

# Revenue Streams and Financing Alternatives for Missouri Municipalities

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# Funding of Municipal Activities

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- Taxes
  - Sales/Use Taxes
  - Property Taxes
- Revenue Streams
  - Rent
  - User Fees
  - Fines
  - Other Revenue Streams



# Sales Taxes

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- Many Kinds of Sales Taxes
  - General Sales Tax
  - Capital Improvement Sales Tax
  - Economic Development Sales Tax
  - Park Sales Tax
  - Stormwater Sales Tax
  - Transportation Sales Tax
  - Fire Protection Sales Tax
- May only be implemented with voter approval

# Sales Taxes

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- Sales Tax as a Financing Tool
  - Pay as you go
  - Tax Anticipation Note
  - Lease Financing
  - Sales Tax Supported Bonds
  
- Statutory Limits
  - SB49
  - Stacking



# Sales Taxes

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## Pros:



- Not just paid by residents
- Multiple financing options

## Cons:



- Can be regressive in application
- Require voter approval
- Proceeds used only for specific purpose

# Use Taxes

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- Used in connection with Sales Tax
  - Item subsequently used for taxable purpose
  - No sales tax collected
  - Item produced for own business use
  - Item purchased in different jurisdiction
- Credit for taxes paid to other jurisdiction
- Motor Vehicle Sales/Use Tax

# Use Taxes

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## Pros:

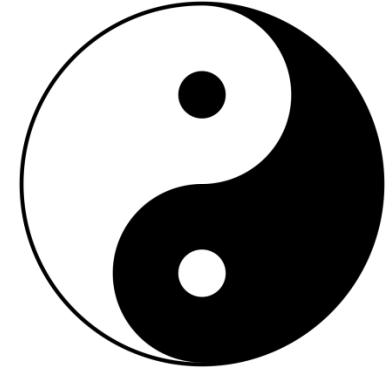


- Reduce erosion of tax base
- Creates complete taxation regime

## Cons:



- Unlikely to be paid voluntarily
- Administration can be difficult



# Property Taxes

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- Different Taxes for Different Purposes
  - General Property Tax
  - Library Property Tax
  - Park Property Tax
  - Recreation Property Tax
  - Hospital/Museum Property Tax
  - Debt Service Property Tax (G.O. Bonds)



# Concerns with Taxes

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- Hancock Amendment
  - Voter approval required
- Proceeds must be used for specified purpose
- Is it a Tax or Fee?

# Rent

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- City has right to reasonable rent
- What can be rented?
  - Right of Way
  - Rental Properties
  - Cell Antenna
  - Unused City Property



# User Fees

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- Must be related to good/service
- May be greater than cost of good/service
- Fee or Tax



# Tax or Fee?

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- Test for determining if payment is tax or fee
  - When is payment made?
  - Who makes the payment?
  - Is government providing a good/service?
  - Is amount determined by level of goods/services provided?
  - Has the good/service historically and exclusively been provided by government?

# Fines and Other Revenues

- Tickets
- Court Costs
- Donations
- Gambling Receipts
- Forfeiture
- Sale of Property



# Financing Alternatives

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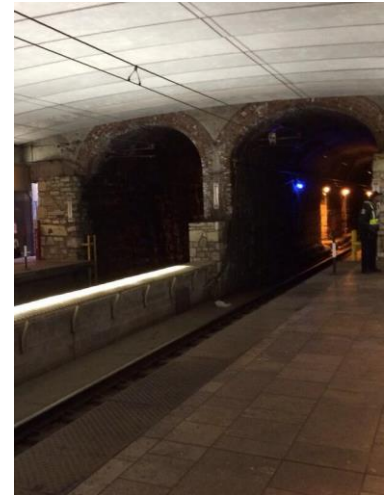
- General Obligation Bonds
- Revenue Bonds
- Lease Purchase Obligations

# General Obligation Bonds

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What type of projects may be financed?

A project for any municipal purpose authorized by law.



# General Obligation Bonds

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What is the security for general obligation bonds?

- Full Faith and Credit, and Taxing Power
  - Payable from all legally available sources of revenue that the municipality is entitled to receive.
  - A court can require an increase in property taxes if needed to repay the bonds.



# Tax Levy for General Obligation Bonds

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- Must provide for the levy of an annual property tax that will be sufficient to pay the principal and interest on the bonds. (Will be in the bond ordinance.)
- May choose *not to collect* the tax in a particular year, so long as other revenue sources are sufficient to pay debt service.

# Constitutional Debt Limit

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- 10% general purposes -- Art. VI, Sec. 26(b)(c)
- 10% street & sewer improvements – Art. VI, Sec. 26(d)
- 10% municipally owned water and light plants – Art. VI, Sec. 26(e)

But not more than 20% total

# Voter-Approval Required for General Obligation Bonds

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- Super-Majority Approval
  - 4/7<sup>th</sup> at general municipal, primary and general elections:
    - April each year.
    - August & November in even-numbered years.
  - 2/3<sup>rd</sup> for all other elections.



# Revenue Bonds

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- Definable user or revenue base
- Pledge of revenue from financed facility
- Simple majority approval
- Requirements/covenants regarding use of funds/facility

# Lease-Purchase Obligations

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## What type of financings?

- Leasehold Revenue Bonds
- Certificates of Participation
- Direct Lease

## What type of projects?

- Acquisition of land and buildings
- Construction or improvement of buildings
- Acquisition of personal property

# Lease-Purchase Obligations

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## No Voter Approval Required



## Why?

- Not considered “indebtedness” under the Missouri Constitution

# Lease-Purchase Obligations

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## Source of Funds for Repayment?

- Any available funds of the municipality
  - Cannot levy taxes without voter approval
- Sales taxes approved by simple majority can be a source – but cannot be “pledged” – to repayment.

# Comparison of Financing Methods

	<b>G.O. Bonds</b>	<b>Sales Tax Revenue Bonds</b>	<b>Other Revenue Bonds</b>	<b>Lease-Purchase (Direct)</b>	<b>Lease-Purchase (COPs)</b>
<b>Voter Approval</b>	Super Majority	Super Majority	Simple Majority	None(*)	None(*)
<b>Debt Limit Applies</b>	Yes	Yes	No	No	No
<b>Interest Rates</b>	Lowest	Lower than other revenue bonds	Lower than lease-purchase	Generally Higher	Generally lower than direct lease-purchase
<b>Maximum Maturity</b>	20 years	20 years	Varies – 35 years is common	Usually no limit other than federal tax law	Usually no limit other than federal tax law
<b>Closing Costs</b>	Lower	Lower	Usually higher than G.O. Bonds or Sales Tax Rev Bonds	Equipment-only: Lower (compares to G.O. Bonds) Real Property: Higher	Higher than others

\* Election may be required for revenue source for repayment, such as a sales tax, which requires a simple majority for approval (so long as not “pledged” to repayment).



# Miscellaneous Financing Options

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- TAN
  - Tax Anticipation Notes
- TIF
  - Tax Increment Financing
- CID
  - Community Improvement District
- TDD
  - Transportation Development District
- SBD
  - Special Business District

# Miscellaneous Financing Options

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- Sales Tax Rebate (70.220 RSMo.)
  - City sales tax only
- Real Property Tax Abatement (“353”)
  - Urban Redevelopment Corporation
  - Requires a blighted finding
- Chapter 100
  - Personal Property and Equipment