

SECOND COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 020238

Establishing a policy relating to public financing of certain costs of issuing City-backed municipal bonds including certain development costs.

WHEREAS, the City of Kansas City, Missouri (“City”) may provide financing for development projects in the form of tax-exempt or taxable bonds; and

WHEREAS, the development of financing plans for development projects should be coordinated with City administration to allow City staff to provide timely, meaningful input regarding costs and management of risk; and

WHEREAS, although the City Council recognizes the important role of private developers in the growth of the City, the City Council believes that, as stewards of the public trust, it must establish a policy relating to the reimbursement of costs financed by the City for such projects; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. The City from time-to-time may issue municipal bonds on behalf of development-related projects or further secure debt issued by other conduit issuers. As part of these issuances the City or other issuers may pay certain costs of issuance from bond proceeds. Per this ordinance, the cost reimbursement target ceiling for payment of such costs shall be as follows:

- a. For bond issuances having a principal amount of less than ten million dollars, the cost reimbursement target ceiling shall be three percent (3%) of the aggregate par amount of the bonds issued;
- b. For bond issuances having a principal amount of between ten and twenty million dollars, the cost reimbursement target ceiling shall be two and one-half percent (2.5%) of the aggregate par amount of the bonds issued; and
- c. For bond issuances having a principal amount of greater than twenty million dollars, the cost reimbursement target ceiling shall be two percent (2%) of the aggregate par amount of the bonds issued.

Section 2. Pursuant to Section 1, the City or other conduit issuers utilizing the City’s annual appropriation guarantee, may pay reasonable and customary structuring and financing costs from bond proceeds. Such costs may include but are not limited to the following services:

- . Advertising

- . Bond Counsel
- . City Administrative Expenses
- . Credit Rating Agencies
- . CUSIP
- . Disclosure Counsel
- . Electronic Bid Platform
- . Financial Advisor
- . Financial Printing
- . Investment Banker
- . Special Counsel
- . Transcript Binding
- . Trustee/Paying Agent

Costs related to obtaining municipal bond insurance shall be treated as prepaid interest costs relating to bond debt service and therefore will not count toward the target ceilings described in Section 1.

Section 3. The City may also pay a conduit issuance fee of no more than one-half of one percent of the par amount of the bonds issued (“Statutory Agency Fee”). Such Statutory Agency Fee shall be subject to the target ceilings describe in Section 1. Such Statutory Agency Fee may be paid to the City-related issuers or State of Missouri statutory agencies permitted by State law, including but not limited to the following listed agencies:

- . Port Authority (Port)
- . Land Clearance for Redevelopment Authority (LCRA)
- . Tax Increment Financing Commission (TIFC)
- . Planned Industrial Expansion Authority (PIEA)
- . Industrial Development Authority (IDA)
- . Missouri Development Financing Board (MDFB)

For all aforementioned agencies except MDFB, the Statutory Agency Fee shall be deemed payment in full of all costs of issuance owed by the City to the applicable agency related to the project and the resulting bond issuance (e.g., issuing authority counsel, out-of-pocket expenses, etc.).

Section 4. Successful completion of development projects advantageous to the City may require the use of professional services by the private developer separate and apart from, or complementary to, the City’s own costs of issuance of bonds, and agency fees, described in Sections 2 and 3, above. Such private development costs may require the Developer to incur costs for professional services related to the financing of the project (“Developer Professional Services”). Therefore, at the time such bond issue is presented to the Finance Committee of the City Council for initial consideration, designated City staff shall recommend a budget for City costs of issuance and Developer Professional Services, if any.

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In advance of the first reading of any bond resolution for which the City's credit is to be used to enhance a development-related bond issue, written notice shall be sent by any Developer seeking reimbursement of Developer Professional Services costs from City bond proceeds to the City Manager with copies to the City Attorney and Director of Finance. Such notice should include, but not be limited to, the following:

- . Description of each Developer Professional Service specifying the rate/base for each service
- . Total dollar amount expected to be reimbursed
- . Detailed explanation of benefit of service to the City/transaction
- . Any calculations or formulas used to apportion or pro-rate benefit of service

The City Manager, in consultation with the Director of Finance, City Attorney and Director of City Development will negotiate on behalf of the City to determine the methodology, formula and/or amount of Developer Professional Services costs to be included in any City sponsored bond sale and will present the rationale for same to the City Council in conjunction with the resolution to proceed to approve a development-based bond issue.

Based upon the facts and circumstances of the bond issue being presented for consideration, the total costs to be reimbursed (the sum of the City costs of issuance and Developer Professional Services) shall not normally exceed the cost reimbursement ceiling for payment of such costs as outlined in Section 1, above. The City will not be bound to the terms and conditions of any agreement, oral or written, for Developer Professional Services to which it is not a party.

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