

FAQ

Infrastructure Bonds



On **APRIL 4, 2017**, Kansas City voters will be asked to approve an **\$800 MILLION INFRASTRUCTURE REPAIR PLAN**. The program would use revenue created by issuing approximately **\$40 MILLION** in General Obligation (GO) bonds each year **FOR 20 YEARS**.

Residents will see **THREE BALLOT QUESTIONS**, and each question must receive a "Yes" vote of at least **57.1 PERCENT** of voters to be approved. Each question will **PASS OR FAIL INDIVIDUALLY**.



CITY OF
KANSAS CITY,
MISSOURI

KCMO.GOV/INFRASTRUCTURE

PROJECT CATEGORIES:



STREETS



BRIDGES



SIDEWALKS



FLOOD CONTROL



PUBLIC BUILDINGS

THE BALLOT QUESTIONS:

Question #1 calls for approving the issuance of \$600 million in bonds to repair **streets, bridges and sidewalks**. This would include trails. \$150 million of this would be dedicated to creating a new, city-funded sidewalk repair program that eliminates the homeowner assessment.

Question #2 calls for approving the issuance of \$150 million in bonds to improve **flood control** to prevent floodwaters from damaging homes and businesses. The City will maximize matching federal grants for flood control projects.

Question #3 calls for approving the issuance of \$50 million in bonds to repair **public buildings**. This would include replacing the outdated **animal shelter**, in partnership with private fundraising, and renovating public buildings to satisfy federal **Americans with Disabilities Act (ADA) requirements**.

FREQUENTLY ASKED QUESTIONS:

Q: How would the new sidewalk repair program work?

A key feature of the plan calls for a complete change in the way the City repairs sidewalks. The bonds would create revenue to allow the City to pay for residential sidewalks repairs, rather than charging homeowners. The City would create a program to systematically evaluate, repair and replace sidewalks. The goal is to make it through two citywide cycles over 20 years.

Q: What about homeowners who have already paid to fix sidewalks?

The City would stop collecting outstanding balances on sidewalk assessments. However, the City would be unable to reimburse homeowners whose sidewalks assessments have been fully paid.

Q: How would the public have input on which projects to select?

Each year the Public Improvements Advisory Committee (PIAC) will review and comment on the City Manager's recommendations to the City Council. In addition, planned projects would be included in the Citywide Business Plan which is open for public comment prior to its adoption.

Q: How will the public-private partnership work to replace the current KCMO Animal Shelter?

The city would partner with KC Pet Project (KCPP) to replace the 40-year old, antiquated animal shelter that KCPP currently manages for the City. The replacement shelter would be built at Gregory Boulevard & Elmwood in Swope Park. The City would pay approximately \$14 million to build the shelter. A private KCPP fundraising campaign would generate approximately \$10 million to pay for construction costs, as well as to establish a foundation to help pay annual operating and maintenance costs.

Q: How would projects be selected and prioritized? A companion resolution has been approved by the City Council. It outlines specifics of the process for prioritizing projects through the existing Citywide Five-Year Capital Improvements Plan, as well as the annual reporting requirements for the program.

Projects would be prioritized based on several factors. These include being shovel-ready, already in the current Five-Year Capital Improvements Plan, those that leverage grants or private resources, promote new development, improve public safety and/or address state or federal mandates.

FREQUENTLY ASKED FINANCIAL QUESTIONS:

Q: What is a general obligation bond? General Obligation bonds (GO bonds) are a means for the City to borrow money to generate revenue for construction projects. The city pays back the bonds and interest through property taxes. The amortization of the debt is to a home mortgage.

Q: What is the impact on my property taxes? The bonds would be repaid through a modest property tax increase. For a household with a \$140,000 home and a \$15,000 car, the property tax would average an additional \$8 each year, rising to an \$160 average additional payment in year 20. This is an average, so in some years the increase would be higher, in other years it would be lower. The amount is based on passage of all three questions.

Q: Why do cities use general obligation bonds to pay for public infrastructure? General obligation bonds are secured by the full faith, credit and taxing power of the municipality, which should result in the lowest possible interest rates for financing a capital project. Also, it usually costs less to issue these kinds of bonds, compared to other financing methods.

Q: Why does the City borrow funds to pay for public infrastructure rather than using cash or existing taxes? Cities borrow funds to pay for infrastructure with a long useful life, rather than using current cash, for a variety of reasons:

- *Intergenerational Equity.* Paying for public assets like a bridge over time means the current generation does not pay the entire bill for a bridge with a 50-year useful life; users pay their share over time.
- *Protecting Existing Services.* Borrowing also allows cities to use other resources to pay for vital services such as public safety.
- *Return on Investment.* Infrastructure improvements raise property values, so property owners would see a return on the investment of higher property taxes.

Q: If the City fails to pay off the bonds, can bondholders seize private property to pay back the bonds? The security for the bonds is the City's ability to tax property, not the property itself. Bondholders have no direct connection to property owners and do not have the authority to seize property in lieu of GO bond payments. In the extremely unlikely event the City does not pay its debt, the City could use other legally available funds. A default would ruin the City's credit rating. The City has no known history of defaulting on bonds.