

## Legislation Text

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Presentation and Consideration of Potential August 2019 No Tax Increase Bond Projects

Issue/Request:

Presentation and Consideration of Potential August 2019 No Tax Increase Bond Projects

Key Issues:

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 for consideration and is now bringing forward the full Mayor and Council consideration.

City staff have prepared information related to each potential project which are attached to this packet in addition to a summary spreadsheet for review. These projects and the listing within the spreadsheet are not prioritized or listed in any particular order. At the CEDC meeting Councilmember Johnson requested the CEDC consider adding sanitary sewer and water service infrastructure that would serve the eastern annexation area (950 acres) of Lee's Summit to the potential project list. The CEDC agreed and requested staff to prepare information regarding this request to include within the packet. Information related to the request to consider sanitary sewer and water infrastructure has been incorporated into this packet.

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.

Staff has prepared informational project sheets and estimates for some of the recently discussed projects which are attached to this packet form as well as a spreadsheet summarizing the potential projects.

Voter approval of an amount in the range of \$23 to \$30 million should meet the financing needs for these projects and allow the flexibility needed to maintain the debt levy. The deadline for entities to certify elections to the Election Authority for an August 6, 2019 Special Election is May 28, 2019.

Proposed schedule for NTI bond issue moving forward:

March 20, 2019 - Special CEDC meeting to develop recommendations for Mayor and City Council consideration

April 9, 2019 - City Council Work Session to allow Mayor and City Council to consider CEDC recommendation(s)

May 7, 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.

Background:

Since 1980, the City's Debt Service tax levy has ranged from a low of \$0.32 per \$100.00 assessed valuation in 1988 and 1989 to a high of \$0.71 in 1985. There were only five years since 1980 that the debt levy has been lower than the current level of \$0.4697. The current level has been maintained since 2007.

Mark Dunning, Assistant City Manager  
Bette Wordelman, Finance Director  
Various City Staff

Recommendation:

Staff recommends developing a proposed NTI bond issue project listing that will result in a range of \$23 to \$30 million to meet the financing needs for the projects and allow the flexibility needed to maintain the current debt levy.

Committee Recommendation:

The CEDC considered the proposed projects at the March 13th CEDC meeting and requested staff to present the proposed project listing to the Mayor and Council for consideration and prioritization.