



**Jackson County Detention Center
Project Financing Update**

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Matt Webster
Director
(816) 203-8738
websterma@stifel.com

Michael Short
Managing Director
(816) 203-8739
shortm@stifel.com

Mackenzie Teclaw
Analyst
(816) 203-8736
teclawm@stifel.com

Municipal Market Update



- **Market Volatility Is A Defining Characteristic – What To Watch:**

- COVID-19 Recovery
- Monetary Policy
- Global Growth
- \$ Inflation
- Fiscal Spending
- Supply Chain Disruptions
- Recession Risks

- **US Treasury Statistics**

	5-Year	10-Year	30-Year
Current	2.88%	2.88%	3.11%
Weekly Change	-30 bps	-25 bps	-15 bps

2022 Year-to-Date

YTD Change	+151 bps	+125 bps	+110 bps
High	3.61%	3.49%	3.45%
Low	1.26%	1.52%	1.90%
Average	2.39%	2.44%	2.65%
Year Ending 2021	1.26%	1.52%	1.90%

Since January 1, 2018

High	3.61%	3.49%	3.46%
Low	0.19%	0.52%	0.99%
Average	1.62%	1.91%	2.36%

- **Municipal Market**

- Interest rates have risen since the beginning of 2022
- Market volatility has increased, driven by Federal Reserve interest rate hikes and inflationary concerns

Jackson County Financial Summary



- **Strong Financial Position = Strong Bond Ratings**
- **Strong Bond Ratings = Lower Borrowing Costs**
- **In 2020 Moody’s Investors Service Upgraded The County To “Aa1”**

“The upgrade to Aa1 of the county's issuer rating reflects a very large and growing tax base that is home to Kansas City and serves as the regional economic center for employment, leisure, and retail activity. The upgrade also incorporates a sustained trend of sound financial operations marked by healthy operating reserves and manageable debt and pension burdens.”

- **Detention Center Special Obligation Bonds Are Assumed To Be “Aa2” Rated**
- **CARES Act Funding (Now Completed)**
- **ARPA Funding (Ongoing)**
- **Property Tax Revenue Increases**
- **Historic Sales Tax Revenue Increases In 2022**



Detention Center Financing Options

- **General Obligation Debt**
 - Publically voted
 - 4/7 or 2/3 super-majority required
- **New Sales Tax**
 - Publically voted, simple majority required
- **County Lease Revenue Bonds**
 - Identify available revenues in the County budget
 - Legislative approval
- **County Special Obligation Bonds**
 - Identify available revenues in the County budget
 - Legislative approval
 - The County has successfully utilized SOBs in recent years



Detention Center Funding Assumptions

- **Basic Funding Assumption: GMP Contract Amount Is \$256,500,000 For 1,244 Beds**
- **General Fund Property Levy Adjustment In 2019 Provides The Primary Funding Source For Debt Service**
- **Increasing Sales Tax Collections Provide A Secondary Source Of Funding For Debt Service**
- **Baseline Assumption: 30-year Special Obligation Bonds With Level-Debt Amortization**
- **Current Annual Debt Service Assumption Is Approximately \$15.9 Million**
- **Bond Issuance Timing Depends On Schedule Of Events As Outlined In The Design/Build Agreement**
- **Current Municipal Market Conditions Are Stable**
- **Primary Drivers For Future Interest Rate Movements:**
 - Inflation
 - Federal Reserve Policy
 - Bond Rating Changes



Detention Center Financing Options: Key Considerations

- **Private Sector Financing: Design/Builder Finances Construction And County Defers Debt To A Later Date, Then “Buys” The Project At Completion**
 - We would evaluate any proposal from the Design/Build team but the private cost of funds are unlikely to be competitive with the County’s tax exempt borrowing rates
 - Cost would be GMP, plus the cost of financing during construction
 - This is not a typical funding scenario
- **Finalizing Project Scope And Design Precedes Any Financing**
- **Possible City Partnership Needs To Be Finalized And Impact On The County Funding Analyzed**
- **The Design/Build Team Needs To Identify And Quantify Extended Delivery Items And Assess The Impact On The Financing Schedule**
- **The Design/Build Team Needs To Supply The County With Construction Cost Funding Assumptions To Allow The County To Assess The Timing Of Capital Requirements During Construction And Possible Impacts On Financing**
- **We Will Continue To Monitor Municipal Markets And Assess The Risk Of Rising Rates**
- **We Will Continue To Monitor Any Changes In County Financial Position**



QUESTIONS?