

Marijuana Sales Tax Overview

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City Manager

January 12, 2023

The Opportunity

- November 8, 2022: Missouri voters approved Constitutional Amendment, legalizing the recreational use of marijuana.
- Cities may ask voters to impose an additional 3% sales tax on all tangible personal property retail sales of adult-use marijuana.
- First opportunity for voters to approve: April 2023.

The Assignment

- January 9 Study Session: Staff overview of new MO. Constitutional Amendment and 3% local sales tax opportunity.
- Review of Police Facilities needs.
- City Council directive: Summarize key funding needs and review at 1/12/23 Special Called Meeting.

Survey of Local Jurisdictions

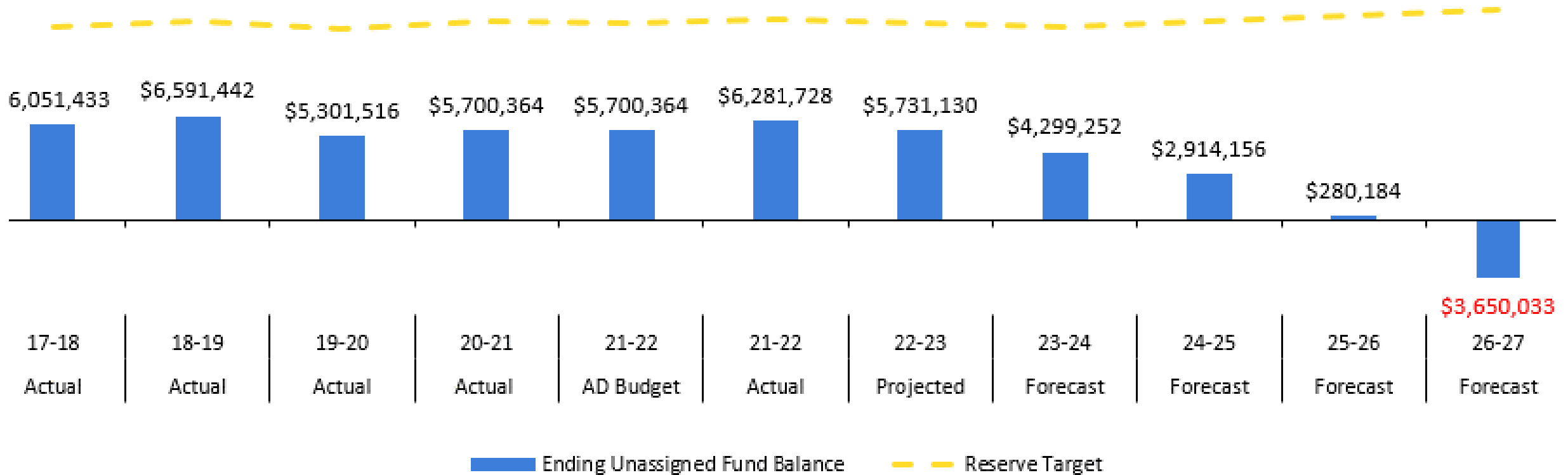
Survey	Total
Pursuing Tax as of 1/11/23	72
For General Revenues	48
For Public Safety	6
For Streets	1
For Neighborhood Livability	1
For Mental Health/Substance Abuse Treatment	1

Staff Summary of Core Needs

- Code Enforcement
- Public Transit
- Pension Obligations
- General Fund Reserves
- Police Facilities

General Fund Five Year Forecast

Fund Balance versus policy (16% of revenue)



Code Enforcement At a Glance

Year	Complaints	Complaints Per Officer	Cases	Cases Per Officer	Total Violations	Abatements	Abatements > \$500	Avg. Abatement Cost
2020	4,286	612.3	2,200	314.3	4,103	246	17	\$255.79
2021	6,121	765.1	3,827	478.4	7,810	375	54	\$327.92
2022	6,597	824.6	4,290	536.3	8,033	544	87	\$386.75
% Change	+53.9%	+34.7%	+95%	+70.6%	+95.8%	+121.1%	+411.8%	+51.2%

Dangerous Building Demo Cost

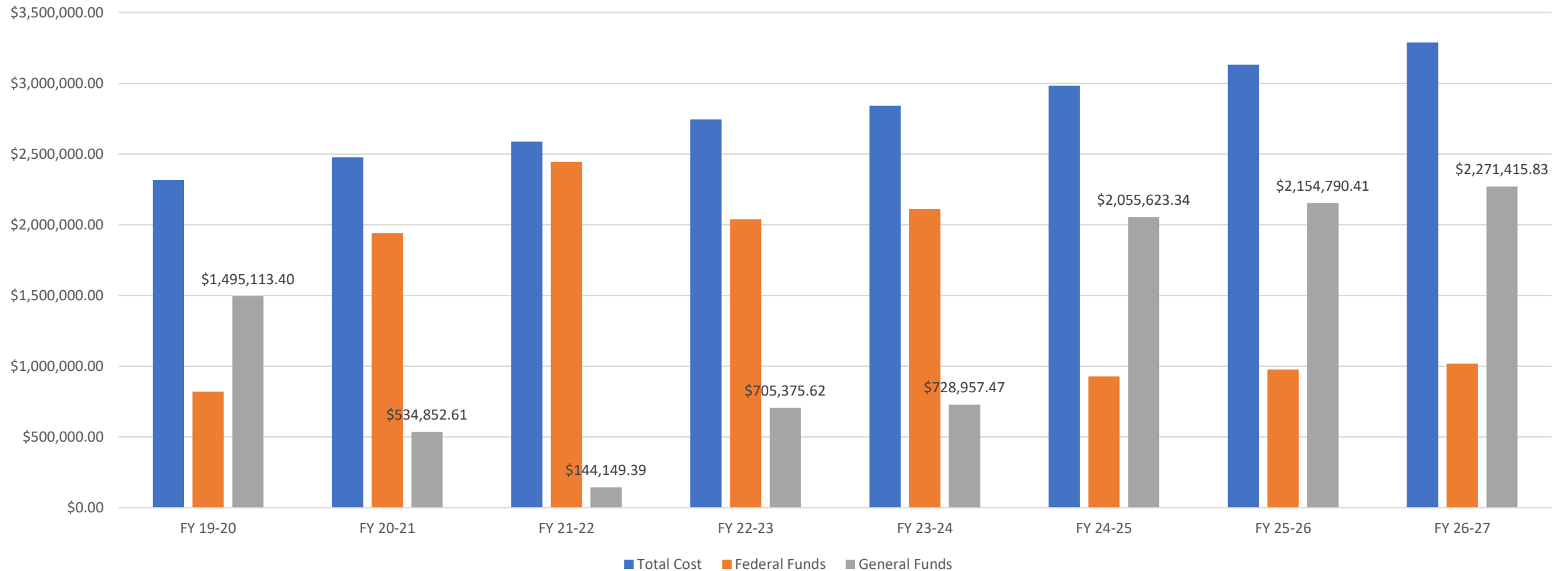
Year	Number of DB Demos	Average of DN Demo Cost
FY 2019-20	11	\$7,523
FY 2020-21	11	\$8,673
FY 2021-22	23	\$8,850
FY 2022-23	13	\$8,923

Public Transit At a Glance

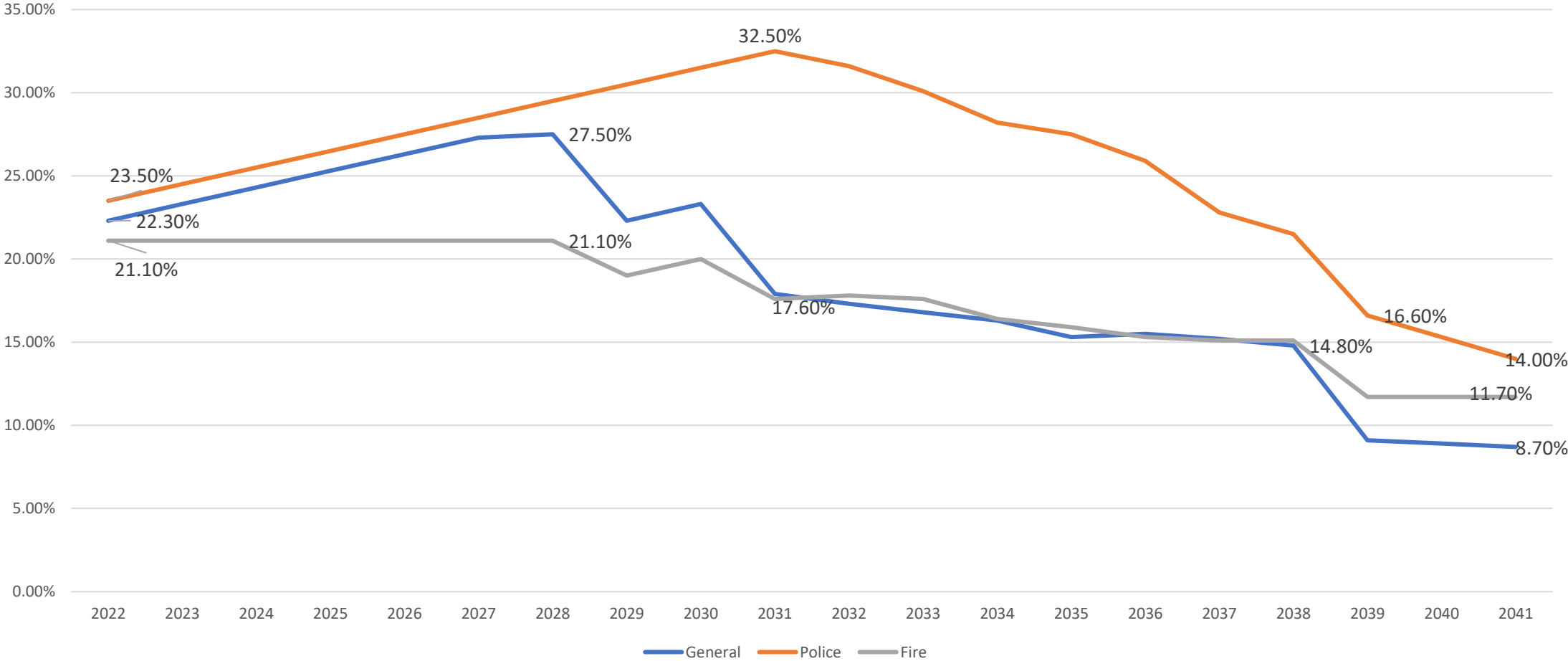
Year	Total Cost	Cost Per Mile	Cost Per Rider	Federal Funds	Federal \$ Per Rider	General Funds	General \$ Per Rider
FY 19-20	\$2,315,219	\$8.39	\$9.17	\$820,106.00	\$3.25	\$1,495,113	\$5.92
FY 20-21	\$2,477,102	\$9.83	\$10.38	\$1,942,249	\$8.14	\$534,853	\$2.24
FY 21-22	\$2,587,797	\$10.56	\$10.59	\$2,443,648	\$10.00	\$144,149	\$0.59
FY 22-23	\$2,745,195	\$11.20	\$10.87	\$2,039,820	\$8.08	\$705,376	\$2.79
FY 23-24	\$2,841,277	\$11.59	\$11.25	\$2,112,320	\$8.36	\$728,957	\$2.89
FY 24-25	\$2,983,341	\$12.17	\$11.81	\$927,718	\$3.67	\$2,055,623	\$8.14
FY 25-26	\$3,132,508	\$12.78	\$12.40	\$977,718	\$3.87	\$2,154,790	\$8.53
FY 26-27	\$3,289,133	\$13.42	\$13.02	\$1,017,718	\$4.03	\$2,271,416	\$8.99

Transit Cost w/ Federal Funds vs. General

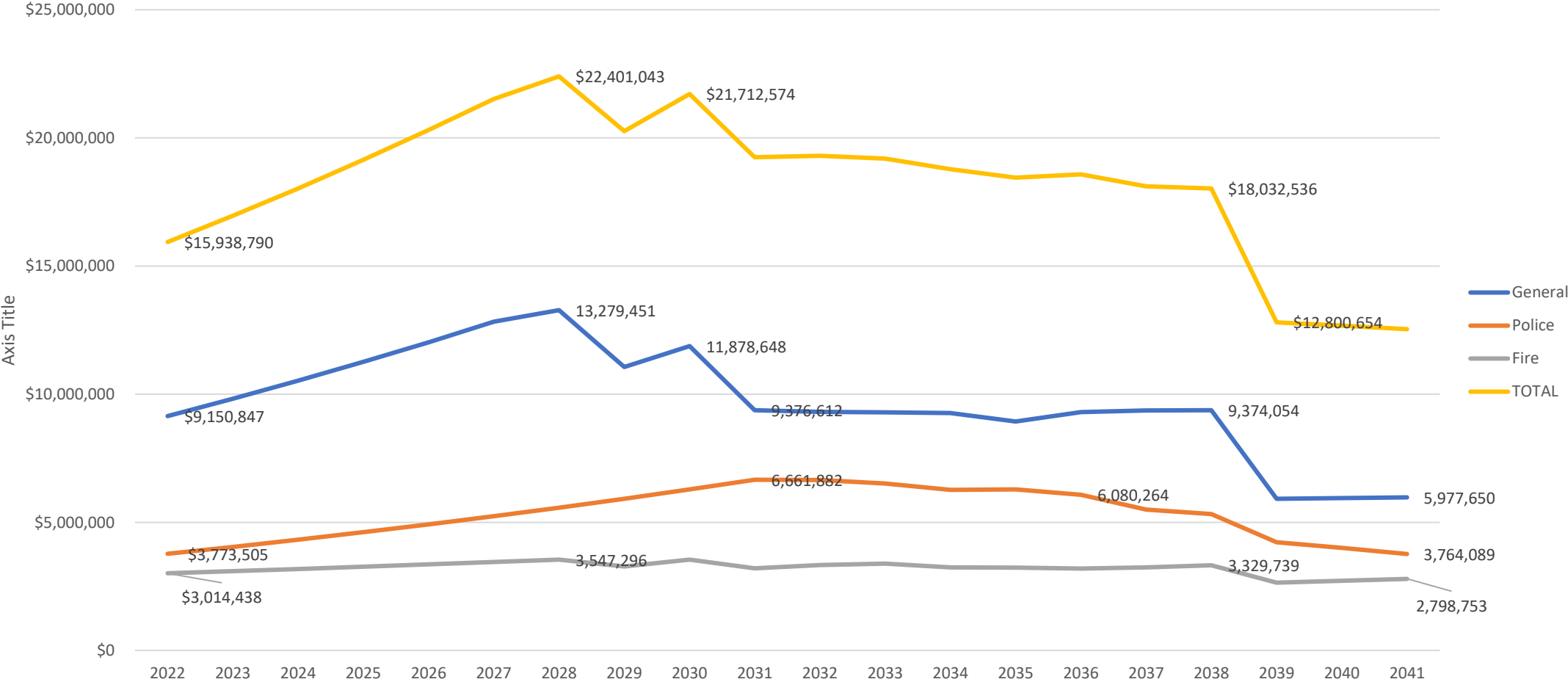
Transit Cost



Projected Pension Contribution Rates (%)



Projected Pension Contributions (\$)





Just Yesterday...



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Police Buildings

Municipality	Year Built/Renovated	Price	Size	Population Served	Sworn/Civilian Personnel
Blue Springs	2015	\$22 million	72,000 sq. ft.	59,430	102/51
Lee's Summit	2021	\$5.5 million	92,000 sq. ft.	102,781	153/62
Grain Valley	2022*	\$14 million	22,000 sq. ft.	16,002	20/5
KCMO Shoal Creek	2006	\$16.2 million	43,500 sq. ft.	109,213	72/6
KCMO North	2017	\$10 million	26,500 sq. ft.	82,192	81/5
KCMO South	2012	\$28 million	102,000 sq. ft.	70,193	87/7
KCMO Metro	2010	\$17 million	56,000 sq. ft.	91,184	126/7
KCMO East	2015	\$57 million	138,000 sq. ft.	84,787	134/6
KCMO Central	2015	\$26 million	115,000 sq. ft.	70,388	153/9
AVERAGE	2015	\$21.7 MILLION	74,111 sq. ft.	76,241	103/17.5
Independence	1973	***	61,170 sq. ft.	122,088	230/94.33

2019 Police/Courts Space Program Summary

Program	2020 Sq. ft.	2040 Sq. ft.
Public Lobby	2,098	2,098
Community/Training Room	3,059	3,059
Administration	7,770	10,373
Investigations	17,830	20,554
Special Operations	6,369	6,369
Patrol	5,392	5,086
Support Services	21,042	21,969
Staff Support	11,657	11,657
Firing Range	8,246	8,246
Building Support	5,290	5,290
Detention	6,215	6,795
Municipal Court	10,168	10,168
Vehicle Bays	22,365	22,669
Dog Kennels	772	772
Total Police Space	128,273	135,105

Recent Justice Center Projects Average: \$500/Square Foot

Jurisdiction	Square Footage	Project Cost	Price Per Square Foot
Linn County, KS	44,000	\$20.6 M	\$468
Perryville, MO	60,000	\$26.5 M	\$441
Grain Valley, MO	22,000	\$14 M	\$636
KCPD North Patrol	26,500	\$10 M	\$377
Adams County, IL	72,000	\$32.55 M	\$452
Lenexa, KS	117,785	\$73 M	\$620
Callaway County, MO	32,000	\$19 M	\$594
Gardner, KS	33,000	\$13.735 M	\$416

Illustrative Project Costs

Square Footage	Price Per Square Foot	Estimated Project Cost	Estimated Annual Debt Service
135,105	\$500	\$67.6 Million	\$2.3 Million

Marijuana 3% Sales Tax Annual Fiscal Impact

- Low-range: \$270,000
- Mid-range: \$440,000
- High-range: \$615,000
- ***Does not include 1% Local Option Sales Tax ~\$205,000/year***

5-Year Average Annual Maintenance Costs

Fiscal Year	Amount
2017-18	\$186,350
2018-19	\$141,672
2019-20	\$76,019
2020-21	\$130,074
2021-22	\$236,415
2022-23*	\$359,424
Total	\$1,129,954
Five-Year Average	\$225,990

Financing Tools

Community Improvement District (CID)

- Created by petition of property owners within the district.
- Separate political subdivision with power to impose a sales tax, property assessments.
- Wide flexibility to finance public improvements and services.

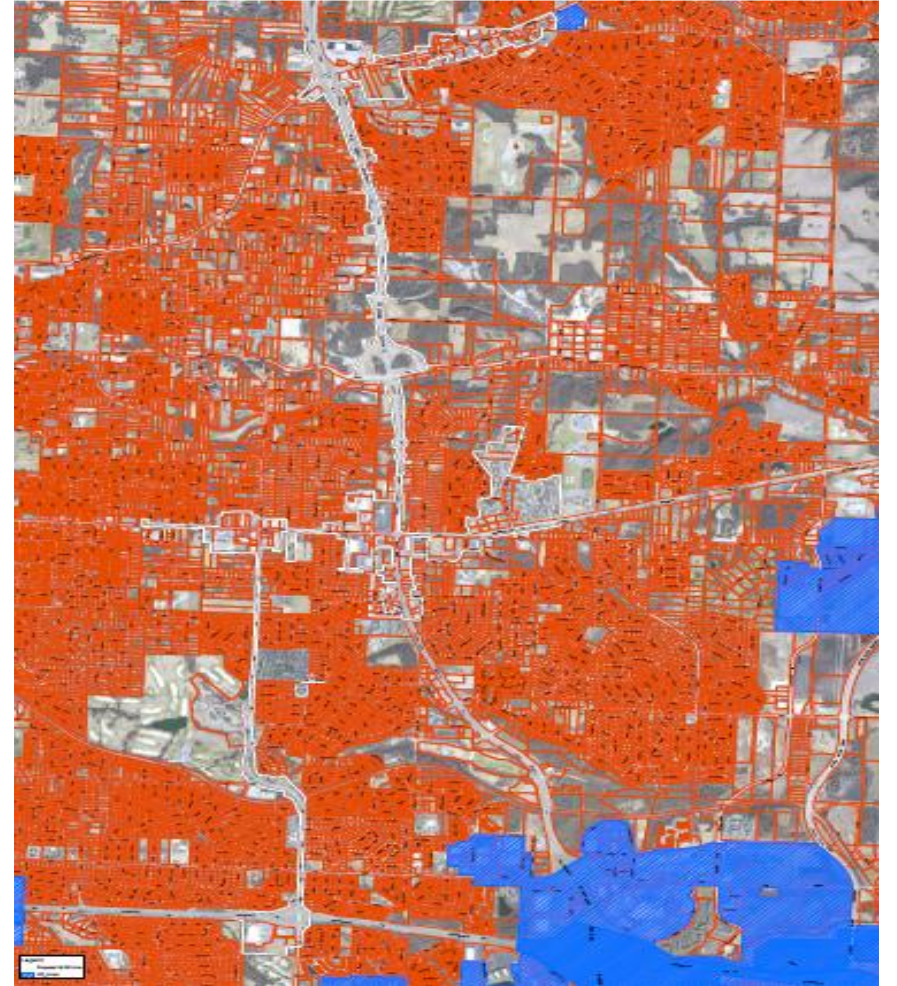
Neighborhood Improvement District (NID)

- Benefit district created by election or petition of property owners.
- Applies special assessments to pay for a variety of public improvements.
- May issue limited GO bonds up to 20 years.

Public Safety CID

General Boundaries

- Hwy 24 – 291 Intersection east to Bundschu
- Commercial and Multi-Family near 291 intersection with MO 78
- Lee's Summit Rd. – MO 78 to I-70



24 Hwy Corridor East of 291 Intersection



US 24 and M-291

23rd Street and Lee's Summit Road

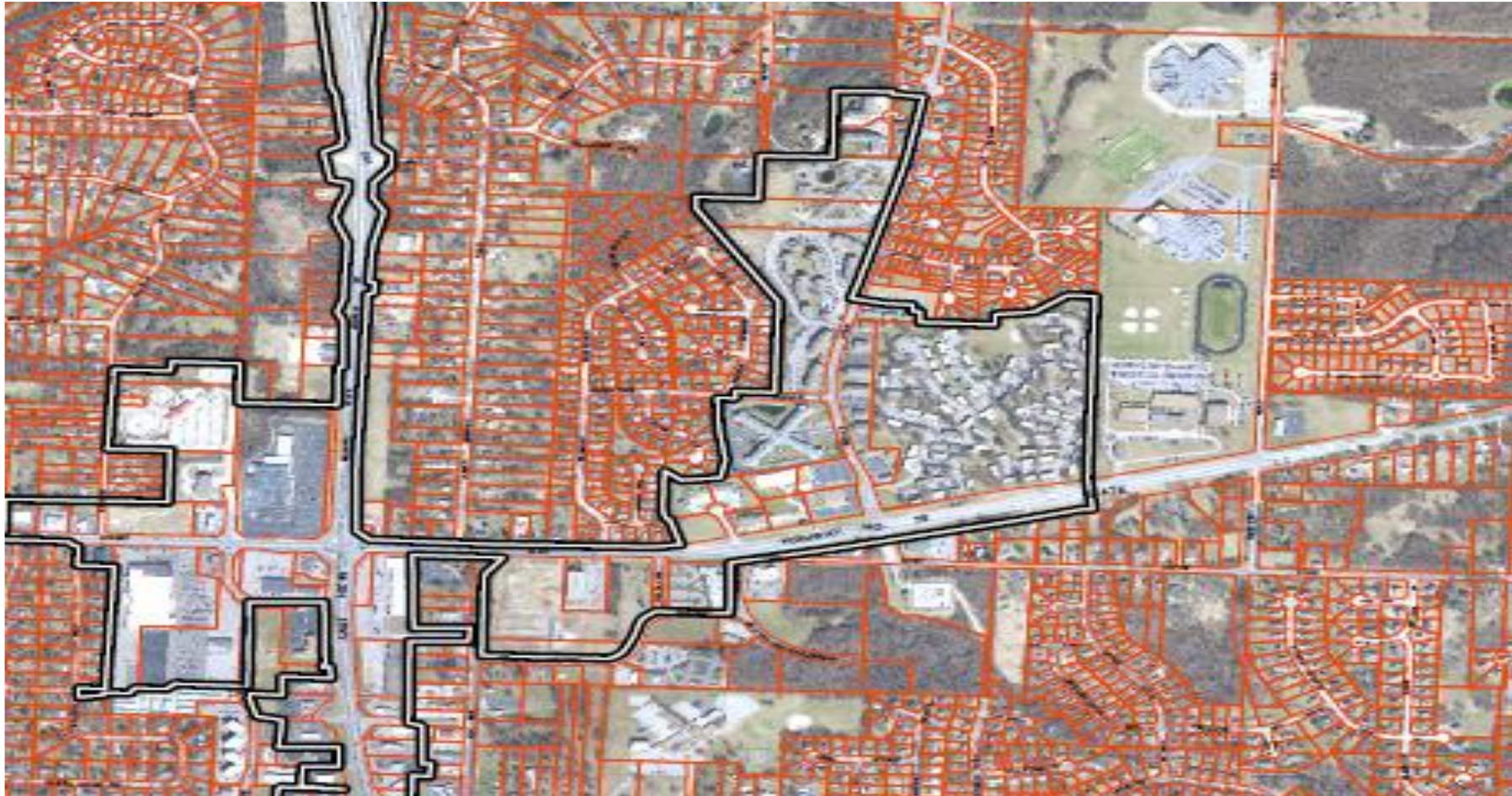


Lee's Summit Road down to I-70



I-70 and Lees Summit Rd

Potential NID Boundary



Tentative CID Schedule

Action	Rule	Deadline
CID Petition Filed		July 30, 2018
Notices to property owners	At least 15 day prior to hearing	Sept 2
Publish notice in newspaper	2 consecutive weeks prior to hearing	Sept 9
Finalize ordinance for Council agenda	1 week before meeting	Aug 26
1 st Reading		Sept 3
2 nd Reading and Public Hearing		Sept 17
CID Created	Ordinance effective 10 days after adoption	Sept 28
CID conducts sales tax election	Requires notices, verification of voters, publication, etc.	Dec 11
Election results announced	Not later than 2 nd Tuesday after election	Dec 26
Sales tax takes effect	1 st day of the second calendar quarter following the election	April 1, 2019

Illustrative Project Financing

Source	Estimated Annual Revenue
Marijuana Sales Tax	\$615,000
1% Local Option Sales tax	\$205,000
23 rd & 291 CID	\$686,000
Additional CID Properties	\$1,448,000
Facility Maintenance Funds	\$226,000
Total	\$3,180,000

Financing Scenarios

	GO Bond	Infrastructure Revenue Bonds		
	20-Year	20-Year	25-Year	30-Year
Bond Proceeds	\$ 34,685,000.00	\$ 37,570,000.00	\$ 37,250,000.00	\$ 37,190,000.00
Project Costs	\$ 34,000,000.00	\$ 34,000,000.00	\$ 34,000,000.00	\$ 34,000,000.00
Cost of Issuance	\$ 163,405.50	\$ 167,271.00	\$ 167,175.00	\$ 167,157.00
Underwriter Discount	\$ 520,275.00	\$ 638,690.00	\$ 633,250.00	\$ 743,800.00
Debt Service Reserve Fund		\$ 2,761,909.00	\$ 2,445,135.50	\$ 2,276,889.00
Other	\$ 1,319.50	\$ 2,130.00	\$ 4,439.50	\$ 2,154.00
Total	\$ 34,685,000.00	\$ 37,570,000.00	\$ 37,250,000.00	\$ 37,190,000.00
Par Amount	\$ 34,685,000.00	\$ 37,570,000.00	\$ 37,250,000.00	\$ 37,190,000.00
Total Interest	\$ 15,004,568.50	\$ 17,613,479.00	\$ 23,823,939.50	\$ 31,031,997.50
Total Debt Services	\$ 49,689,568.50	\$ 55,183,479.00	\$ 61,073,939.50	\$ 68,221,997.50
Average Annual Debt Service	\$ 2,484,478.43	\$ 2,759,173.95	\$ 2,442,957.58	\$ 2,274,066.58
True Interest Cost (TIC)	3.8655%	4.1709%	4.3944%	4.6372%
Net Interest Cost (NIC)	3.8740%	4.1633%	4.3932%	4.6347%

Missouri Bond Elections

Last Filing Date	Election Date	Voter Requirement to Pass
01/24/2023	04/04/2023	4/7ths (57.14%)
05/30/2023	08/08/2023	2/3rds (66.67%)
08/29/2023	11/07/2023	2/3rds (66.67%)
11/28/2023	02/06/2024	2/3rds (66.67%)
01/23/2024	04/02/2024	4/7ths (57.14%)
05/28/2024	08/06/2024	4/7ths (57.14%)
08/27/2024	11/05/2024	4/7ths (57.14%)

Staff Seeks City Council Direction on Use(s) of Marijuana Sales Tax Revenues