

GENERAL

Ordinance Fact Sheet

140547

Ordinance Number

Brief Title

To authorize the transfer of tax credits allocated for Qualified Energy Conservation Bonds.

Approval Deadline

Reason

To authorize the transfer of tax credits allocated for Qualified Energy Conservation Bonds.

Details

Positions/Recommendations

Reason for Legislation

Authorizing the transfer of \$4,670,389.00 in tax credits allocated for Qualified Energy Conservation Bonds from the City of Kansas City, Missouri to the Missouri Clean Energy District.

Sponsor Councilman Scott Wagner

Programs, Departments, or Groups Affected

Finance Department
Law Department

Applicants / Proponents

Applicant

City Department
Finance Department
Law Department
Other

Discussion (explain all financial aspects of the proposed legislation, including future implications, any direct/indirect costs, specific account numbers, ordinance references, and budget page numbers.)

In 2009, the City of Kansas City was allocated \$4,670,389.00 of federal tax credits for the purpose of reducing the interest costs related to the issuance of taxable Qualified Energy Conservation Bonds (QECB).

The Finance Department has reviewed the various requirements related to the issuance of QECBs and has recommended that the City's allocation should not be used for the following reasons.

First, the requirements for spendout of the proceeds of QECB bonds are more restrictive than the requirements for traditional tax-exempt financing. With tax-exempt financing, 85% of the proceeds must be spent within three years. For QECB financing, 100% of the proceeds must be spent within three years. In anticipation of unexpended proceeds at the end of three years, the City would need to incorporate redemption provisions into the plan of finance so that bonds could be called with any excess proceeds. These provisions will be expensive because investors will demand a premium for the provisions which would drive up the total borrowing cost for the City.

Second, the risk of sequestration of the federal interest rate subsidy on the bonds is of concern to the City. QECB bonds are sold as taxable but the federal government provides an interest rate subsidy designed to mimic tax-exempt rates. However, in recent years on other bonds of this type (i.e., Build America Bonds), the City has experienced a reduction in the interest rate subsidy of 7% to 8%. The uncertainty associated with future federal budgets and the further threat of sequestration outweigh the benefits of using QECBs.

Opponents

Groups or Individuals

None Known
Basis of opposition

Staff Recommendation

For

Against

Reason Against

Board or Commission Recommendation

By

For Against No action taken

For, with revisions or conditions
(see details column for conditions)

Council Committee Actions

Do pass

Do pass (as amended)

Committee Sub.

Without Recommendation

Hold

Do not pass

Details

This ordinance authorizes the transfer of the City's QECB allocation back to the Missouri Department of Economic Development so that the allocation can be provided to the Missouri Clean Energy District for the purpose of financing energy efficiency projects within the jurisdictional boundaries of the City.

Is it good for the children?

Yes, this ordinance provides for the use of allocated bonds on energy efficiency projects within the City that would otherwise not be used.

How will this contribute to a sustainable Kansas City?

The use of the City's QECB allocation by the Missouri Clean Energy District will promote energy efficiency projects in the City.

Policy/Program Impact

Policy or Program Change	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Operational Impact Assessment	

Finances

Cost & Revenue Projections -- Including Indirect Costs	
Financial Impact	
Fund Source (s) and Appropriation Account Codes	

(Use this space for further discussion, if necessary)

Applicable Dates:

Fact Sheet Prepared by:

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City Treasurer

7/15/2014

Reviewed by:

Randall J. Landes
Director of Finance

7/15/2014

Reference Numbers