. Binger said that with money towards the project cost share shows the City has committed a local match and improves the chances of getting those State cost share funds.

Mr. Jones asked about the TIF and who paid for the TIF? Mr. Park explained the M-291 north project TIF would be is paid for by four project areas: the highway patrol parcel, relinquishment of excess MoDOT ROWs when outer roads are located from state to city, the QuikTrip site east of M-291, and areas north of QuickTrip along the east side of M-291. The City will market that property to a master developer to recover the sale of property since we would assume the highway patrol for dedication to get the project developed. The TIF is there to fund the \$8M dollar highway patrol relocation.

Mr. Blumenhorst asked what's driving the need for the M-291 interchange. Mr. Park said that Mr. Arbo, City Manager, said the City has have an opportunity to make the improvements. Those bridges are within the next 7-10 years of replacement. The City is trying to help fund enhancements and improvements to mitigate the congestion there. He then shared the mapping for the M-291 north project and listed the different project areas subject to the City's sale of property and a developer pursuing that development. Mr. Jones asked if the City would have control of property around the interchange. Mr. Park stated as part of the cost share agreement, they would convey all of that state property to the City as well as excess rights of way to the City, then the City would be able to resell to help pay for the relocation. The Committee agreed the bottom line is the need to focus on the M-291 north project. As part of the budgeting considerations, City staff needs to address the potential for a negative fund balance.

Mr. Park said it is the Committee's decision to recommend how to use the license tax funds, and the City Council is relying on these funds to see through the potential of the M-291 project all of the way. If the City encounters another road block, whether from the State or office admin and Highway patrol issues, the City will adjust. The City will know the status of the State cost share by the end of this year. If denied, then staff will have to have another conversation with City

Council. Mr. Binger suggested to continue to show the funding in the CIP and if the concern is about the fund balance then staff can reprogram money into the CIP by spreading it out over four years. By showing that \$6M amount from that fund and \$3M from others, that helps the cost share application by increasing the chances of getting outside funds for the project.

Mr. Binger stated that from staff perspective there is very clear guidance from the Committee regarding this. Staff will leave funds there as a place holder. If it works then the City will move forward as planned. If the project funding does not work out, then staff will come back to the committee and revisit the issue.

Mr. Blumenhorst asked how the City will manage the balance going negative. Mr. Binger stated his understanding of the guidance is to manage the CIP in such a way that there is not a negative balance. Taking that \$6M from the interchange project, spread that out over time, and then revisit projections going into next year. When projects wrap up, any unspent money will go back into the balance. Managing the fund that way is enough guidance for staff at this point. With the CIP plan, that's programmed money that shows a commitment.

It was asked that with COVID and the economy, if staff sees any other concerns that could impact decisions. Councilmember DeMoro mentioned that sales tax revenue or revenue in general has been favorable through the last few months when many expected sales tax to fall. Bette Wordelman, Finance Director, then reported that they received sales tax numbers and they are up. Compared to the previous December it was up 8.2%. Regarding use tax, December is the first month to potentially receive those funds. The implementation is slow since it is collected from businesses out of state which are shipping items to Lee's Summit residents. She projected in 2-3 months it will start taking hold and the City will see results then. Based on the state's numbers, the city expects to receive around \$850K per year once the use tax fully takes hold.

Committee Guidance:

The committee made no formal motions. The general guidance, based on a unanimous consensus, was as follows: City staff should manage the CIP so the license tax fund doesn't go negative. City staff will update the committee next year to revisit this project and funding when there is a better picture.

If there are major changes on the M-291 north project, City Staff should notify the committee and re-convene mid-year.

Mr. Binger stated that when a decision is reached on M-291 north project then staff will report back. The Committee agreed to make no changes and continue as it is right now, contingent on the decision by the state. Then the Committee can revisit again after the decision and decide if they want to change the excise amount and will have a clearer picture. Councilmember DeMoro recommended that in 6 months staff send out an update.

Roundtable:

Mr. Michael Park, City Traffic Engineer, made note that they have seen an increase in types of uses that might be related to COVID, such as drive thru restaurants and coffee shops. This month the City received their first official appeal to the license tax. It was on the basis of land use, which is the type of trip generator. They were trying to argue that Starbucks is not a coffee shop. Staff is not in support of their appeal and it will be denied. Normally if there's an objection they try to work through staff before filing an official appeal.

Next Meeting:

Next meeting TBD. Approximately 6 months (Late May, June, or July).

Adjourn:

Chairman DeMoro adjourned the meeting at 12:54 p.m.