



RAYMORE LICENSE TAX REVIEW COMMITTEE ANNUAL MEETING AGENDA

Wednesday, July 11, 2018 - 6:00 p.m.

City Hall Executive Conference Room
100 Municipal Circle
Raymore, Missouri 64083

1. Call to Order
2. Roll Call
3. Nomination of Officers
4. Consideration of the Minutes of the July 12, 2017 Meeting
5. Staff Report
 - a. 2017 Annual Report
6. Business Items
 - a. Consideration of Staff Recommendations
7. Public Comments
8. Member Comments
9. Adjournment

Any person requiring special accommodation (i.e. qualified interpreter, large print, hearing assistance) in order to attend this meeting, please notify the City Clerk at (816) 331-0488 no later than forty-eight (48) hours prior to the scheduled commencement of the meeting.

MINUTES OF THE LICENSE TAX REVIEW COMMITTEE MEETING HELD WEDNESDAY, JULY 12, 2017, AT RAYMORE CITY HALL.

Chairman Moorhead called the meeting to order at 6:00 p.m. The roll was called. Present were members Derek Moorhead, Gib Good, Jack Hopkins, and Cynthia Watson. Others present included City Manager, Jim Feuerborn, Community Development and Director Jim Cadoret. Kerri O'Connor absent

The minutes of the July 11, 2016 License Tax Review Committee meeting were accepted into the record with a motion by Jack Hopkins, second by Gib Good. Vote Good 4-0 Passed.

The staff report was presented by Ms. Watson. This included a review of the revenue summary for 2016 with discussions and questions on the items. Following was a review of the expenditure summary for 2016. Ms. Watson noted that there was a typo for the calculated rate and will be corrected on the final report.

Ms. Watson the presented the staff recommendations to the committee. The recommendations included:

- A. Increasing the rate by 2.8% per the construction cost index (CCI) inflation for the most recent period, for 2018 fiscal year beginning November 1, 2017. This would result in the following rates:
 - $\$1,928 \times 1.028 = \$1,982$
 - $\$515 \times 1.028 = \529

There was limited discussion. Mr Feuerborn stated that the City certainly recognized the cost increase in the recent construction of the Centerview building. The Mountain Plains Index was 1.9%. Mr. Moorhead asked for Ms. Watson to explain the Appendix 1, the 10-Year Road Plan. Mr. Moorhead asked the committee if there were any citizen concerns about the yearly increase. Mr. Hopkins and Mr Gib agreed that they hadn't heard any and felt the yearly increased were the correct plan rather than a large increase periodically. There was further discussion on the validity of annual increases and delayed larger increases.

Mr. Hopkins moved, seconded by Mr. Good to accept staff recommendations on the rate increase and forward to the City Council. Vote 4-0 Passed.

There were no public comments or further comments. Chairman Moorhead adjourned the meeting as 6:19 p.m.

Respectfully submitted,

Cynthia Watson



2017 EXCISE TAX REVIEW
ANNUAL REPORT

July 11, 2018

2017 EXCISE 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 in residential areas and tax incentive districts that generates additional traffic pays its proportional cost of required street improvements in the City.

- Any person who obtains a residential building permit for a structure that will generate additional traffic on City streets is subject to the excise tax.
- Any person who obtains a building permit for a non-residential structure in an area that is in an established City economic development incentive district is subject to the excise tax.
- A person who obtains a building permit for a non-residential structure in an area that is not in an established City economic development incentive district is not subject to the excise tax.

Projects to be funded by the excise tax include those identified on the Transportation Plan Map 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 (Adequate Public Facilities and the Excise Tax, and Advancing Projects)
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 excise 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 excise 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 excise 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 excise 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 excise 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	In March of 2012, the City Council repealed the Commercial Excise Tax for businesses not located within Incentive Districts of the City.

June 2012	The License Tax Committee voted to recommend no increase in the excise tax rates, which remained at \$1,777 per trip for residential development and \$474 per trip for non-residential development in incentive district areas for the FY 2012-13.
June 2013	The License Tax Committee voted to recommend an increase in the excise tax rates to \$1,820 per trip for residential development and \$485 per trip for non-residential development. These rates reflected an increase of 2.43%, which was the Construction Cost Increase for May 2012 to May 2013.
June 2014	The License Tax Committee voted to recommend an increase in the excise tax rates to \$1,839 per trip for residential development and \$490 per trip for non-residential development. These rates reflected an increase of 2.9%, which was the Construction Cost Increase for May 2013 to May 2014.
June 2015	The License Tax Committee voted to recommend an increase in the excise tax rates to \$1,874 per trip for residential development and \$500 per trip for non-residential development. These rates reflected an increase of 1.9%, which was the Construction Cost Increase for May 2014 to May 2015.
June 2016	The License Tax Committee voted to recommend an increase in the excise tax rates to \$1928 per trip for residential development and \$515 per trip for non-residential development. These rates reflected an increase of 2.9%, which was the Construction Cost Increase for May 2015 to May 2016.
June 2017	The License Tax Committee voted to recommend an increase in the excise tax rates to \$1982 per trip for residential development and \$529 per trip for non-residential development. These rates reflected an increase of 2.8%, which was the Construction Cost Increase for May 2016 to May 2017.

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 because non-residential uses generate additional tax revenues (such as higher property tax assessments and taxes paid against

them, personal property taxes on business equipment, and sales taxes) that are used by the City to construct streets.

The amount of tax is calculated by multiplying the excise 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 that 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 excise 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 excise tax rates shall become effective on November 1 of the calendar year in which the rates are increased;
2. Proposed changes to the excise tax calculation methodology, including the trip generation estimates and the land use categories, if appropriate;
3. Analysis of costs and revenues resulting from the excise 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 excise 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:

<u>Member</u>	<u>Term Date</u>	<u>Position</u>
Kevin Barber	filling an unexpired term Feb 2019	City Council Representative
Gib Good	February 2019	Developer Representative
Jack Hopkins	February 2019	Citizen Representative
Kerrie O'Connor	February 2019	Citizen Representative
Cynthia Watson	February 2019	City Staff Representative

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 2017.

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
2012	\$236,085
2013	\$471,041
2014	\$374,731
2015	\$317,406
2016	\$446,662
2017	\$629,698
Total	\$7,440,525

2017 Financial Summary

Revenue

Permit Excise Tax	\$	525,484
Interest	\$	13,179
Transfer from Trans. Fund	\$	91,035
	\$	629,698

Expenditures

Interest Expense	\$	0
Admin/Inspection	\$	0
Design	\$	10,447
Construction	\$	547,479
Other	\$	0
Transfer to General (AI)	\$	0
	\$	557,926

Expenditure Summary

The Excise Tax expenditures during the calendar year 2017 are associated with two projects; \$402,926 for the 155th Street Reconstruction, and \$155,000 for the FY17 Street Preservation.

Building Permit Summary

The following is a summary of permits by type in 2017 that paid the excise tax, and the revenue generated.

<u>Type</u>	<u>Number</u>	<u>Revenue</u>
Single-Family	210	\$ 409,660
Multi-family	57	\$ 79,903
Commercial	4	\$ 35,921
Totals:	271	\$525,484

III. ADMINISTRATIVE REVIEW

Appeals/Credit Requests

The Excise Tax Ordinance provides that building contractors may appeal the assessment of the excise tax. In 2017, there were no appeals to the excise tax assessed on any business or residential unit to which it applied.

Ten Year Road Plan

A copy of the excise tax projects page from the 2017-2018 CIP is attached as Appendix 1. This schedule represents the 10-year road plan as referenced in the excise tax ordinance.

IV. RECOMMENDATIONS

Rates

City staff recommends that the current rates of \$2,053 per trip for residential development and \$548 per trip for non-residential development in incentive districts be increased by the construction cost index (CCI) for Kansas City for the period May 2016 through May 2017. That increase would be 3.6%. This would equate to an increase in the Excise Tax Rates as follows:

Residential:	$\$1,982 \times 1.036 = \$2,053$
Non-Residential:	$\$529 \times 1.036 = \548

V. LICENSE TAX COMMITTEE ACTION

APPENDIX 1 EXCISE TAX PROJECT SUMMARY

10-YEAR ROAD PLAN

The 10-Year Road Plan lays out a plan for the use of funds accumulated in the Excise Tax Fund.

Chapter 605 of the Raymore Municipal Code provides for the collection and administration of the Excise Tax. Section 605.050, Findings, Purpose, Intent and Authority, provides:

- “New growth and development in the City has resulted, and will continue to result, in increased usage, burden and demand on the existing streets of the City, and the need for construction of new streets to add capacity and to complete the street network planned to support full-build-out of the City.” [Section 605.050.A.3]
- “The City assumes the responsibility for, and is committed to, raising revenue for the design, construction, reconstruction repair and maintenance of adequate roads, streets and bridges necessary to serve the population of the City . . . ” [Section 605.050.A.4]
- “[The Excise Tax] is for the purpose of raising revenue, the proceeds of which shall be used for streets and related improvements throughout the City, including but not limited to the design, construction, reconstruction and improvements to streets, roads and bridges and related improvements in the City . . . ” [605.050.B.1]

While the Code language does provide that the excise tax may be used for repair and maintenance, it has historically since the tax was enacted been the City’s practice to use funds from this source to increase the capacity of the City’s road system to cope with the impacts of new development.

In the FY2016 Budget, the City practice was changed to include maintenance of high volume, large capacity streets as a use for the Excise Tax Funds. The FY 2018 Capital Budget includes maintenance costs associated with this change.