

# **CALENDAR YEAR 2015 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 calendar year 2015. 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 \$44,455,000 in outstanding General Obligation Debt, and ended the year with \$42,215,000 in Outstanding General Obligation Debt. During the year, \$6,210,000 of principal was paid, while \$3,970,000 of principal was issued.

On February 12, 2015, the City issued General Obligation Bonds in the principal amount of \$3,970,000 to fund projects related to Storm Water, U.S. Highway 50 and Missouri State Route 291, and Strother Road Construction projects. These bonds were authorized by the voters at the November 2007, November 2010 and April 2014 elections.

At December 31, 2015, Calendar Year 2016, scheduled debt service on issued debt is \$6,564,850 with expected revenues for Debt Service of \$7,987,500, resulting in an additional \$1,422,650 that could be added to the estimated \$6,810,063 Debt Service Reserve Fund balance as of December 31, 2015, or used for debt service on new General Obligation Debt.

On February 18, 2016, the City issued General Obligation Bonds, Series 2016A, in the principal amount of \$14,075,000. Calendar Year 2016 debt service will be increased by \$2,840,850.69 by this bond issue. Total debt service revenue will be approximately \$8,199,700 while debt service payments will be \$9,153,951. This will reduce the debt service reserve account to approximately \$5,800,000.

## **REVENUE BONDS AND SPECIAL OBLIGATION BONDS**

The City had no Special Obligation Bonds Outstanding during Calendar Year 2015.

The City's only Water System Sewerage System Revenue bonds Outstanding were issued during 2012 to refund the City's 2002 Water System Sewerage System bonds. The Calendar Year 2015 debt service on the 2012 WW/SS bonds was \$1,003,400, which was paid from Water Utilities revenues. The Outstanding Principal Balance of the 2012 WW/SS bonds at December 31, 2015 was \$5,290,000. The scheduled debt service on the bonds for Calendar Year 2016 is \$1,005,800, which is also expected to be paid from Water Utilities Revenues.

## **CERTIFICATES OF PARTICIPATION**

During Calendar Year 2015 the City did not have any Outstanding Certificates of Participation.

## **LEASE FINANCING OBLIGATIONS**

The City issued Lease Financing Obligations during 2014 to redeem the Outstanding 2006 Parks Certificates of Participation. The Lease Financing Obligations bear an effective interest rate of 1.35%. During Calendar Year 2015, principal of \$1,022,500 and interest of \$83,058.19 was paid. 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 2015, \$1,660,000 of principal and \$1,236,343.75 of interest was paid on the bonds. The Outstanding Principal Balance as of December 31, 2015 was \$17,850,000. It is expected that 2016 Debt Service for principal and interest will be approximately \$2,900,000.

## **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, 2015 had an outstanding principal balance of \$5,030,000. During 2015, the TDD paid \$155,000 of principal and \$255,181.25 of interest on the bonds. It is expected during Calendar Year 2016, the scheduled principal payment of \$140,000 plus interest 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, 2015, the loan had been repaid in full.

The Chapel Ridge TIF through its Cooperative Agreement with the Strother Interchange TDD, must provide monies to pay the principal and interest on the Strother TDD when certain conditions are met. It is expected that during Calendar Year 2016 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 scheduled debt service on the Strother Interchange TDD bonds. In addition, it is anticipated the Chapel Ridge TIF will have sufficient monies in its fund to optionally redeem \$2,000,000 principal of the 2006 Strother TDD Bonds on May 1, 2016.

### **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 2015, the District paid \$960,000 on principal and \$409,170 of interest on the bonds. As of December 31, 2015, principal of \$8,415,000 remained Outstanding. It is expected that approximately \$1,700,000 of principal plus interest will be paid during Calendar Year 2016.

### **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, 2015, the following amount of General Obligation Bonds had been authorized by the voters but remained unissued:

Public Safety	\$ 75,000
Storm Water Projects:	\$ 105,000
Strother Road/View High	\$1,000,000
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	\$8,600,000

Staff does anticipate that additional General Obligation Bonds will be issued in Calendar Year 2016 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 2016.

## **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.