

# GENERAL

## Ordinance Fact Sheet

210846

Ordinance Number

Brief Title	Reason
Approving the issuance by the City of Kansas City Missouri of its Sewer Revenue Refunding Bonds, Series 2021B ("2021B Bonds").	Refunding debt service on existing Sewer Revenue bonds for savings purposes.

<p><b>Reason for Legislation</b></p> <p>To approve issuance by the City of Kansas City Missouri of its Sewer Revenue Refunding Bonds ("Series 2021B Bonds"), to refund certain Sewer Revenue Bonds previously issued in 2011 and 2012. This ordinance also approves and authorizes certain documents and actions relating to the issuance of the Series 2021B Bonds; estimates and appropriates revenues, designates requisitioning authority; declares the City's intent to reimburse itself from bond proceeds; and authorizes the Director of Finance to modify and close project accounts.</p>	<p><b>Sponsor</b></p> <p>Tammy Queen, Director of Finance</p>
<p><b>Discussion</b> (explain all financial aspects of the proposed legislation, including future implications, any direct/indirect costs, specific account</p> <p>This ordinance authorizes the issuance of the Series 2021B Bonds. The Series 2021B Bonds are being issued in the aggregate principal amount not to exceed \$126,000,000, for the purpose of refunding the Sewer Revenue Improvement and Refunding Bonds, Series 2011A ("2011A Bonds"), and Sewer Revenue Improvement and Refunding Bonds, Series 2012A ("2012A Bonds"). The refunding is to achieve significant debt service savings to the Sanitary Sewer System of approximately 19% on a net present value basis over fifteen years.</p> <p>On November 17, 2011, the City issued \$89,175,000 par of the 2011A Bonds. The 2011A Bonds funded capital improvement projects in the Sanitary Sewer system and refunded Sewer Revenue Bonds, Series 2002D-1. On December 13, 2012, the City issued \$78,650,000 par of the 2012A Bonds. Like the 2011A Bonds, the 2012A Bonds also funded capital improvement projects in the Sanitary Sewer System, and provided refunding of Sewer Revenue Bonds, Series 2004A.</p> <p>The Bonds are special, limited obligations of the City payable solely from, and secured by a pledge of the net Sanitary Sewer revenues. The taxing power of the City is not pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.</p> <p>Certain of the Bond covenants require the City to fix, establish, maintain and collect rates and charges for the use and services of the Sanitary Sewer System to produce income and revenues sufficient to: (a) pay the costs of the operation and maintenance of the Sanitary Sewer System; (b) pay the principal of and interest on the Bonds when due and (c) enable the City to have in each Fiscal Year Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Fee of not less than 110%.</p> <p>As of September 1st, the 2011A Bonds had \$66,910,000 in remaining principal, and the 2012A Bonds had \$58,905,000. This series ordinance will authorize the issuance of bonds in a principal amount not to exceed \$126,000,000 to fully refund the 2011A Bonds and 2012A Bonds, and also establish certain provisions and terms relating to the Series 2021B Sewer Bonds.</p>	<p><b>Programs, Departments, or Groups Affected</b></p> <p>Finance Department</p>
<p><b>Applicants / Proponents</b></p> <p>This ordinance authorizes the issuance of the Series 2021B Bonds. The Series 2021B Bonds are being issued in the aggregate principal amount not to exceed \$126,000,000, for the purpose of refunding the Sewer Revenue Improvement and Refunding Bonds, Series 2011A ("2011A Bonds"), and Sewer Revenue Improvement and Refunding Bonds, Series 2012A ("2012A Bonds"). The refunding is to achieve significant debt service savings to the Sanitary Sewer System of approximately 19% on a net present value basis over fifteen years.</p>	<p><b>Applicant</b></p> <p>City Department Finance Department</p> <p><b>Other</b></p>
<p><b>Opponents</b></p> <p>On November 17, 2011, the City issued \$89,175,000 par of the 2011A Bonds. The 2011A Bonds funded capital improvement projects in the Sanitary Sewer system and refunded Sewer Revenue Bonds, Series 2002D-1. On December 13, 2012, the City issued \$78,650,000 par of the 2012A Bonds. Like the 2011A Bonds, the 2012A Bonds also funded capital improvement projects in the Sanitary Sewer System, and provided refunding of Sewer Revenue Bonds, Series 2004A.</p>	<p><b>Groups or Individuals</b></p> <p>None Known</p> <p><b>Basis of opposition</b></p>
<p><b>Staff Recommendation</b></p> <p>The Bonds are special, limited obligations of the City payable solely from, and secured by a pledge of the net Sanitary Sewer revenues. The taxing power of the City is not pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.</p>	<p><input checked="" type="checkbox"/> For</p> <p><input type="checkbox"/> Against</p> <p><b>Reason Against</b></p>
<p><b>Board or Commission Recommendation</b></p> <p>Certain of the Bond covenants require the City to fix, establish, maintain and collect rates and charges for the use and services of the Sanitary Sewer System to produce income and revenues sufficient to: (a) pay the costs of the operation and maintenance of the Sanitary Sewer System; (b) pay the principal of and interest on the Bonds when due and (c) enable the City to have in each Fiscal Year Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Fee of not less than 110%.</p>	<p><b>By</b></p> <p><input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> No action taken</p> <p><input type="checkbox"/> For, with revisions or conditions (see details column for conditions)</p>
<p><b>Council Committee Actions</b></p> <p>As of September 1st, the 2011A Bonds had \$66,910,000 in remaining principal, and the 2012A Bonds had \$58,905,000. This series ordinance will authorize the issuance of bonds in a principal amount not to exceed \$126,000,000 to fully refund the 2011A Bonds and 2012A Bonds, and also establish certain provisions and terms relating to the Series 2021B Sewer Bonds.</p>	<p><input type="checkbox"/> Do pass</p> <p><input type="checkbox"/> Do pass (as amended)</p> <p><input type="checkbox"/> Committee Sub.</p> <p><input type="checkbox"/> Without Recommendation</p> <p><input type="checkbox"/> Hold</p>

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**Details**

The City has retained Gilmore & Bell, PC, and Clayborn & Associates, LLC to serve as co-bond counsel and co-disclosure counsel. The MBE/WBE goal for this engagement is 25%. Clayborn & Associates, LLC is currently a certified MBE/WBE firm. The estimated legal fees are \$44,300.

Hilltop

Securities Inc., and Independent Public Advisors, LLC will serve as the City's co-financial advisors. The MBE/WBE goal for this engagement is 20%. Independent Public Advisors, LLC, is currently a certified MBE/WBE firm. At this time, the financial advisory fees are estimated at \$156,000, plus reimbursable printing and electronic dissemination costs.

The Bonds are anticipated to be sold on October 12, 2021, with a settlement date of October 27, 2021.

Is it good for the children?  
By refunding the debt for the Sanitary Sewer System at historically low interest rates, this allows for more funds to be allocated to the sanitary sewers, which can improve the health and sanitary conditions in the City.

How will this contribute to a sustainable Kansas City?  
By refunding the debt for Sanitary Sewer System at historically low interest rates, this allows for more funds to meet EPA mandates, operate in an environmentally sound manner, and fund improvements to the sewer system.

**Outstanding debt information as of August 31, 2021:**

General Municipal Debt Outstanding: \$1,482,773,777

Debt Service as a Percent of Governmental Funds Revenue  
Actual: 15.6%  
Target: < 14.5%

Total Debt Outstanding as a Percent of Governmental Funds Revenue  
Actual: 132.4%  
Target: < 125.0%

Debt Outstanding as a Percent of Market Value  
Actual: 3.7%  
Target: < 4.5%

Percent of Debt Retired in 10 Years: 67%

**Policy/Program Impact**

<b>Policy or Program Change</b>	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
<b>Operational Impact Assessment</b>	

**Finances**

<b>Cost &amp; Revenue Projections -- Including Indirect Costs</b>	Based on preliminary analyses prepared by Hilltop Securities, the City's co-financial advisor, the following are the debt service estimates:  Par Amount: \$104,025,000 Avg. Annual Debt Service: \$9,259,369.69 Total Debt Service: \$140,536,655.56 Net PV Savings: \$19,711,006.52 Savings Percent of Refunding Bonds: 18.948%
<b>Financial Impact</b>	
<b>Fund Source (s) and Appropriation Account Codes</b>	The Series 2021B Bonds principal of and interest on such sewer revenue bonds shall be payable solely from the net revenues derived from the operation of the Sewer System. The taxing power of the City is not pledged to the payment of the Series 2021B Bonds either as to principal or interest.

(Use this space for further discussion, if necessary)

**Applicable Dates:**

**Fact Sheet Prepared by:**

Name: Mike Buckman Date 09/09/2021  
Title: Senior Analyst

**Reviewed by:**

Name: Kim Carter Date 09/09/2021  
Title: City Treasurer