

FY 2022 License Tax Committee Annual Report

February 8, 2023

Strother Conference Room

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Deputy Director of Public Works / City Engineer

Agenda

- License Tax Background and Current Status
- Annual Report of Revenue, Permits and Projects
- April 4, 2023 No Tax Increase Bond Issue Project Review
- 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, 2016 and 2018
 - Administrative cleanup 2019
- 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”

2022 Changes to Appointed Committees

- City Council recently changed rules for appointed committees, board and commissions
- Ordinance 9538 passed on December 12, 2022 the update rules for boards
 - Enacted term limits, effective as of January 1 (previous terms not counted)
 - Registered to vote in Lee's Summit
 - Requires volunteers to submit application
 - Mayor and Council will review, approve and appoint members
- Consider modifying term from 2 years to 3 years to match other committees ?
 - This would require an ordinance change the current License Tax Ordinance

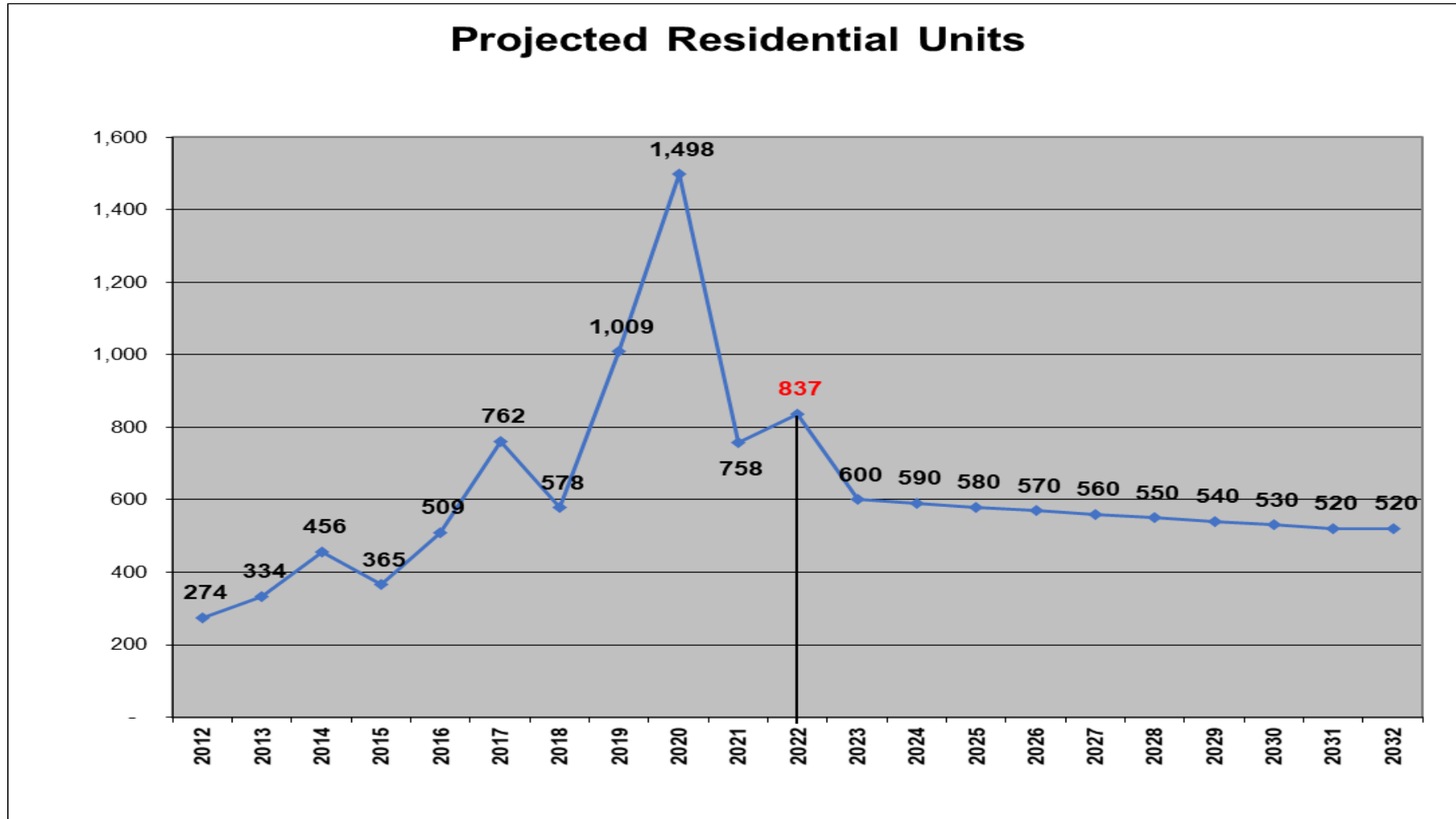
Current Tax Rates

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

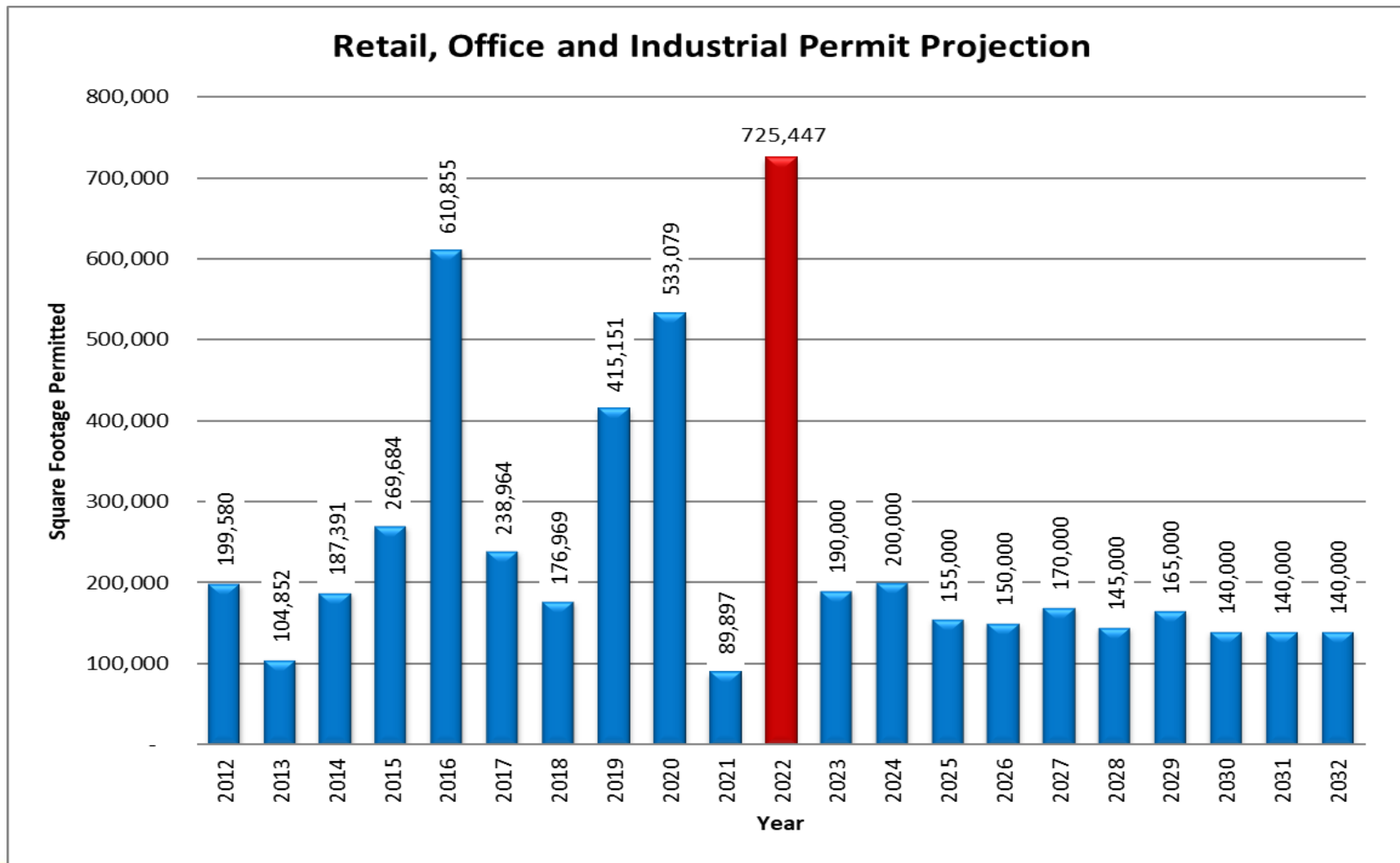
Notes regarding Rates:

- o Maximum rate \$2,116 approved by voters in 1997
- o Relatively low compared to KC Metro area

Residential Building Permits

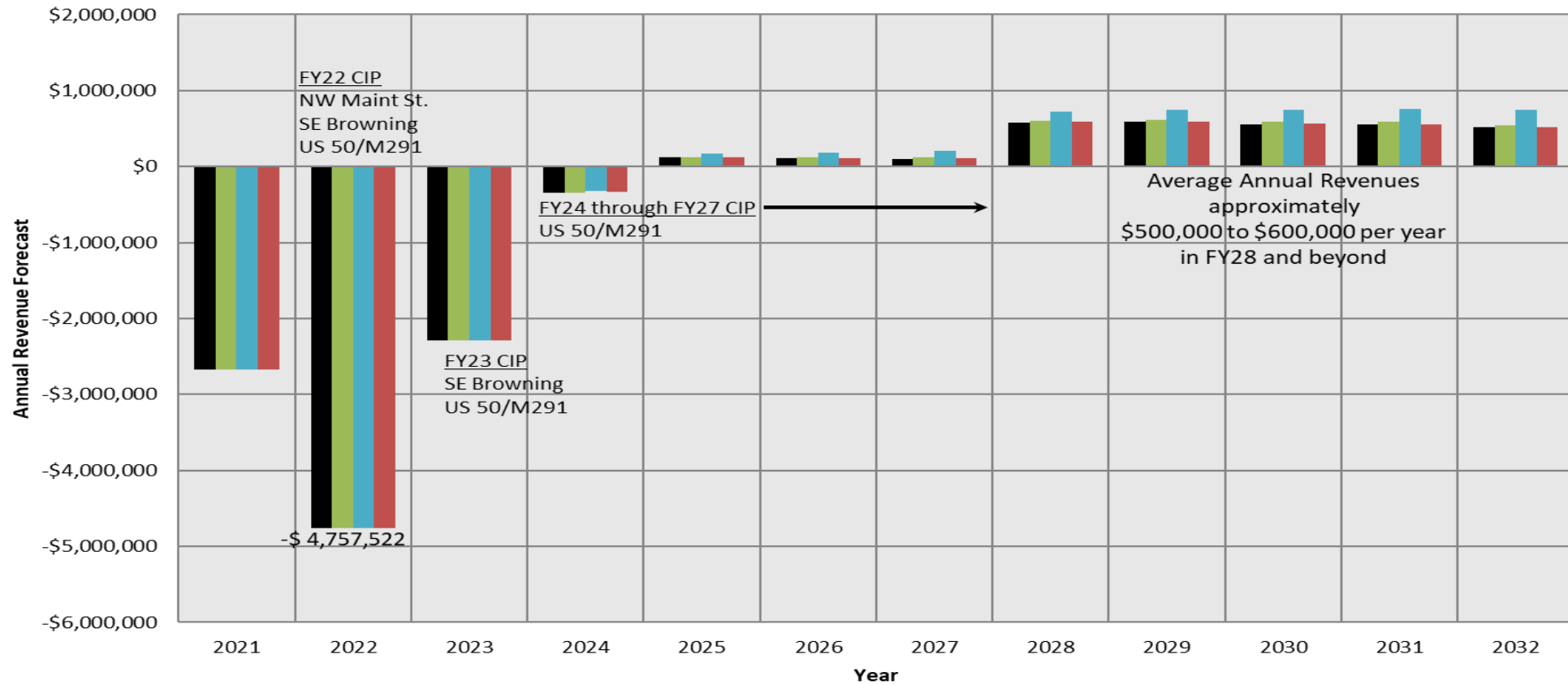


Retail, Office & Industrial Building Permits



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) Less CIP Encumbrances
- 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 FY24



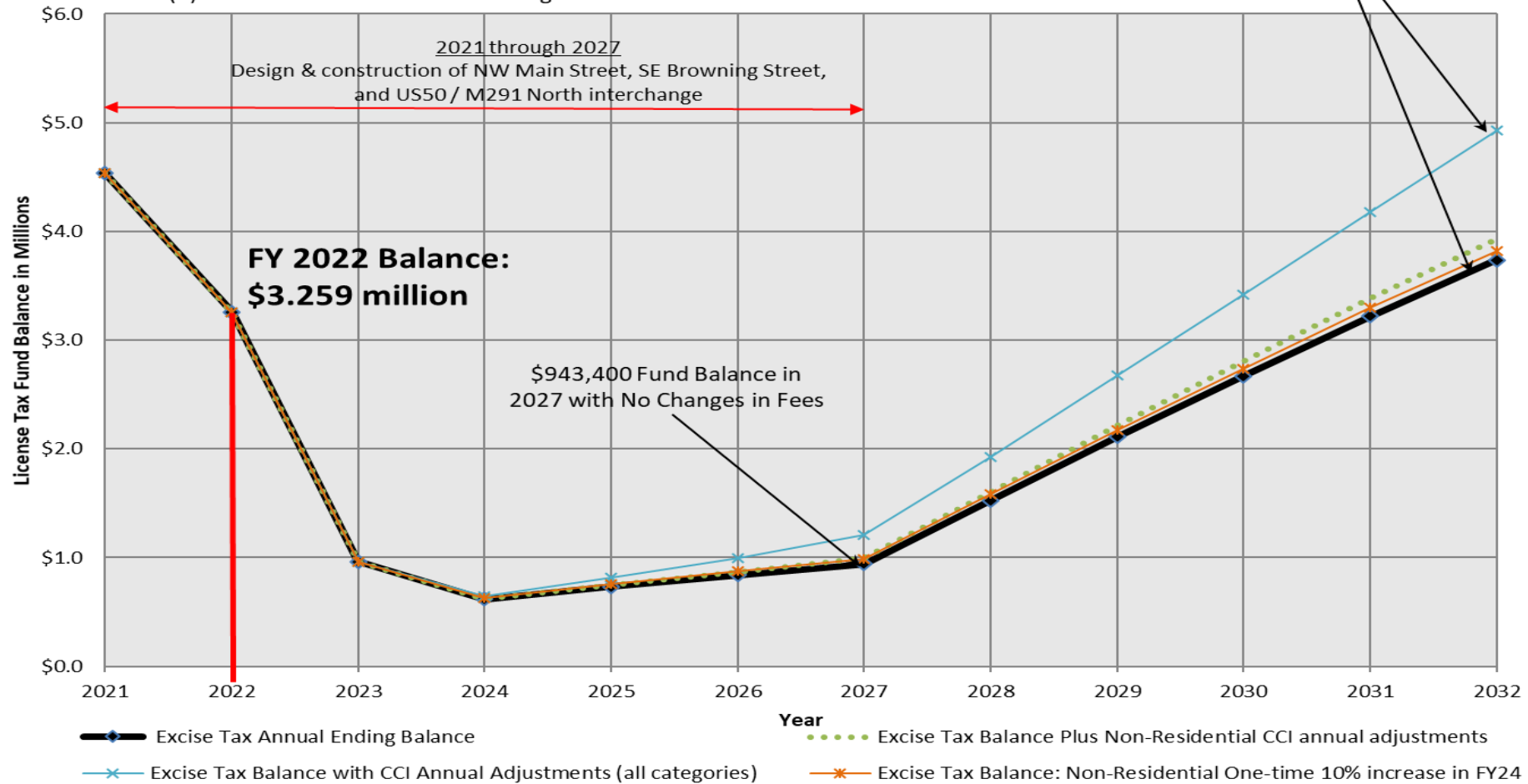
License Tax Fund Balance Projections

Comparison of Total License Tax Fund Balance Scenarios Tax Balance

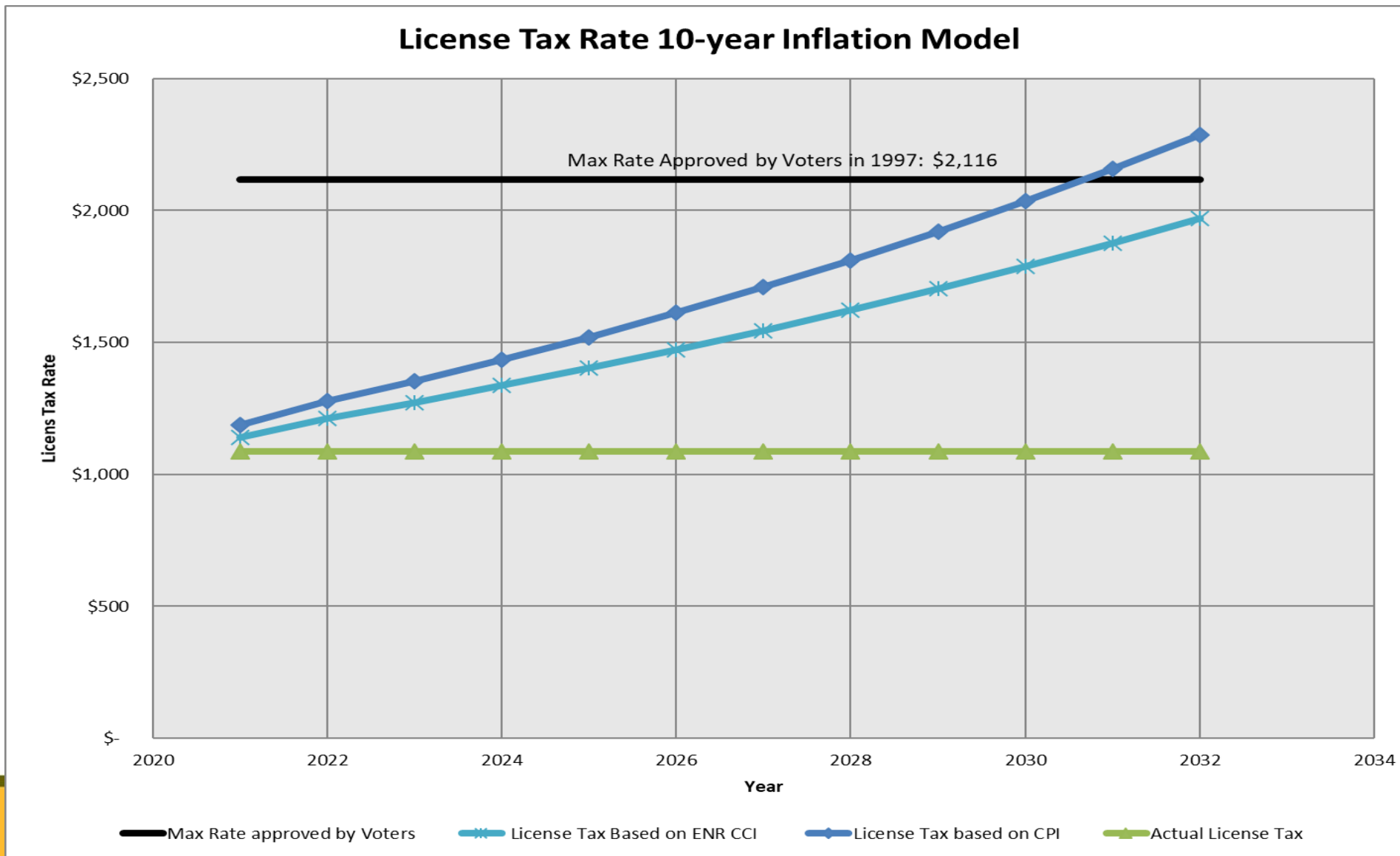
Fund Balance Ranges from \$\$3.737M to \$4.972M for various Scenarios:

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



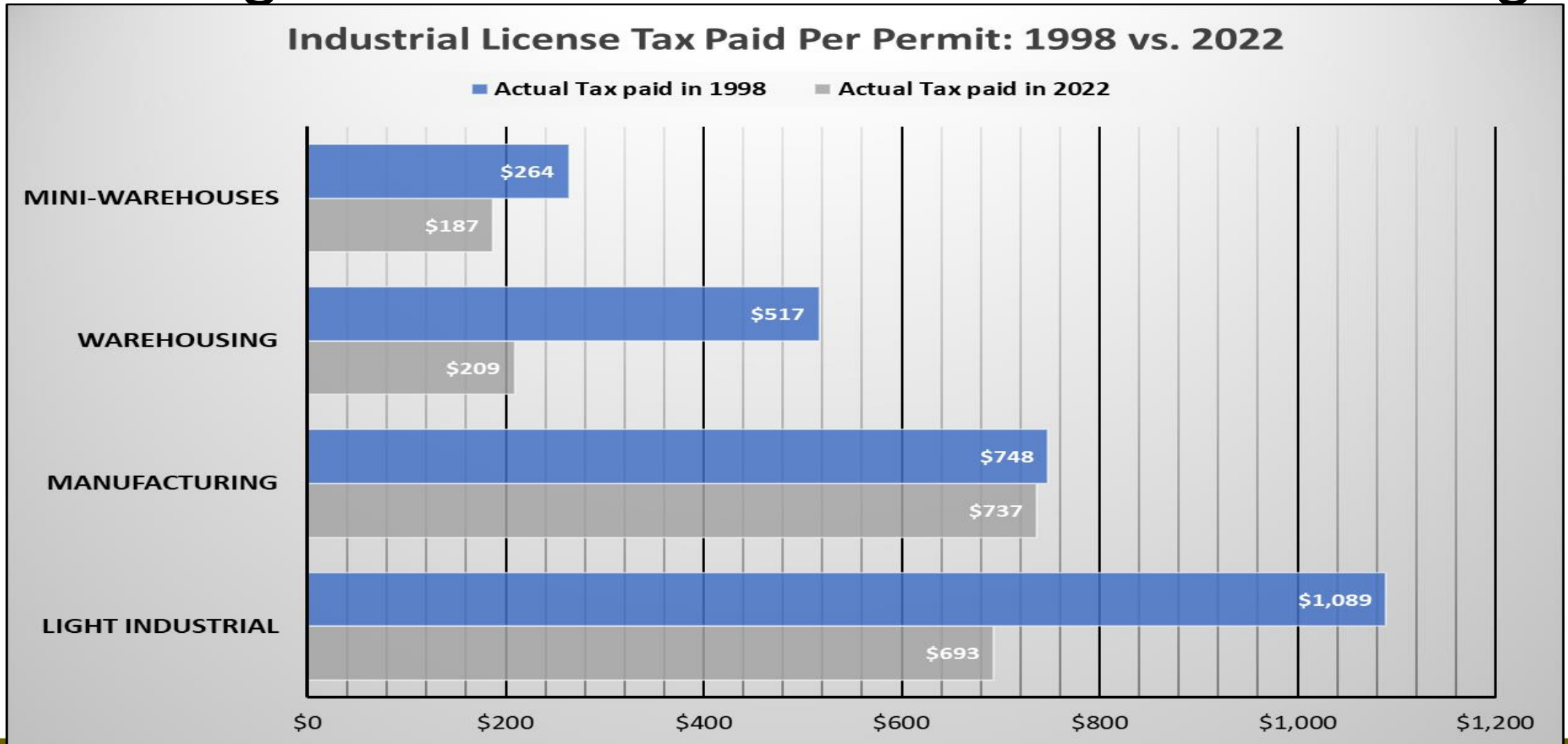
Inflation



Declining Revenue Due to Traffic Generation Changes

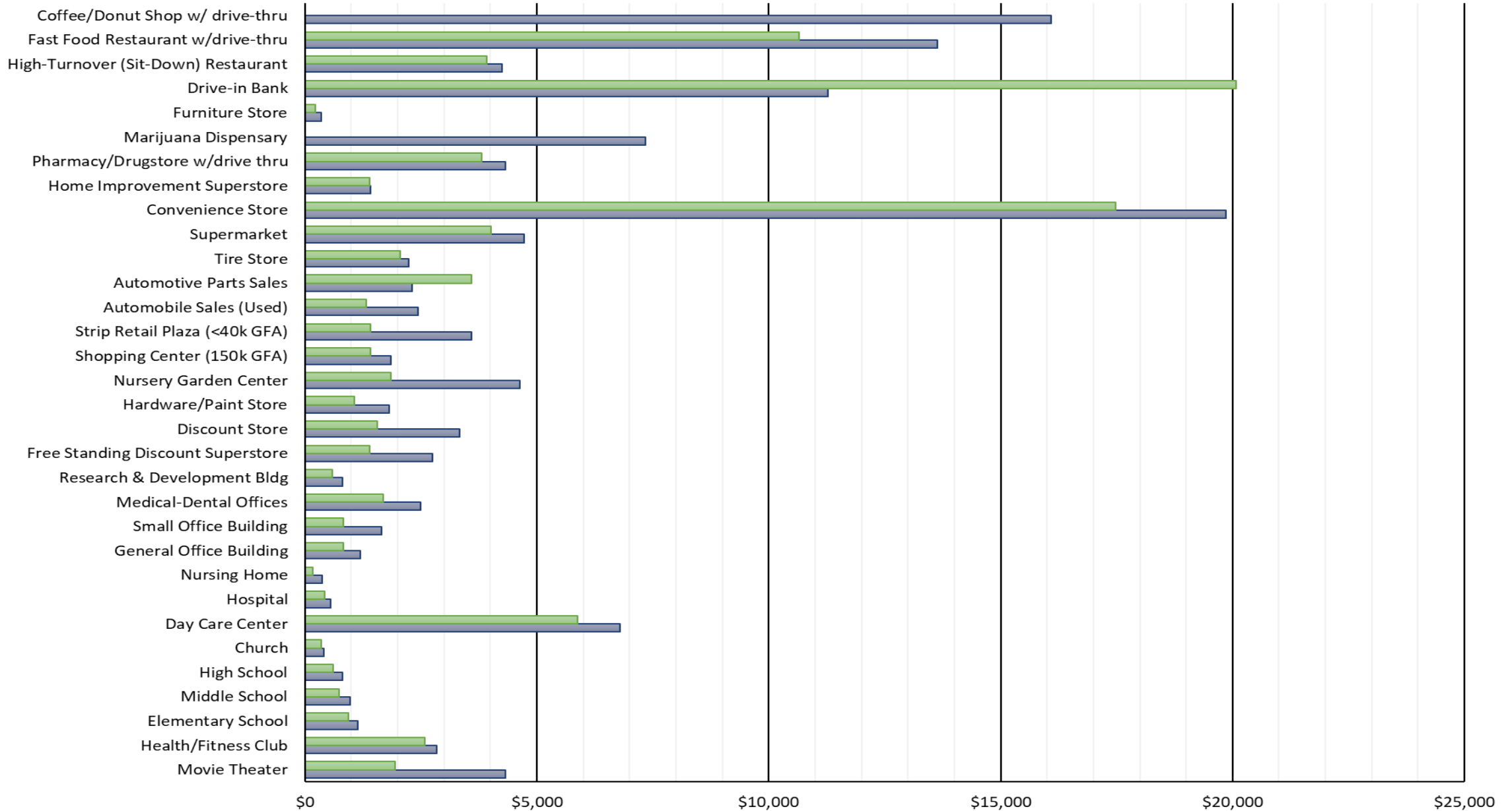


Declining Revenue Due to Traffic Generation Changes



Commercial & Retail License Tax Paid Per Permit: 1998 vs. 2022

Actual Tax paid in 1998 Actual Tax paid in 2022



AXIS TITLE

Excise Tax Project Status

Status of Projects Underway	
NW Main Street	<ul style="list-style-type: none">• Project completed in September 2022
SE Browning Street	<ul style="list-style-type: none">• Construction underway; project about 65% complete• Contractor is Amino Brothers• Construction cost: \$3.524 million• Estimated completion in Summer 2023
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 million• Governor's Cost Share Grant of \$9.0 million• Construction estimated to occur in 2024-2026 (includes facilities relocations)

2017 CIP Sales Tax (26 Projects; 16 Underway; 3 complete)

1 – 5 years	6 – 10 years	11 – 15 years
<i>Colbern Road Design</i>	<i>Colbern Road</i>	<i>Douglas St</i>
<i>Land Acquisition & Parking</i>	Parking Garage	Independence
<i>Stormwater Projects</i>	Scherer Road (Phase 1)	Scherer Road (Phase 2)
<i>Pryor Road Design</i>	<i>Pryor Road (Phase 1)</i>	Pryor Road (Phase 2)
<i>3rd St.: US 50-Jefferson</i>	3rd St.: Green – M291	
<i>RIRCA trailheads</i>	<i>Ward Road (Phase 1)</i>	Ward Road (Phase 2)
<i>Curb replacement</i>	<i>Curb replacement</i>	<i>MoDOT Partnerships</i>
<i>CMP replacement</i>	<i>CMP replacement</i>	<i>CMP Replacement</i>
<i>Street lighting</i>	<i>Sidewalk gaps</i>	<i>Sidewalk gaps</i>

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 2022 Meeting

- Two projects recommended by Committee underway; One project completed
- Use Tax Revenues adding about 15% to sales tax programs
 - 1/2 Transportation Sales Tax increases from \$10.0M to \$11.5M per year
- Inflation a significant factor; adding about 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

Next Steps

- Submit License Tax Review Committee Report to Council, March 21, 2023
 - Submit written report
 - Ordinance if changing fees
- No Tax Increase Bond Issue election, April 4, 2023
- FY 2024-2028 Capital Improvement Plan
 - Public comment period, March 31 to April 30
 - April Public Works Committee
 - City Council in April
 - Planning Commission in May
 - City Council FY24 budget approval and adoption of CIP in June

Committee Discussion, Guidance or Recommendations

- Adjust Rates to offset reduced fees due to traffic generation standards ?
 - 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
 - Await outcome of April 2023 No Tax Increase Bond Issue vote
- Recommendations regarding length of term ?
- Other Considerations ?