



CITY OF RAYMORE, MISSOURI

License Tax Review Committee Annual Meeting

Raymore City Hall
Executive Conference Room

June 20, 2012 at 6:00 PM

AGENDA

1. Call to Order
2. Roll Call
3. Consideration of Minutes of June 15, 2011 Meeting
4. Staff Report
 - a. 2011 Annual Report
5. Business Items
 - a. Consideration of Recommendation
6. Public Comments
7. Member Comments
8. Adjournment



CITY OF RAYMORE, MISSOURI

2011 LICENSE TAX REVIEW
ANNUAL REPORT

June 20, 2012

*2011 LICENSE TAX REPORT TO THE CITY
COUNCIL
INFORMATION AND DATA*

I. BACKGROUND

Purpose

The purpose of the excise tax is to provide a funding mechanism for the construction and improvement of streets necessary to accommodate traffic generated by the growth and development of the City. The excise tax system implements a “fair share” approach by which new development that generates additional traffic pays its proportional cost of required street improvements in the City. Any person who obtains a building permit, either residential or non-residential, for construction of a structure that will generate additional traffic on City streets shall be subject to the license tax. Projects to be funded by the excise tax include those identified in the Major Thoroughfare Plan section of the Growth Management Plan, and designated in the City’s Capital Improvement Program (CIP) as funded through this revenue source. The thoroughfare plan identifies a network of “major” streets that would be required to accommodate the future traffic needs in the City of Raymore. The CIP will specify each of the streets to be funded, the amount of funding allocated for the project, and the timeframe for construction of the improvements. The following is a brief summary of significant events involving the adoption and implementation of the excise tax.

History

January 2000	Excise Tax Ordinance for Development that Generates New Traffic adopted by City Council
February 2000	Excise tax system approved by voters
April 2000	Excise tax imposed on all applicable building permits; Interim escrow system repealed
May 2000	Administrative guidelines applicable to excise tax adopted by City Council (<i>Adequate Public Facilities and the Excise Tax, and Advancing Projects</i>)
September 2001	Deadline to receive the plat credit
March 2002	Ordinance amended to allow payment of tax for non-residential uses at the time of certificate of occupancy
April 2003	Ordinance amended to modify the date set for the annual review to the 4 th Monday in July, and the date for the implementation of rate changes to November 1

October 2004	Resolution adopted establishing license tax rates of \$1,250 per trip for residential development, and \$300 per trip for non-residential development
November 2006	License tax rates of \$1,500 per trip for residential development, and \$400 per trip for non-residential development become effective
November 2007	The 7 th Edition of the ITE Trip Generation Manual Trip Generation Table went into effect.
November 2008	The license tax rates were increased to \$1,608 per trip for residential development and \$429 per trip for non-residential development. These rates reflected an increase of 7.19%, which was the Construction Cost Inflation Index for the period June 2007 through June 2008. The policy of adjusting rates according to the index was recommended by the License Tax Committee and accepted by the City Council in 2006.
November 2009	The license tax rates were increased to \$1,687 per trip for residential development and \$450 per trip for non-residential development. These rates reflected an increase of 4.9%, which was the Construction Cost Inflation Index for the period June 2008 through June 2009.
November 2010	The license tax rates were increased to \$1,724 per trip for residential development and \$460 per trip for non-residential development. These rates reflected an increase of 2.18%, which was the Construction Cost Inflation Index for the period May 2009 through May 2010.
November 2011	The license tax rates were increased to \$1,777 per trip for residential development and \$474 per trip for non-residential development. These rates reflected an increase of 3.1%, which was the Construction Cost Inflation Index for the period May 2010 through May 2011.
March 2012	While outside the period of this report, it is worth noting that in March of 2012 the City Council repealed the Commercial Excise Tax as it applies to businesses not located within Economic Development Incentive Districts of the City.

License Tax Rates

Rates are established by resolution of the City Council. The vote approving the excise tax authorized a rate not to exceed \$3,000 per vehicle trip. The rate for non-residential development is less than the residential rate to account for the fact that non-residential uses generate additional tax revenues that are used by the City to construct streets through higher property tax assessments and taxes paid against them, personal property taxes on business equipment, and sales taxes.

The amount of tax, due each time a building contractor obtains a building permit, is calculated by multiplying the license tax rate by the total number of new trips generated by the building activity. The total number of new trips or “trip generation rate” is determined by reference to a trip generation table adopted by the City. The trip generation table includes various types of land uses and is based on nationally accepted standards in the Trip Generation Manual published by the Institute of Transportation Engineers. For residential property the trip generation rate is determined by multiplying the number of dwelling units by the number of peak trips specified for the specific type of land use category. For non-residential property the trip generation rate is determined by dividing the total floor area of the building, measured in square feet, by one thousand (1,000), and then multiplying that number by the number of peak trips specified for the specific land use category. The number of peak trips has been reduced where appropriate to account for “pass by” trips. Pass by trips are those trips that are the result of a vehicle passing by the development which was not the original destination point and which enters the development, while not diverting from the primary path (spontaneous stop).

Annual Review

As outlined in the Raymore City Code, the City Manager, with the assistance of staff, prepares an annual report on the subject of the license tax for the *prior calendar year*. The report is presented to the License Tax Review Committee, composed of five (5) members appointed by the Mayor with the advice and consent of the City Council. The Committee’s primary purpose is to review and comment on the annual report prepared by the City Manager, and forward those results to the City Council. The Excise Tax Ordinance requires that the annual review be completed by the fourth (4th) Monday of July of each year, and that any changes to the tax rate be implemented on November 1. This report has been prepared and submitted in compliance with this requirement.

The Excise Tax Ordinance provides that the Report shall address the following items:

1. Recommendations on amendments, if appropriate, to this Article. Any increase in the license tax rates shall become effective on November first (1st) of the calendar year in which the rates are increased;
2. Proposed changes to the license tax calculation methodology, including the trip generation estimates and the land use categories, if appropriate;

3. Analysis of costs and revenues resulting from the license tax imposed pursuant to this Article;
4. The status of the implementation and administration of this Article;
5. A summary of the appeals taken from the imposition of the license tax imposed pursuant to this Article.

Committee Membership

The membership of the Committee appointed by the City Council for two (2) year terms consists of:

Ryan Wescoat	Chairman, City Council Representative
Gib Good	Developer Representative
Jack Hopkins	Citizen Representative
Jim Feuerborn	City Staff Representative

Note: Bill Benson, a Citizen Representative, has moved out of the City of Raymore and his seat is open as of the June 20 meeting. City staff has alerted Mayor Kerckhoff of this opening.

II. FINANCIAL ANALYSIS

Annual Revenue History

The following is a summary of revenues deposited into the Excise Tax Fund since the inception of the tax, including the total for calendar year 2011.

Year	Revenue
2000	\$ 15,215
2001	\$ 83,678
2002	\$ 314,520
2003	\$ 410,070
2004	\$ 436,600
2005	\$ 744,564
2006	\$ 1,011,035
2007	\$ 845,281
2008	\$ 310,275
2009	\$ 329,142
2010	\$ 238,223
2011	\$ 226,299
Total	\$ 4,964,902

2011 Financial Summary

Revenue

Permit Excise Tax	\$ 133,457	
Interest	\$ 1,807	
Transfer from Trans. Fund	\$ 91,035	
	<table border="1"><tr><td>\$ 226,299</td></tr></table>	\$ 226,299
\$ 226,299		

Expenditures

Interest Expense	\$ 0	
Admin/Inspection	\$ 0	
Design	\$ 0	
Construction	\$ 0	
Other	\$ 0	
Transfer to General (AI)	\$ 0	
	<table border="1"><tr><td>\$ 0</td></tr></table>	\$ 0
\$ 0		

Expenditure Summary

There were no Excise Tax expenditures in calendar year 2011.

Building Permit Summary

The following is a summary of permits by type in 2011 that paid the license tax, and the revenue generated.

<u>Type</u>	<u>Number</u>	<u>Revenue</u>		
Single-Family	60	\$102,027		
Multi-family	0	\$ 0		
Commercial	5	\$ 31,430		
Totals:	<table border="1"><tr><td>65</td></tr></table>	65	<table border="1"><tr><td>\$ 133,457</td></tr></table>	\$ 133,457
65				
\$ 133,457				

III. ADMINISTRATIVE REVIEW

Appeals/Credit Requests

The Excise Tax Ordinance provides that building contractors may appeal the assessment of the license tax.

In 2011, a Commercial Business restaurant, Thirsty Ernie's, appealed to the City Council the determination of the License Tax Administrator and City Manager regarding the land use classification determination of the restaurant to be a "high turnover sit down restaurant". The owner argued that the proper classification of the restaurant should be determined to be "quality restaurant". In September of 2011, the City Council upheld the owner's appeal.

Ten Year Road Plan

A copy of the excise tax projects page from the 2011-15 CIP is attached as Appendix 1. This schedule represents the 10-year road plan as referenced in the excise tax ordinance and supporting resolutions and included in the 2011-15 CIP Program.

IV. RECOMMENDATIONS

Rates

a. City staff recommends that the current rates of \$1,777 per trip for residential development and \$474 per trip for non-residential development be kept in place for the period November 1, 2012 through October 31, 2013.

b. For the past four years, the License Tax Review Committee has recommended to the City Council annual rate increases tied to the construction cost index (CCI) for Kansas City. Annual incremental increases avoid the need to increase the rates dramatically at sporadic times. Should the committee choose to follow past year's practice and recommend to the City Council that it adjust the excise tax by the increase in the Construction Cost Index, the following increases would apply beginning November 1, 2012.

The CCI for the period May, 2011 through May, 2012 for Kansas City was 2.8%. This would equate to an increase in the Excise Tax Rates as follows:

Residential: \$1,777 X 1.028 = \$1,827

Non-Residential: \$474 X 1.028 = \$487

V. LICENSE TAX COMMITTEE ACTION

To be completed after the License Tax Committee meets, prior to delivery to the City Council.

EXCISE TAX PROJECT SUMMARY
10-YEAR ROAD PLAN

The following is a summary of excise tax projects included in the CIP. This schedule represents the 10-year road plan as referenced in the excise tax ordinance and supporting resolutions. Completion of these projects on this schedule, given projected excise tax revenue, requires supplemental funding from non-excise tax sources. Projects have been divided into phases to facilitate funding and construction given available resources. These projects have been prioritized to meet existing demand and to provide infrastructure to support anticipated development demands. From year-to-year, the projected schedule and funding may be modified or updated. Costs are based upon estimates and road standards established by the proposed transportation master plan. Estimated amounts have been adjusted for inflation.

2012 Proposed

<u>Year</u>	<u>Project</u>	<u>Cost</u>
2020	163 rd Street between Foxridge Drive and Kentucky Road	\$4,265,400
	<i>Total:</i>	\$4,265,400