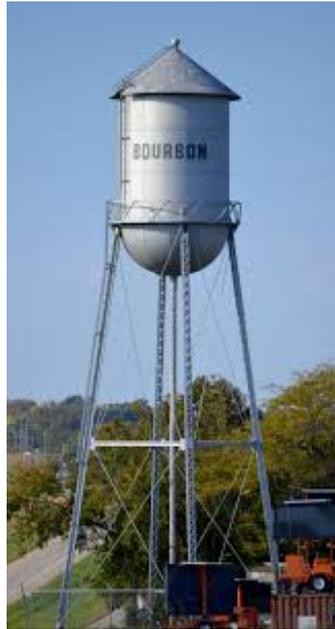




FUNDING FOR THE FUTURE

*2019 Water & Wastewater
Infrastructure Financing
Workshop*



WATER AND WASTEWATER FINANCING OPTIONS

What's in a name? That which we
call a rose by any other name
would smell as sweet.

William Shakespeare



TYPES OF MUNICIPAL BONDS

- General Obligation Bonds
- Neighborhood Improvement District Bonds
- Utility Revenue Bonds
- Sales Tax Revenue Bonds
- Lease Financings
- Community Improvement District Bonds



GENERAL
OBLIGATION
BONDS

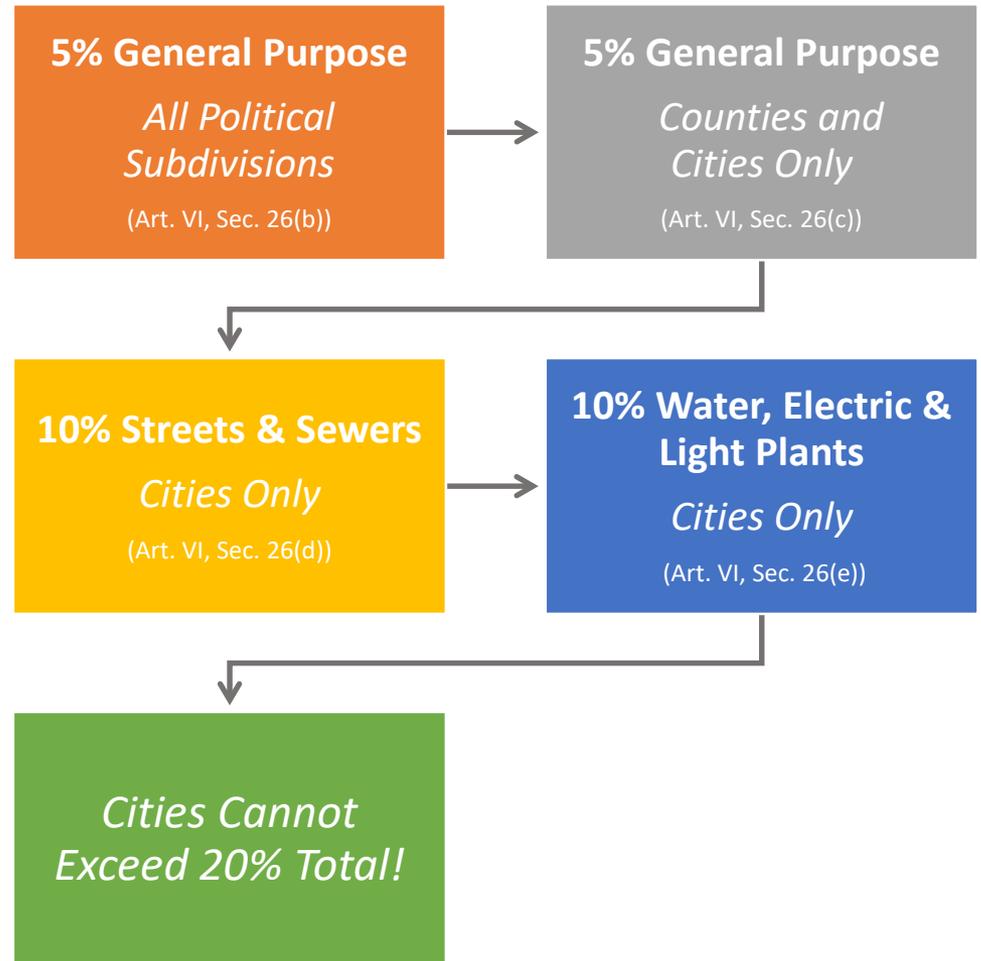
Security for General Obligation Bonds



Full Faith and Credit and Taxing Power

- Authorizes the governing body to levy an annual property tax (*in any rate or amount*) to repay the bonds
- May use other revenue sources (such as sales tax revenues) to pay debt service on the bonds
- A court can require an increase in property taxes if needed to repay the bonds

Constitutional Debt Limits





SUPER-MAJORITY VOTER APPROVAL REQUIRED FOR GENERAL OBLIGATION BONDS

- 4/7th Majority (57.1%) at General Municipal, Primary and General Elections
 - April each year
 - August and November in even-numbered years
- 2/3rd Majority (66.6%) for All Other Elections

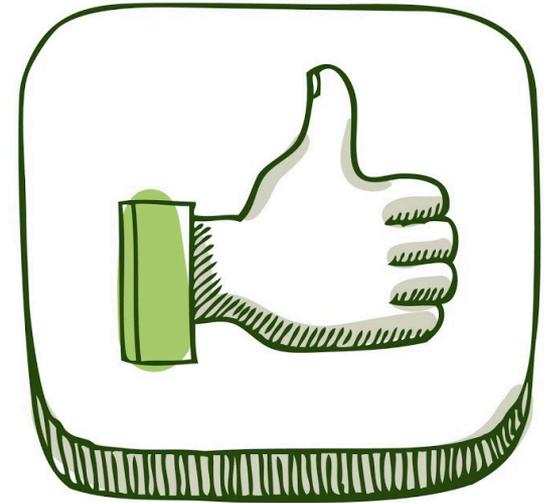
General Obligation Bonds

Advantages

- Highest security, lowest risk, generally resulting in the lowest possible interest rate for financing the project
- Less complex structure resulting in lower costs of issuance
- Creates a new source of funds to repay the bonds

Disadvantages

- 20-year maturity limit
- Voter authorization is required, which may delay the financing
- Amount of bonds limited by the Constitution
- Bonds are required to be registered with the Missouri State Auditor's Office



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NEIGHBORHOOD
IMPROVEMENT
DISTRICTS

NID Formation Basics



Several procedural steps involved in formation



Formation begins with property owner petition (signed by 2/3rds of the property owners by area) or election (either 4/7th or 2/3rd voter approval, depending on the election day)



Governing body holds a public hearing



Governing body levies NID special assessments on property in district boundary to pay for improvements



Governing body issues Quasi-General Obligation Bonds secured by assessment and surplus funds of the Issuer

Neighborhood Improvement District Bonds

Advantages

- Creates a new source of funds to repay the bonds
- Tax lien on properties *plus* full faith and credit of governmental entity provides solid security, reduced risk, generally resulting in the lower interest rate

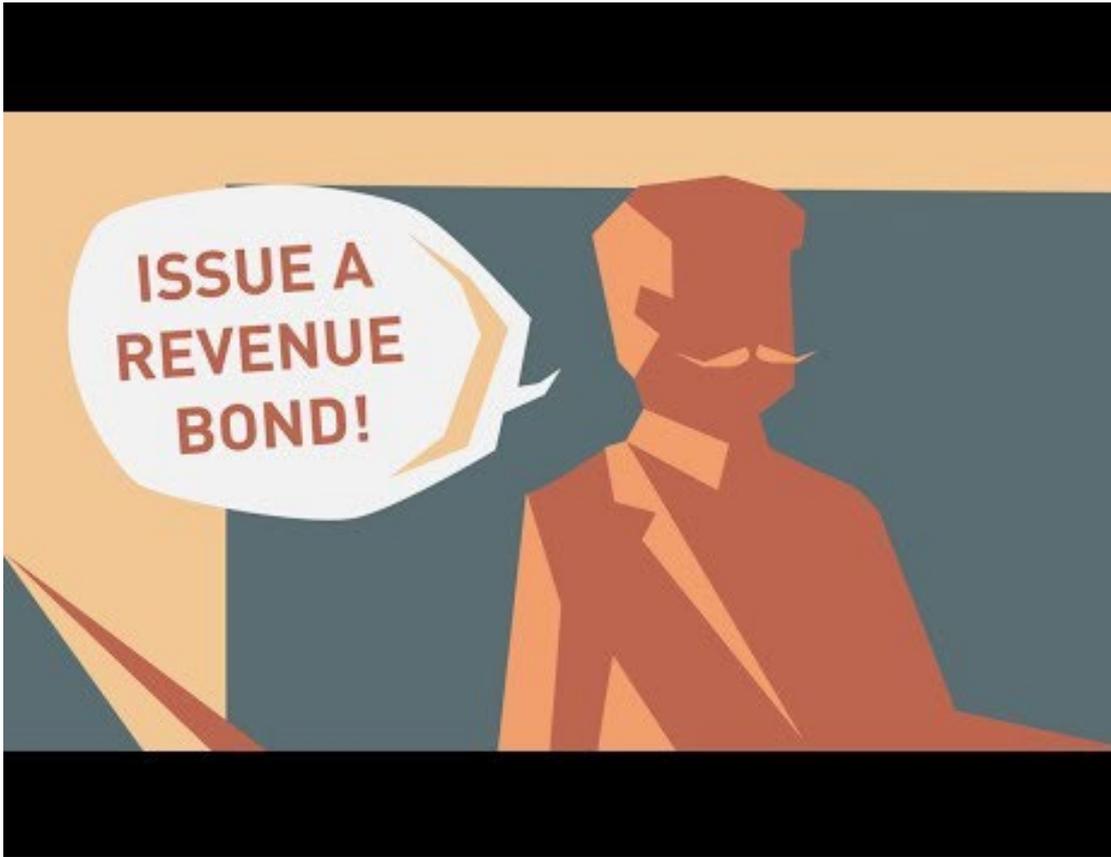
Disadvantages

- Only available to cities and counties
- 20-year maturity limit
- Creation process may delay the financing and increase issuance costs
- Bonds count against Constitutional debt limit
- Bonds are required to be registered with the Missouri State Auditor's Office
- General fund of governmental entity at risk if assessments don't come in as expected, Debt Service Reserve Fund recommended





REVENUE
BONDS



Types of Revenue Bonds

- Utility Revenue Bonds
- Sales Tax Revenue Bonds
- Housing Revenue Bonds
- Hospital Revenue Bonds
- Higher Education Revenue Bonds
- Airport Revenue Bonds
- Transportation Revenue Bonds
- Industrial Revenue Bonds



UTILITY REVENUE BONDS

Security for Utility Revenue Bonds

Pledge of revenues generated from the facility or project being financed (e.g., water, sewer, or combined system)

- Authorizes the governing body to fix, establish, maintain and collect rates and charges for the services provided by the system to repay the bonds
- May use other revenue sources (such as sales tax revenues) to pay debt service on the bonds



REMOVE CONTAMINANTS

Drink healthy filtered well water with our innovative well system.



SIMPLE-MAJORITY VOTER APPROVAL REQUIRED FOR UTILITY REVENUE BONDS

With Some Exceptions:

- **Certain Reorganized Common Sewer Districts – No Voter Approval Required**
- **Common Sewer Districts – 4/7th Super-Majority Voter Approval Required**
- **Joint Municipal Utility Commissions – Approval from 3/4th of the Contracting Municipalities Required**

Additional Bond Covenants



Rate Covenant



Debt Service Reserve Fund

(moneys that provide additional security for the bonds)



Depreciation and Replacement Fund

(moneys in case emergency repairs are needed to keep the System in good repair and working order)



Parity Bond Tests

Utility Revenue Bonds

Advantages

- Generally, only a simple majority of voters is required to issue utility revenue bonds
- System revenues are pledged to the repayment of bonds, which results in a lower interest rate
- No constitutional limitations on amount – revenue bonds do not reduce ability to issue G.O. bonds

Disadvantages

- 35-year maturity limit (with some exceptions)
- Voter authorization is required, which may delay the financing
- Pledge of system revenues may require increases in rates – practical limitation on amount of bonds that can be issued
- Parity test may limit ability to issue additional bonds



A red sign with white text that reads "SALES TAX". The sign is tilted and set against a background of brown, textured paper. A white curved line separates the sign from the dark grey background on the right.

SALES

TAX

SALES TAX
REVENUE
BONDS

Sales Tax Revenue Bonds



BONDS ARE SECURED BY, AND
PAYABLE SOLELY FROM, A PLEDGE
OF SALES TAX REVENUES



AMOUNT OF BONDS LIMITED BY
CONSTITUTION



SUPER-MAJORITY
VOTER APPROVAL REQUIRED

Sales Tax Revenue Bonds

Advantages

- Creates a new source of funds to repay the bonds

Disadvantages

- Only available to entities that can impose the sales tax
- Bonds considered “indebtedness” under the Constitution, require a 4/7th or 2/3rd majority voter approval
- Bonds count against Constitutional debt limit
- Debt Service Reserve Fund may be required
- Bond market views sales taxes as a potentially volatile revenue source - interest rate is typically higher than other types of bonds
- Proof of coverage of 1.25x to 2.50x may be required





LEASE
FINANCINGS

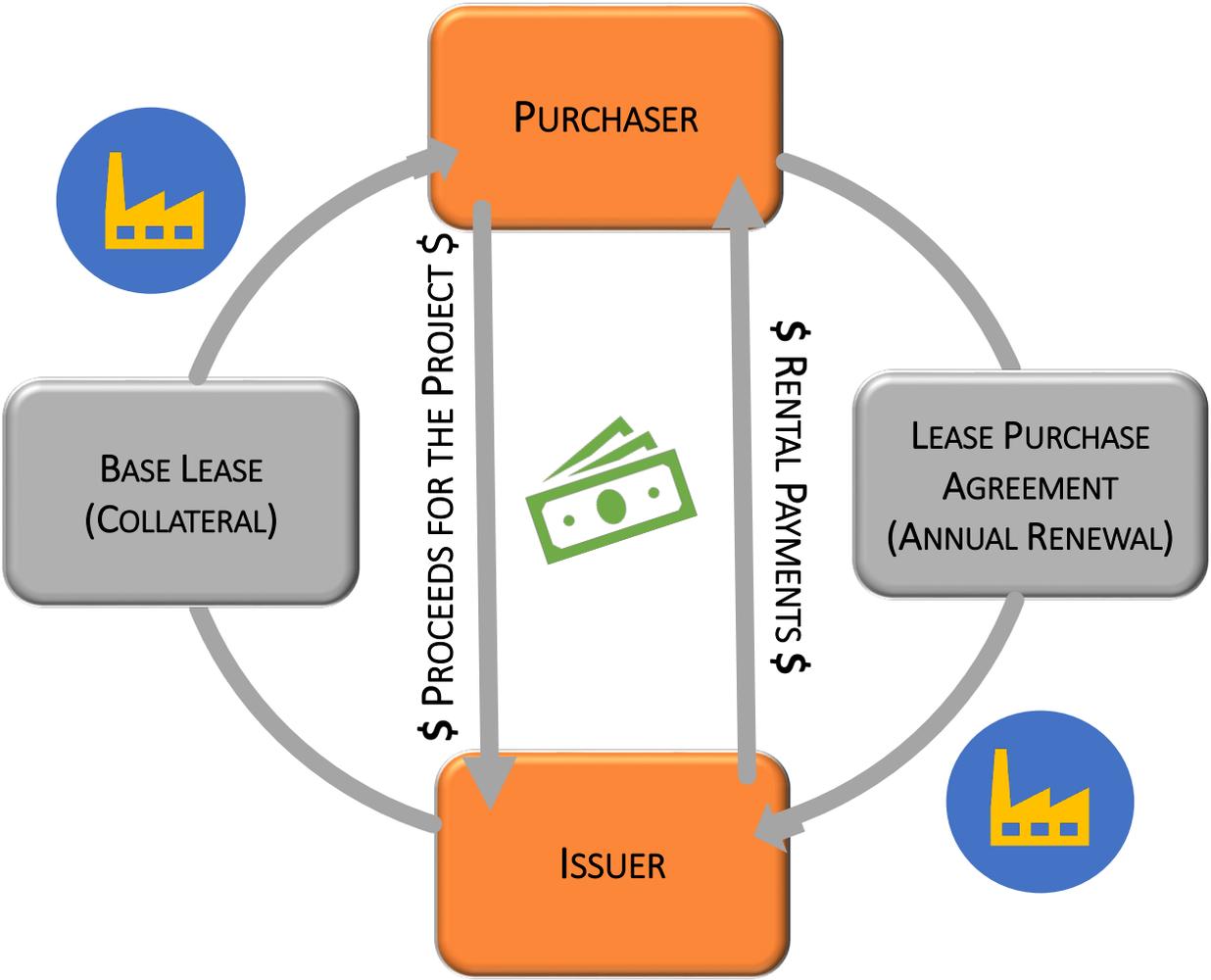
Security for Lease Financings



*Payable from all legally available funds;
Collateral is the financed property*

- Lease is subject to renewal each year; no obligation to make rental payments beyond current lease term
- No pledge of revenues
- Rental payments are subject to annual appropriation
- Collateral is subject to forfeiture if there is an event of default or non-appropriation

LEASE FINANCINGS – BASIC STRUCTURE



Lease Financings

Advantages

- No voter approval required
- No maturity limit
- No constitutional limitations on amount – lease financings do not reduce ability to issue G.O. bonds

Disadvantages

- Lease does not create a new source of funds to repay the obligation
- Rental payments are subject to annual appropriation, - interest rate is typically higher than other types of bonds
- Complex structure may result in higher costs of issuance
- Debt Service Reserve Fund may be required
- “Essential governmental facility” typically required as collateral to reduce the risk of non-appropriation



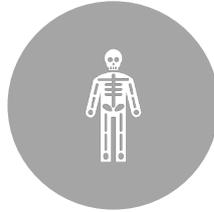
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COMMUNITY
IMPROVEMENT
DISTRICTS

CID Basics



SEPARATE POLITICAL
SUBDIVISION OR NON-
PROFIT CORPORATION AND
BOARD OF DIRECTORS



ENJOY A BROAD RANGE OF
POWERS (MORE IF
BLIGHTED AREA EXISTS)



BOARD IS APPOINTED BY
GOVERNMENTAL ENTITY OR
ELECTED



PROJECT MUST BE INSIDE
OF BOUNDARIES OF THE CID



SALES TAX, PROPERTY TAX,
SPECIAL ASSESSMENTS
AVAILABLE



BONDS ARE NOT
OBLIGATIONS OF
GOVERNMENTAL ENTITY

Community Improvement Districts

Advantages

- Creates a new (but limited) source of funds to repay the bonds
- Special Assessment bonds are secured by tax lien on properties, may reduce interest rate
- Bonds are not debt of creating governmental entity

Disadvantages

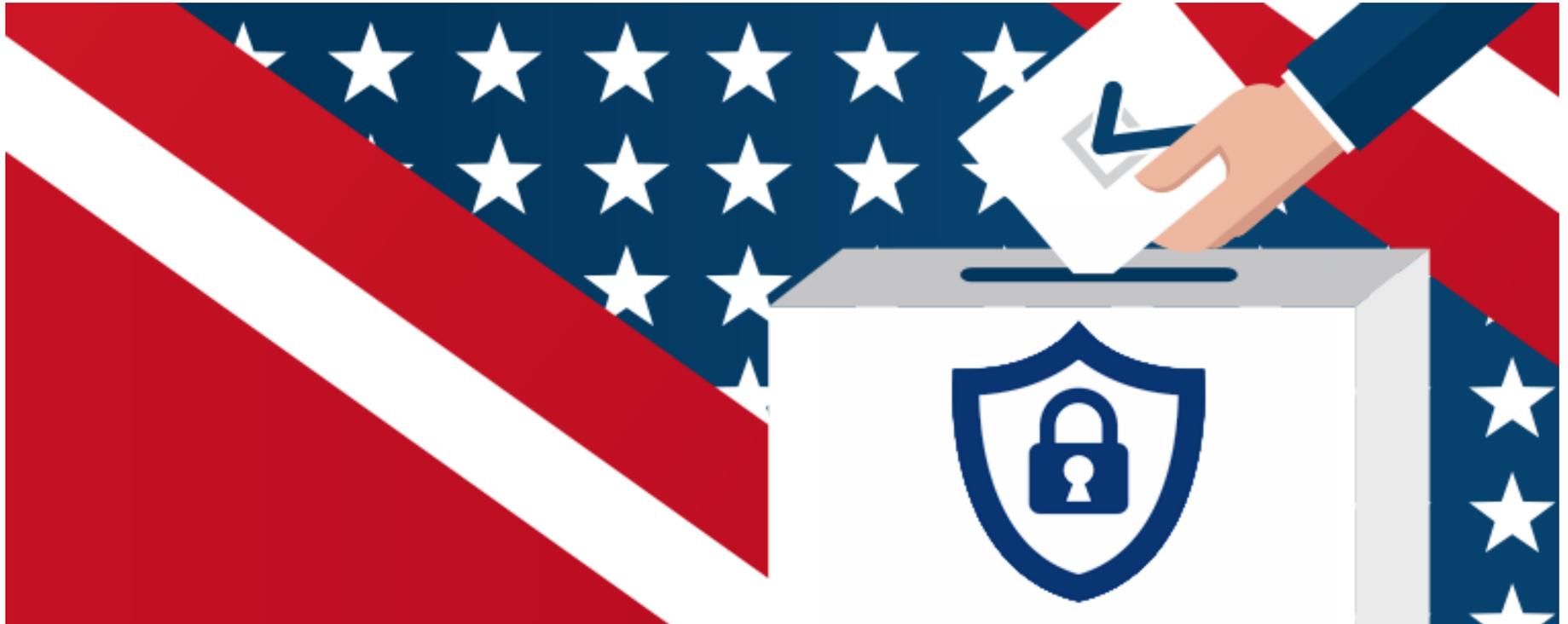
- 20-year maturity limit
- Large-scale CIDs with broad revenue base may be challenging to form
- Limited revenue source - interest rate is typically higher than other types of bonds
- Structure may result in higher costs of issuance
- Debt Service Reserve Fund may be required
- Ongoing administrative costs of maintaining CID increases costs of financing



	G.O. BONDS	NIDS	UTILITY REVENUE BONDS	SALES TAX REVENUE BONDS	LEASES	CIDS
Voter Approval	Super Majority	Petition Process or Super Majority	Simple Majority (some exceptions)	Super Majority	None	Petition Process
Debt Limit Applies	Yes	Yes	No	Yes	No	No
Interest Rates	Generally lowest	Higher than traditional G.O. bonds	Higher than G.O. bonds	Higher than other revenue bonds	Generally higher than G.O. and revenue bonds	Generally highest
Maximum Maturity	20 years	20 years	35 years (some exceptions)	20 years	No limit	20 years
Issuance Costs	Generally lowest	Higher than traditional G.O. bonds	Higher than G.O. bonds	Higher than other revenue bonds	Generally higher than G.O. and revenue bonds	Generally highest

FINANCING TOOL COMPARISON

Election Issues



ELECTION DATES AND FILING DEADLINES

BOND ELECTIONS IN MISSOURI IN 2019

The following schedule shows the available bond election dates for political subdivisions and special districts in Missouri in 2019, and the deadline dates for filing notice of a proposed bond election with the election authority (i.e., county clerk or, where established, board of election commissioners). Bond elections and school district levy elections may be held on days other than those shown below in special circumstances set out in Section 115.123, RSMo. Elections may be conducted by mail ballot if certain conditions set out in Section 115.652 are met.

Notice to Election Authority (<u>Tuesdays</u>)	Election Days (<u>Tuesdays</u>)
November 27	February 5 ⁽¹⁾
January 22	April 2 ⁽²⁾
May 28	August 6
August 27	November 5

Notes:

- ⁽¹⁾ Bond elections only; no other issues allowed.
- ⁽²⁾ General obligation bond elections held on April 2, 2019 (general municipal election day), require a four-sevenths majority (instead of the two-thirds majority required for all other election dates).

BOND ELECTIONS IN MISSOURI IN 2020

The following schedule shows the available bond election dates for political subdivisions and special districts in Missouri in 2016, and the deadline dates for filing notice of a proposed bond election with the election authority (i.e., county clerk or, where established, board of election commissioners). Under special circumstances set out in Section 115.123, ~~RSMo.~~ bond elections and school district levy elections may be held on days other than those shown below. Elections may be conducted by mail ballot if certain conditions set out in Section 115.652 are met.

Notice to Election Authority (Tuesdays)	Election Days (Tuesdays)
November 26	February 4 ⁽¹⁾
January 28	April 7 ⁽²⁾
May 26	August 4 ⁽²⁾
August 25	November 3 ⁽²⁾

(A presidential primary will be held on March 3, 2020 but no other elections are allowed on that date.)

Notes:

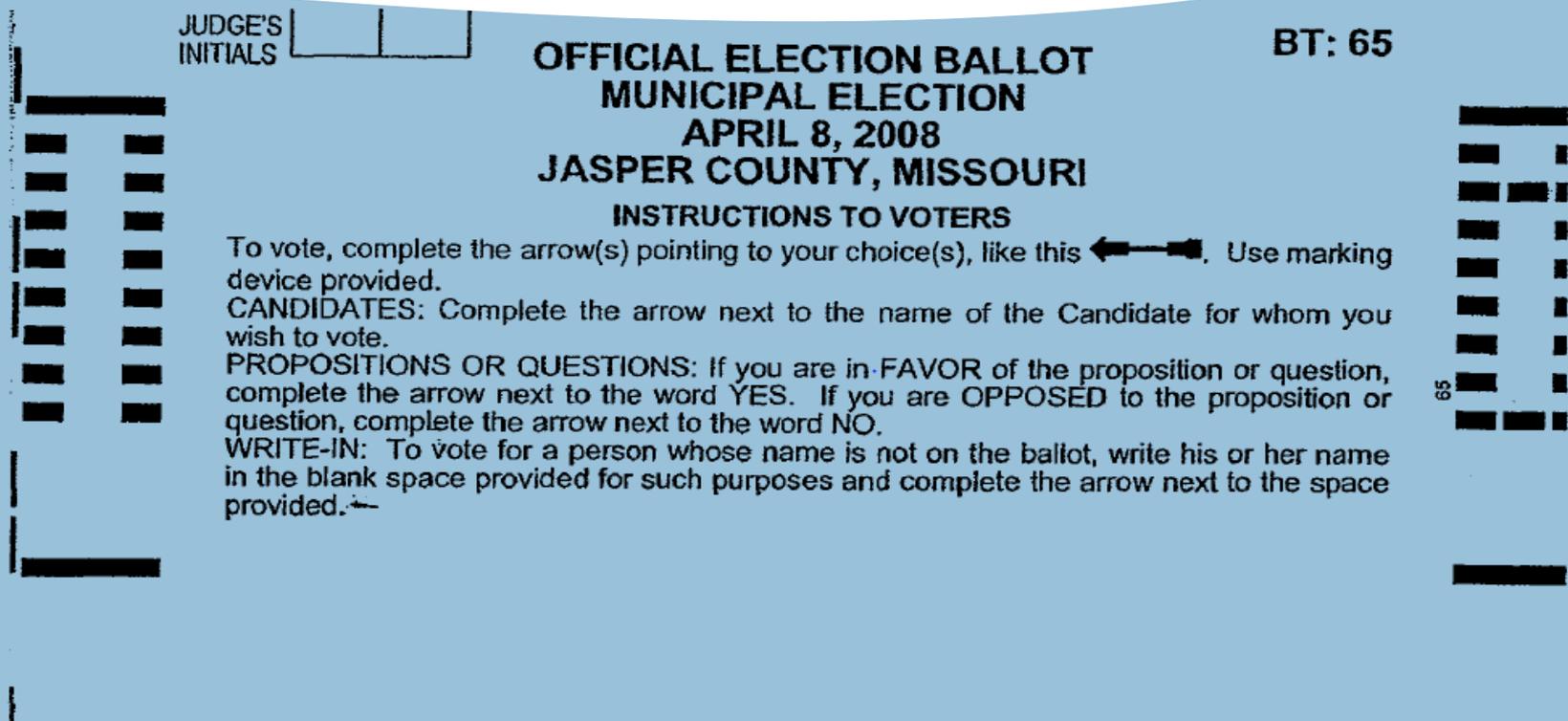
⁽¹⁾ Bond election only; no other issues allowed.

⁽²⁾ General obligation bond questions submitted on the following election days require a four-sevenths majority (instead of the two-thirds majority required for all other election dates):

- (i) April 7 (general municipal election day).
- (ii) August 4 (primary election day).
- (iii) November 3 (general election day).

BALLOT LANGUAGE

- Follow Statutory Form of the Question
- No Dual Propositions (Log-Rolling)
- Watch for Ballot Errors
- No Electioneering



BALLOT CASE STUDY

In 1999, the City of Showme, Missouri submitted the following question to the voters:

Proposition Pollution Solution

Shall the City of Showme, Missouri issue its general obligation bonds in the amount of Twenty-Two Million Dollars (\$2,000,000) for the purpose of renovating the City's waterworks system and acquire and construct a new City Hall? Approval of this question will not result in a tax increase.

- Name of Proposition – Electioneering?
- Twenty Two Million Dollars vs. \$2,000,000?
- Is the Project description too restrictive?
- Are there multiple unrelated purposes?
- “Approval of this question will not result in tax increase”?



No Use of Public Funds

No contribution or expenditure of public funds shall be made directly by any officer, employee or agent of any political subdivision to advocate, support, or oppose any ballot measure...

(Section 115.646 RSMo.)



Election Contest Period

30 days unless fraud

(Section 115.557 RSMo.)



Staleness of Voted Authority





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