

**City of Mission
Special City Council Meeting
Wednesday, November 6, 2019
7:00 p.m.**

AGENDA

1. Resolution Authorizing the Offering for Sale of Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019, of the City of Mission, Kansas
2. Adjournment

NOTICE OF SPECIAL GOVERNING BODY MEETING
OFFICE OF THE CITY CLERK
MISSION, KANSAS

TO: Ronald E. Appletoft, Mayor

You are hereby notified that there will be a special meeting of the Governing Body at 7:00 p.m., Wednesday, November 6, 2019 at Mission City Hall, 6090 Woodson for the purpose of considering the following item:


1. Resolution Authorizing the Offering for Sale of Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019, of the City of Mission, Kansas.

Witness my hand and the seal of said city this 4th day of November 2019.

State of Kansas)

Johnson County ss.)

City of Mission)



Martha M. Sumrall, City Clerk

NOTICE FOR SPECIAL GOVERNING BODY MEETING

TO: Ronald E. Appletoft, Mayor

You are hereby requested, in accordance with K.S.A. 14-111, to call a special meeting of the Governing Body of Mission, Kansas, to be held at Mission City Hall, 6090 Woodson at 7:00 p.m., Wednesday, November 6, 2019 for the purpose of discussing the item listed below:

1. Resolution Authorizing the Offering for Sale of Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019, of the City of Mission, Kansas.

Dated this 4th day of November 2019.



Councilmember



Councilmember



Councilmember

City of Mission	Item Number:	1.
ACTION ITEM SUMMARY	Date:	November 6, 2019
Administration	From:	Laura Smith

Action items require a vote to recommend the item to full City Council for further action.

RE: Authorizing the offering for sale of Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019.

RECOMMENDATION: Adopt the resolution authorizing the Mayor, City Administrator, Municipal Advisor, Purchaser, Purchaser’s Counsel, and Bond Counsel to proceed with the offering for sale of the Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019.

DETAILS: During the November 6, 2019 Special City Council meeting, Council will consider a Resolution Authorizing the offering for sale of Special Obligation Tax Increment Revenue Bonds (Gateway Project) in connection with the Mission Gateway project. Approval of this resolution will authorize the Mayor, staff and various outside consultants and advisors to proceed with the remaining steps for offering the Mission Gateway Special Obligation (SO) Bonds for sale as the Developer advances their private financing.

The next anticipated step in the process is posting of the Preliminary Limited Offering Memorandum (PLOM). The PLOM is a legal document that states the objectives, risks, financials and terms of the deal, and serves to provide buyers with information on the offering. The PLOM is lengthy and detailed and is intended to be used by sophisticated investors as a part of their due diligence.

The Resolution also establishes the specific parameters under which the Mayor may execute a Bond Purchase Agreement with the Purchaser for the Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019. Those include:

1. Principal amount shall not exceed \$46,000,000
2. True Interest Cost shall not exceed 5.75%
3. Final maturity of the bonds no later than March 2039
4. Purchaser’s discount no greater than 2.0% of principal amount

The posting of the PLOM and the remaining steps in the process are anticipated to proceed in accordance with the following schedule:

- On or about November 7, 2019: Preliminary Limited Offering Memorandum (PLOM) posted

Related Statute/City Ordinance:	K.S.A. 12-1770 <i>et seq.</i>
Line Item Code/Description:	NA
Available Budget:	NA

City of Mission	Item Number:	1.
ACTION ITEM SUMMARY	Date:	November 6, 2019
Administration	From:	Laura Smith

Action items require a vote to recommend the item to full City Council for further action.

- On or about November 18, 2019: Bond pricing, execution of the Bond Purchase Agreement, and Council consideration of the bond ordinance (assuming all conditions precedent to pricing set by the underwriter have been met)
- On or about December 12, 2019: Bond closing

Once the bonds are issued, the proceeds will be escrowed and will be distributed in accordance with the conditions precedent to bond proceeds distribution as outlined in the Amendment to the Redevelopment Agreement.

Bruce Kimmel of Ehlers, the City's Municipal Advisor will make a presentation regarding the proposed bond structure and anticipated yields. Bond Counsel will be available to discuss or answer questions regarding the process for the SO Bond issuance.

The Special Obligation bonds are payable exclusively from revenues generated by the Gateway project and are not backed by the full faith and credit of the City. The City is not responsible for the repayment of these bonds under any circumstances.

CFAA CONSIDERATIONS/IMPACTS: N/A

Related Statute/City Ordinance:	K.S.A. 12-1770 <i>et seq.</i>
Line Item Code/Description:	NA
Available Budget:	NA

**EXCERPT OF MINUTES OF A MEETING
OF THE GOVERNING BODY OF
THE CITY OF MISSION, KANSAS
HELD ON NOVEMBER 6, 2019**

The governing body met in special session at the usual meeting place in the City, at __:__ p.m., the following members being present and participating, to-wit:

_____.

Absent: _____.

The Mayor declared that a quorum was present and called the meeting to order.

(Other Proceedings)

Councilmember _____ presented and moved the adoption of a Resolution entitled:

**RESOLUTION AUTHORIZING THE OFFERING FOR SALE OF SPECIAL
OBLIGATION TAX INCREMENT REVENUE BONDS (GATEWAY PROJECT),
SERIES 2019, OF THE CITY OF MISSION, KANSAS.**

Councilmember _____ seconded the motion to adopt the Resolution. Thereupon, the Resolution was read and considered, and, the question being put to a roll call vote, the vote thereon was as follows:

Aye: _____.

Nay: _____.

The Mayor declared the Resolution duly adopted; the Clerk designating the same Resolution No. _____.

(Other Proceedings)

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CERTIFICATE

I hereby certify that the foregoing Excerpt of Minutes is a true and correct excerpt of the proceedings of the governing body of the City of Mission, Kansas, held on the date stated therein, and that the official minutes of such proceedings are on file in my office.

(SEAL)

Clerk

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE OFFERING FOR SALE OF SPECIAL OBLIGATION TAX INCREMENT REVENUE BONDS (GATEWAY PROJECT), SERIES 2019, OF THE CITY OF MISSION, KANSAS.

WHEREAS, the City of Mission, Kansas (the “City”), is a municipal corporation duly organized and validly existing under the laws of the State of Kansas as a city of the second class; and

WHEREAS, the City has the authority to adopt tax increment financing pursuant to the Kansas Tax Increment Redevelopment Act, constituting sections K.S.A. 12-1770 *et seq.*, as amended (the “Act”); and

WHEREAS, the City created the Mission Gateway Redevelopment District by the passage of Ordinance No. 1190 on January 11, 2006, as amended by the passage of Ordinance No. 1195 on February 8, 2006; and

WHEREAS, the City adopted the Fourth Amended Tax Increment Financing Redevelopment Project Plan (the “Redevelopment Plan”) by the passage of Ordinance No. 1468 on October 18, 2017, and the Redevelopment Plan became effective on January 1, 2019; and

WHEREAS, pursuant to the Redevelopment Plan, the City has determined that it is necessary and desirable to issue its Special Obligation Tax Increment Revenue Bonds (Gateway Project), Series 2019 (the “Bonds”), in the principal amount of not to exceed \$46,000,000 to pay a portion of the redevelopment project costs, fund a debt service reserve fund, fund capitalized interest on the Bonds, and pay the costs of issuing the Bonds; and

WHEREAS, at the request of the developer for the Gateway project, the City has selected the firm of D.A. Davidson & Co., Denver, Colorado (the “Purchaser”), as underwriter for the Bonds; and

WHEREAS, the City Council (the “Governing Body”) has selected the firm of Ehlers, Inc., Roseville, Minnesota (“Municipal Advisor”), as municipal advisor for the Bonds; and

WHEREAS, the City desires to authorize the Purchaser and the Municipal Advisor, in conjunction with City staff, Gilmore & Bell, P.C., Kansas City, Missouri, the City’s bond counsel (“Bond Counsel”), and Thompson Coburn LLP, St. Louis, Missouri (“Purchaser’s Counsel”), to proceed with the preparation and distribution of a preliminary limited offering memorandum and all other preliminary action necessary to sell the Bonds; and

WHEREAS, due to the volatile nature of the municipal bond market and the desire of the City to achieve maximum benefit of timing of the sale of the Bonds, the Governing Body desires to authorize the Mayor (or member of the Governing Body authorized to exercise the power and duties of the Mayor in the Mayor’s absence) (the “Mayor”), to confirm the sale of the Bonds, if necessary, prior to the next meeting of the Governing Body to adopt the necessary ordinance providing for the issuance thereof.

BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF MISSION, KANSAS, AS FOLLOWS:

Section 1. The Purchaser is hereby authorized to proceed with the offering for sale of the Bonds in accordance with the presentation made by the Municipal Advisor this date. The offering for sale of the Bonds shall be accomplished in consultation with the City Administrator, Municipal Advisor, Purchaser, Purchaser’s Counsel, and Bond Counsel.

The confirmation of the sale of the Bonds shall be subject to the execution of a bond purchase agreement between the Purchaser and the City (the “Bond Purchase Agreement”) in a form approved by Bond Counsel, the passage of an ordinance by the Governing Body authorizing the issuance of the Bonds, and the execution of various documents necessary to deliver the Bonds. The Mayor is hereby authorized to execute the Bond Purchase Agreement subject to the following parameters: (a) the principal amount of the Bonds shall not exceed \$46,000,000; (b) the true interest cost of the Bonds shall not exceed 5.75% and each maturity of the Bonds shall bear interest at an interest rate of not to exceed the provisions of K.S.A. 10-1009; (c) the final maturity of the Bonds shall be no later than March 1, 2039; and (d) the Purchaser’s discount shall be no greater than 2.0% of the principal amount of the Bonds.

Section 2. The Mayor and City Administrator are each hereby authorized to (a) approve the Preliminary Limited Offering Memorandum relating to the Bonds (the “Preliminary Limited Offering Memorandum”), with such changes or additions as the Mayor and City Administrator shall deem necessary and appropriate, and (b) consent to the use and public distribution by the Purchaser of the Preliminary Limited Offering Memorandum in connection with the offering for sale of the Bonds.

Section 3. The Mayor, Clerk and the other officers and representatives of the City, the Municipal Advisor and Bond Counsel are hereby authorized and directed to take such other action as may be necessary to carry out the sale of the Bonds.

Section 4. This Resolution shall be in full force and effect from and after its adoption by the Governing Body.

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ADOPTED by the Governing Body on November 6, 2019.

(SEAL)

Ronald E. Appletoft, Mayor

ATTEST:

Martha Sumrall, City Clerk

Memo

To: City of Mission, Kansas
From: Bruce Kimmel, Senior Municipal Advisor
Date: November 4, 2019
Subject: **Mission Gateway – Proposed Special Obligation Bonds**

In advance of our discussions at the Finance & Administration Committee and special City Council meetings this Wednesday the 6th, I would like to summarize the proposed City Special Obligation (SO) Bonds to be repaid with future TIF and CID revenues, and how that structure might change between now and the actual pricing and closing.

PGAV, the market study firm that was engaged to study the planned residential, retail, entertainment, hotel, and office uses at the Gateway, has estimated that the project will generate a total of \$74.2 million in TIF and CID revenues through December 2038. This is the only revenue available to pay principal and interest on the SO Bonds, and it does not include the portions of the City's general sales and transient guest tax rates that the City will collect for its own use during the TIF term. In addition, note that the TIF and CID "spigots" gets turned off for this bond purpose no later than the end of 2038.

Using this \$74.2 million PGAV projection, DA Davidson (the bond underwriter) has structured a preliminary SO Bond offering with a par amount of \$43.5 million, yielding an estimated \$32.7 million in project funding. You might ask why the amount available to fund Gateway project costs is only 44% of the PGAV revenue stream. The answer is a combination of the (a) relatively high interest rate that is required to attract investors to buy bonds backed solely with prospective TIF and CID, (b) capitalized interest that is used to pay bond interest while the Gateway is built and gets up to speed, (c) relatively high issuance costs incurred in completing the entire transaction, and (d) debt service coverage ratio and debt service reserve fund (DSRF) that investors demand in order to mitigate the risk that actual TIF and CID revenues generated by the Gateway project might not be adequate to pay the scheduled bond debt service on time and in full.

In this case, Davidson proposes a 120% debt coverage ratio (meaning that there is \$1 of planned debt service for every \$1.20 of PGAV-estimated revenues) and a \$4.2 million DSRF. And \$3.9 million in capitalized interest and an estimated 5.05% true interest cost (TIC). If the bond marketing goes well and investors line up to buy the bonds at a lower yield, most of the above costs will decrease, resulting in more project funding than the estimated \$32.7 million. But the opposite could occur, too, and that is the reason for the higher maximum par amount and TIC in the proposed bond "parameters resolution".

I look forward to discussing the bond structure, the various possible changes, and next steps leading to bond pricing and closing with you. Although there is more work to be done before the City is prepared to sell the bonds to investors, I believe the proposed bond plan is reasonable and consistent with the City's objective of helping to make the Gateway happen, but without financial or reputational risk to the City. Thank you.