

JOPLIN
MISSOURI

JUSTICE CENTER FINANCING OPTIONS

COJ Team | December 4, 2023

Various Financing Methods



Certificates of Participation

Certificates of Participation (COPS) are tax-exempt bonds secured by an identified revenue source. COPS enable governmental entities to finance capital projects without technically issuing long-term debt. Therefore, there is no required public vote to issue this type of financing instrument. The renovation of City Hall, the Justice Center and the Health Department used this type of financing method.

General Obligation Bonds

General Obligation bonds mean that the City is guaranteeing repayment of the bonds by any means necessary. The full faith, credit, and taxing power of the City are backing the bonds. The City is "generally obligated" for the repayment. Typically, general obligation bonds are repaid through property taxes. This is a type of long-term debt, which requires a successful vote of the people.

Revenue Bonds

Revenue bonds don't rely on taxation for repayment, rather are repaid through a specific revenue source. Revenue bonds for the City of Joplin would only be applicable to the Sewer System.

Justice Center Financing Options

General Background

- Information presented based on Justice Center estimated cost of $65 million
- New Update: additional estimate with FF&E is $67,350,000
- There are essentially two financing methods for the Justice Center, with additional variations of one method
- When issuing long-term debt, a dedicated repayment source is required
- Capital Improvements Sales Tax authorized ceiling is ½-Cent, while the City is currently levying 3/8-cent

Justice Center Financing Options

Financing Option Information

- It is difficult to project sales tax for a ten-year period and more difficult for twenty years
- Net financing proceeds and repayment amounts are based on current interest rates, sales tax projections and assessed valuations
- A change in interest rates will impact these examples
- Therefore, these are examples based on current projections only and will change going forward
- There are different benefits and challenges with each option

CITY OF JOPLIN
SUMMARY OF DEBT SERVICE COMPARED TO PROJECTED COLLECTIONS
AS OF NOVEMBER 1, 2023

TAX	PROJECTED COLLECTIONS	TOTAL COLLECTIONS	$65M COP TOTAL DEBT SERVICE	% OF TAX REQUIRED
3/8-Cent Sales Tax for 10 Years	$ 74,500,000			
3/8-Cent Use Tax for 10 Years	$ 7,500,000	$ 82,000,000	N/A	N/A
3/8-Cent Sales Tax for 20 Years	$ 165,300,000			
3/8-Cent Use Tax for 20 Years	$ 16,700,000	$ 182,000,000	$ 103,000,000	56.6%
3/8-Cent Sales Tax for 30 Years	$ 275,900,000			
3/8-Cent Use Tax for 30 Years	$ 27,900,000	$ 303,800,000	$ 129,300,000	42.6%
1/8-Cent Sales Tax for 10 Years	$ 24,800,000			
1/8-Cent Use Tax for 10 Years	$ 2,500,000	$ 27,300,000	N/A	N/A
1/8-Cent Sales Tax for 20 Years	$ 55,000,000			
1/8-Cent Use Tax for 20 Years	$ 5,500,000	$ 60,500,000	$ 103,000,000	Insufficient
1/8-Cent Sales Tax for 30 Years	$ 91,800,000			
1/8-Cent Use Tax for 30 Years	$ 9,300,000	$ 101,100,000	$ 129,300,000	Insufficient
1/2-Cent Sales Tax for 10 Years	$ 99,300,000			
1/2-Cent Use Tax for 10 Years	$ 10,000,000	$ 109,300,000	N/A	N/A
1/2-Cent Sales Tax for 20 Years	$ 220,300,000			
1/2-Cent Use Tax for 20 Years	$ 22,200,000	$ 242,500,000	$ 103,000,000	42.5%
1/2-Cent Sales Tax for 30 Years	$ 367,700,000			
1/2-Cent Use Tax for 30 Years	$ 37,200,000	$ 404,900,000	$ 129,300,000	31.9%

Justice Center Financing Options

Financing Options

Option C:

- Seek Voter Approval for the current 3/8-Cent Capital Improvement Sales Tax for *20 years* rather than 10 years
- Dedicate annual COP debt payment (projected to be approximately 56.6% of 3/8-Cent ***Sales and Use Tax combined)*** for Justice Center over 20 years
- Remaining balance of projected $83 million ($79 million in sales tax only, plus $4 million rollover) would be available for Capital Projects for 20 years rather than 10
- 3/8-Cent Sales and Use Tax projected to generate $165.3 million over 20 years and $74.5 million over 10 years

Justice Center Financing Options

Financing Options

Option D:

- Seek Voter Approval for the full *1/2-Cent* Capital Improvement Sales Tax for *20 years*
- Dedicate annual COP debt payment (projected to be approximately 42.5% of 1/2-Cent ***Sales and Use Tax combined)*** for Justice Center over 20 years
- Remaining balance of $143.5 million ($139.5 million sales tax only, plus $4 million rollover) would be available for Capital Projects over 20 years
- 3/8-Cent of Sales and Use Tax projected to generate $165.3 million over 20 years

Justice Center Financing Options

Financing Options

Option E:

- Seek Voter Approval for General Obligation Bonds to be repaid over 20 years
- GO Bonds can only be issued for no more than 20 years from date of issuance
- Available elections in 2024 = April, August or November
- GO Bonds require a 4/7th majority or 57.1% at any of these elections
- August is a presidential primary, while November is the presidential election

Justice Center Financing Options

Financing Options

Option E:

- A $65 million project over 20 years will carry an average annual debt service payment of about $4,940,000
- Based on the current assessed valuation, .70 cents on real property only will generate approximately $5,000,000 annually
- A combined real and personal property tax of .54 cents will generate about $5,000,000 annually

Justice Center Financing Options

Financing Options

Impact Comparison:

- Estimated Annual Impact to taxpayer for a $150,000 home is $199.50 for real property only option
- Estimated Annual Impact to taxpayer for a $150,000 home and $30,000 of personal property is $207.36

- By comparison, when a taxpayer spends $1,596.00 annually, 1/8-cent sales tax will cost $199.50
- $400 a month = $4,800 annually, 1/8-cent sales tax will cost $600.00 ***or***
- $200 a month = $2,400 annually, 1/8-cent sales tax will cost $300.00

Justice Center Financing Options

Option Considerations

Option C:

- Essentially allocates 10-year revenue over 20 years to the capital improvement sales tax portion, eroding this program over time
- 20 years rather than 10 years
- Pledges all the capital improvement use tax to debt repayment rather than action plans, such as beautification
- No tax increase
- One ballot question
- Less risk for the renewal of the capital improvement sales tax than other options
- Paid by anyone making purchases inside city limits

Justice Center Financing Options

Option Considerations

Option D:

- Still erodes the capital improvement program over time by using a portion of the 3/8-cent sales tax collections
- 20 years rather than 10 years
- Pledges all the capital improvement use tax to debt repayment rather than action plans, such as beautification
- Tax increase
- One ballot question
- More risk for the renewal of the capital improvement sales tax than other options
- Paid by anyone making purchases inside city limits

Justice Center Financing Options

Option Considerations

Option E:

- Bonds require voter approval, repaid by Property Tax
- Two ballot questions
- Paid only by residents of Joplin who own property
- Doesn’t erode capital improvement program
- Doesn’t require use tax proceeds for debt repayment
- Justice Center Proposal will be a stand-alone issue for consideration on its own merits
- Less risk for the renewal of the capital improvement sales tax than other options
- Taxpayer impact is less than the additional 1/8-cent sales tax (Option D)

Justice Center Financing Options

Additional Information

- Operational costs for a larger facilities and larger jail will increase, which will most likely need to be funded through the renewal of the pension sales tax (Prop B)
- Capital Improvement sales tax is only sales tax option to fund Justice Center
- Other option is GO Bonds repaid through a property tax levy

QUESTIONS?

