



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Finance

To: City Council

From: City Manager & Staff

Council Meeting Date: May 5, 2025

Re: A Resolution for the Support of the Tax Exemption of Municipal Bonds

Executive Summary

This resolution affirms the City's support for preserving the tax-exempt status of municipal bonds.

Discussion

There has been a lot of talk around the possibility of discontinuing tax exempt municipal bonds at the federal and local level. The tax exempt status of municipal bonds is being contemplated as a means of raising revenue for the federal government, which is estimated to be anywhere from \$32 to \$42 billion annually. But, the effect of eliminating the tax exempt status of bonds on local municipalities was not considered. If this were to pass, it would increase local municipalities borrowing costs, and would be an indirect tax increase on our taxpayers. This is very concerning to the financial community, and for the City of Columbia.

The Government Finance Officers Association (GFOA) recently published the attached report discussing this issue and I think you will find it very informative. They conclude that the incremental cost of taxable debt vs. tax-exempt debt is 2.10% (or 210 basis points). The City's financial advisors, Columbia Capital, have stated that this rate is in line with their experience.

To put this information in perspective, the City's last bond issuance in 2023 (\$27,695,000 W&E Bonds), had a true interest cost of about 4.9%. With the added 2.1% incremental cost for taxable debt, we would have been at a rate of 7.0% which would amount to an added cost to the City and its tax payers of \$11 million over the life of the loan.

The National League of Cities (NLC) and the Missouri Municipal League (MML) have also voiced their concern for this issue. Attached you will find a presentation given at recent NLC and MML events.

All of the organizations mentioned in this memo have urged cities and local municipalities to pass a resolution to protect the exempt status of municipal bonds.

Fiscal Impact

Short-Term Impact: N/A

Long-Term Impact: N/A



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Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Organizational Excellence, Secondary Impact: Reliable Infrastructure,
Tertiary Impact: Inclusive Community

Comprehensive Plan Impacts:

Primary Impact: Infrastructure, Secondary Impact: Inter-Governmental Cooperation, Tertiary
Impact: Not Applicable

Legislative History

Date	Action

Suggested Council Action

Discussion and approval of the resolution