

Legislation Text

File #: BILL NO. 19-111, **Version:** 1

An Ordinance Calling an Election to Authorize the Issuance of General Obligation Bonds for the City of Lee's Summit, Missouri, Related to Curb Replacements and Improvements.

Issue/Request:

An Ordinance Calling an Election to Authorize the Issuance of General Obligation Bonds for the City of Lee's Summit, Missouri, Related to Curb Replacements and Improvements.

Key Issues:

City staff has prepared this ordinance and ballot language for the proposed curb replacement and improvement "No Tax Increase" bond initiative in an amount to be determined as directed by the Mayor and Council during the May 7, 2019 consideration of this matter. If the Mayor and Council determine the pursuit of an identified amount for curb replacement is desired, the Mayor and Council may insert the determined amount into the ordinance.

Proposed City Council Motion:

I move for second reading, An Ordinance Calling an Election to Authorize the Issuance of General Obligation Bonds for the City of Lee's Summit, Missouri, Related to Curb Replacements and Improvements and inserting \$ (state amount) within Sections 1 & 2 and the notice of election/ballot question within said ordinance.

Background:

On January 15, 2019 City staff provided the Mayor and City Council with a presentation regarding the City's debt issuance capacity. The Mayor and City Council directed City staff prepare a listing of potential No Tax Increase (NTI) bond projects that could be considered for an August 2019 NTI bond election to maintain the City's current tax levy. The Mayor and City Council directed staff to work with the Community and Economic Development Committee (CEDC) to develop a recommendation(s) to present to the Mayor and City Council for an August NTI election. City staff presented proposed projects & initiatives to the CEDC on March 13th and to the Mayor and Council at the April 9, 2019 Work Session as well as the May 7, 2019 Regular Session meetings. The Mayor and Council directed staff to prepare the ordinance/ballot language for curb replacement with an amount to be determined after further presentation, discussion and deliberation. Staff has prepared the ordinance accordingly should the Mayor and Council wish to place a NTI ballot initiative on the August 6, 2019 special election.

The City has strived to maintain a consistent tax levy for debt service since the late 1990s. The City's tax levy is currently \$0.4697 per \$100.00 assessed valuation. The residents and the City benefit from the level maintenance of the tax levy through the avoidance of expensive tax elections, stability of tax revenues for support of infrastructure improvements, and stable tax bills for residents. The City plans to continue coordinating its funding needs and debt issuance to correspond with that tax levy cap.

In order to maintain a level tax levy for debt service for Calendar Year 2020 and after, it is necessary to place a ballot issue before the voters in 2019. We need to increase debt service requirements by at least approximately \$1.3 million based on a 3% annual increase in assessed valuation for Calendar Year 2020 alone to maintain the current debt service levy. The amount of debt service obligation required to maintain our current debt service levy is, in large part, based on changes in our assessed valuation. The examples below show the significant impact that changes in assessed valuation have on our debt service. As you can see, the decision on the size of debt obligation to issue is a moving target. It is also impacted by changes in interest rates. Further, we do not typically receive our final assessed valuation from Jackson and Cass Counties until late September so we have a narrow window of time from October 1 to December 31 to respond and issue bonds in the event of a large unexpected increase.

3% increase in assessed valuation for 2019, 2020, 2021=\$1.3 million for 2020, \$10.3 million cumulative spend through 2022

5% increase in assessed valuation for 2019, 2020, 2021=\$1.7 million for 2020, \$12.1 million cumulative spend through 2022

7% increase in assessed valuation for 2019, 2020, 2021=\$2.1 million for 2020, \$14 million cumulative spend through 2022

To make our debt levy target manageable, the ballot issue should include authorization for bond issuance large enough to provide accommodation for unpredictable changes in assessed valuation and interest rates. Once we have authorization from the voters, we can manage our financing needs and the structure of each bond issue to match up our debt service requirements to the levy thereby avoiding large swings in our debt service levy.

Voter approval of an amount in the range of \$23 to \$30 million should meet the financing needs and allow the flexibility needed to maintain the debt levy. The Mayor and City Council chose not to pursue the full estimated bonding capacity at this time as the Citizen Strategic Plan is underway, therefore leaving some capacity for future community needs which may be considered through a future No Tax Increase bond initiative. The deadline for entities to certify elections to the Election Authority for an August 6, 2019 Special Election is May 28, 2019.

Timeline:

Proposed schedule for NTI bond issue moving forward:

May 14, 2019 - Mayor and City Council consider 1st reading of ordinance for August 6, 2019 NTI bond issue election

May 21, 2019 - Mayor and City Council consider 2nd reading/adoption of ordinance calling for August 6, 2019 NTI bond issue election.

Prior to May 28, 2019 - City Clerk certification to Election Authority

Mark Dunning, Assistant City Manager

David Bushek, Chief Counsel of Economic Development & Planning
Bette Wordelman, Finance Director

Recommendation:

Staff recommends approval of the ordinance (and inserting the determined amount) if the Mayor and Council determine curb replacement initiative shall be included in the August 6, 2019 special election.