

**TAYLORSVILLE CITY COUNCIL
AGENDA ITEM SUMMARY**

MEETING DATE: November 3, 2010

AGENDA ITEM: Public Hearing

PUBLIC HEARING REQUIRED – YES X

PRESENTER: John Inch Morgan

ISSUE SUMMARY:

To Receive Public Comment for the Proposed Execution by the City of an Inter-local Pledge and Loan Agreement (The "Agreement") Between The City and The Redevelopment Agency of the City of Taylorsville, Utah (The "Agency"), to Pledge Certain of the City's Sales Tax Revenues (The "Sales Tax Revenues") to Secure the Payment, in Part, of the Agency's Tax Increment Bonds Anticipated to be Issued in the Total Principal Amount of Not More Than \$10,000,000 (The "Bonds"), and (A) Any Potential Economic Impact the Agreement and Pledge of Sales Tax Revenues May Have on the Private Sector

ATTACHMENTS: Sales Tax Pledge Agreement

TAYLORSVILLE, UTAH
RESOLUTION NO. 10-50

A RESOLUTION OF THE CITY COUNCIL ADOPTING AN INTERLOCAL COOPERATIVE AGREEMENT BETWEEN THE CITY OF TAYLORSVILLE AND REDEVELOPMENT AGENCY OF TAYLORSVILLE CITY APPROVING THE PLEDGE OF CERTAIN CITY SALES TAX REVENUES TO SECURE THE PAYMENT, IN PART, OF RDA TAX INCREMENT BONDS

WHEREAS, the Taylorsville City Council ("*Council*") met in regular meeting on November 3, 2010, to consider, among other things, approving an Interlocal Cooperative Agreement between the City of Taylorsville ("*City*") and the Redevelopment Agency of Taylorsville City ("*RDA*"); and

WHEREAS, the City Council and the RDA Board of Directors have determined that certain improvements throughout the City are needed to encourage and assist in the economic development of and maintenance of the City's tax base; and

WHEREAS, In order to fund the improvements, the City and the RDA Board of Directors have determined that the issuance of Sales Tax Revenue and Tax Increment Revenue Bonds is the most cost effective method and is in the best interest of the City; and

WHEREAS, the Utah Interlocal Cooperative Act (UTAH CODE ANN. § 11-13-101, *et seq.*) (the "*Act*") provides that any two or more government entities are authorized to enter into agreements with each other upon resolutions to do so by the respective governing bodies to do what each agency is authorized by law to perform; and

WHEREAS, the City and the RDA are government entities as contemplated in the Act and authorized to take the actions identified in the Amended Interlocal Agreement; and

WHEREAS, the Council has determined that it is in the best interest of the inhabitants of Taylorsville to enter into the Interlocal Agreement, a copy of which is attached hereto.

NOW, THEREFORE, BE IT RESOLVED that the Interlocal Agreement is approved, and the Mayor and Recorder are hereby authorized and directed to execute and deliver the same.

This Resolution, assigned No. 10-50, shall take effect immediately upon passage and acceptance as provided herein.

PASSED AND APPROVED by the Council of Taylorsville, Utah, this _____ day of _____, 2010.

TAYLORSVILLE CITY COUNCIL

By: _____
Morris Pratt, Chairman

VOTING:

Bud Catlin	Yea	___	Nay	___
Larry Johnson	Yea	___	Nay	___
Dama Barbour	Yea	___	Nay	___
Morris Pratt	Yea	___	Nay	___
Jerry Rechtenbach	Yea	___	Nay	___

PRESENTED to Mayor of Taylorsville for his approval this ___ day of _____, 2010.

APPROVED this _____ day of _____, 2010.

Russ Wall, Mayor

ATTEST:

Cheryl Peacock Cottle, City Recorder

INTERLOCAL SALES TAX PLEDGE AND LOAN AGREEMENT

This INTERLOCAL SALES TAX PLEDGE AND LOAN AGREEMENT (the "Agreement") is entered into as of _____, 2010, by and between CITY OF TAYLORSVILLE, UTAH, a municipal corporation and political subdivision of the State of Utah (the "City"), and the REDEVELOPMENT AGENCY OF THE CITY OF TAYLORSVILLE, UTAH (the "Agency"), a redevelopment agency established under Limited Purpose Local Government Entities-Community Development and Renewal Agencies, Title 17C, Chapter 1, Utah Code Annotated 1953, as amended (the "Redevelopment Act").

WITNESSETH:

WHEREAS, the Agency has been established by the City for the purpose of developing and redeveloping certain areas within the City in order to accomplish the purposes of the Redevelopment Act; and

WHEREAS, the City and the Agency have previously authorized the establishment of 5400 South and Bangerter Highway Urban Renewal Area (the "Project Area") pursuant to a plan adopted by the City and the Agency; and

WHEREAS, pursuant to the terms of an Indenture of Trust dated as of _____, 2010 (the "Indenture"), by and between the Agency and _____ (the "Trustee"), the Agency intends to issue its Tax Increment Bonds, Series 2010 (the "Series 2010 Bonds") and the Agency may issue other obligations under the Indenture (together with the Series 2010 Bonds, the "Bonds") which will be payable from (i) tax increment revenues allocated to the Agency under Section 17C-1-403 of the Redevelopment Act (collectively the "Tax Increment Revenues") and (ii) the local sales and use taxes pledged pursuant to this Agreement. The Series 2010 Bonds are being issued to (a) finance the acquisition and construction of certain publicly owned infrastructure improvements within the Project Area to promote economic and community development (the "Project"), (b) fund a debt service reserve fund, if desirable, (c) fund capitalized interest with respect to the Series 2010 Bonds, if desirable, and (d) pay costs associated with the issuance of the Series 2010 Bonds; and

WHEREAS, the Agency anticipates that the Tax Increment Revenues over the term of any Bonds will be sufficient to pay the principal of and interest on the Bonds, but in the event that there is a shortfall in such Tax Increment Revenues, the City has agreed to enter into this Agreement with the Agency pursuant to Section 17C-1-207 and 17C-1-409 of the Redevelopment Act to pledge and lend to the Agency local sales and use tax revenues received by the City pursuant to Title 59, Chapter 12, Part 2 (the "Sales Tax Revenues"), to the extent necessary to make up any shortfall, if any, and to pay any obligation of the Agency under the Indenture, including without limitation, the obligation to replenish any debt service reserve fund established thereunder, which pledge is on a parity with payment by the City of any sales tax revenue obligations the City has issued or may issue in the future on a parity thereto; and

WHEREAS, pursuant to the provisions of the Redevelopment Act and the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "Municipal Bond Act" and together with the Redevelopment Act, the "Act"), the City Council of the City (the "Council") has authority to enter into the Agreement for the purposes set forth in the recitals above; and

WHEREAS, the Act provides that prior to entering into an agreement pledging said Sales Tax Revenues, the Agency may (a) give notice of its intent to enter into the Agreement and (b) hold a public hearing to receive input from the public with respect to the Agreement; and

WHEREAS, the Agency published a notice of hearing and held a public hearing for the purpose in the preceding recital; and

WHEREAS, the City recognizes that many benefits are flowing to the City because of the redevelopment performed by the Agency including, but not limited to, improved quality of life, increased employment opportunities within the City, increased ad valorem tax base, and increased sales tax revenues to the City; and

WHEREAS, the City and the Agency have found and determined that the loan of City funds is a corporate purpose that will promote economic and community development and the health, safety, and welfare of the City and its inhabitants, result in interest savings with respect to the Bonds, and is in the best interest of the City and its inhabitants:

NOW, THEREFORE, in consideration of the mutual promises, the covenants contained herein, and other good and valuable consideration, the receipt of which is acknowledged, the parties hereto agree as follows:

Section 1. The Agency agrees that upon issuance of the Series 2010 Bonds it will use the net proceeds of such Series 2010 Bonds to (i) finance the Project, (ii) fund a debt service reserve fund, if desirable, (iii) fund capitalized interest, if desirable, and (iv) pay costs of issuance of the Series 2010 Bonds. As required by the Redevelopment Act, the Bonds shall be made payable as to both principal and interest solely from the Tax Increment Revenues received from the Project Area and shall not be payable from funds directly paid by the City, except to the extent moneys are transferred by the City to the Agency pursuant to this Agreement.

Section 2. Pursuant to the Indenture, the Agency shall, on or prior to each _____ and _____ of each year, commencing _____, determine (a) the amounts due with respect to the Bonds on the next succeeding _____ or _____, as applicable, and (b) the amounts of Tax Increment Revenues, and other moneys the Agency reasonably believes will be available for payment of the Bonds on said _____ or _____. In addition, the Agency shall, on or prior to each _____ of each year, submit a request to the City Manager for Sales Tax Revenues equal to the amount, if any, by which the payments due on the Bonds on the next succeeding _____ or _____ exceed such available Tax Increment

Revenues and other amounts available to the Agency (the "Shortfall"), plus any additional payment obligations of the Agency, under the Indenture, including the obligation to replenish any debt service reserve fund established thereunder or to deposit amounts to any reserve instrument fund thereunder, if necessary. The City agrees to pay said Shortfall directly to the Trustee not less than ten days prior to the next succeeding _____ or _____, as applicable. The Agency covenants to take such other action as it lawfully may take to assure that Sales Tax Revenues equal to said Shortfall are remitted by the City to the Agency pursuant to this Agreement.

Section 3. Pursuant to the Redevelopment Act, the City hereby pledges for the benefit of the holders of the Bonds and agrees to lend to the Agency, to the extent necessary during each year in which Bonds are outstanding under the Indenture, Sales Tax Revenues sufficient to make up any Shortfall, plus any additional payment obligations of the Agency under the Indenture, including the obligation to replenish any debt service reserve fund established thereunder or to deposit amounts to any reserve instrument fund established thereunder (the "City Loan") on or before the date on which said moneys are due and owing during each year until the Bonds are paid in full, which pledge shall be on a parity with any sales tax revenue obligations and/or sales tax revenue bonds the City has heretofore issued or may issue in the future. The Agency hereby agrees to repay the City Loan at such rate or rates of interest on the unpaid principal balance of said City Loan, within a time period, and upon such additional terms as the City Council of the City deems appropriate, provided, however, that no payment shall be made on the City Loan to the City by the Agency during any year, until all principal and interest falling due on the Bonds during said year have been paid in full.

The City hereby agrees and covenants that it will not issue any additional sales tax revenue bonds or obligations on a priority to the pledge of the Sales Tax Revenues hereunder. In addition, the City hereby agrees and covenants that it will not issue any additional sales tax revenue bonds or obligations (the "Additional Obligations") on a parity with its obligation under this Agreement, unless the following requirement has been met: Tax Increment Revenues and Sales Tax Revenues for the fiscal year immediately preceding the proposed date of issuance of such Additional Obligations or obligations were at least equal to two hundred percent (200%) of the average annual debt service requirement on all Bonds and other obligations to be outstanding following the issuance of the Additional Obligations and provided, however, that such coverage test set forth above shall not apply to the issuance of any Additional Obligations to the extent (a) they are issued for the purpose of refunding bonds or other obligations as permitted hereunder and (b) the aggregate average annual debt service for such Additional Obligations does not exceed the then remaining aggregate average annual debt service for the bonds or other obligations being refunded therewith.

Section 4. Nothing contained in this Agreement shall be construed to create a general obligation liability of the City. The Bonds shall not be a debt of the City pursuant to any constitutional or statutory debt limitations, and the issuance of the Bonds and the execution of this Agreement shall not require the City to levy any form of taxation or to appropriate any moneys for the payment of the Bonds or amounts otherwise due under this Agreement.

Section 5. This Agreement shall be effective upon the date it is executed by both parties and filed with the keeper of the records of each party, and will remain in effect as long as the Bonds remain outstanding, but in no event more than fifty (50) years from the effective date of this Agreement herein. This Agreement shall not be amended by the parties hereto without the prior written consent of the Insurer.

Section 6. This Agreement shall be governed by the laws of the State of Utah.

Section 7. Any municipal bond insurer and any reserve instrument provider with respect to any series of Bonds issued pursuant to the Indenture are explicitly recognized as third party beneficiaries of this Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and year first written above.

CITY OF TAYLORSVILLE, UTAH

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Recorder

APPROVED AS TO FORM AND COMPLIANCE WITH APPLICABLE LAW:

By: _____
City Attorney

REDEVELOPMENT AGENCY OF THE CITY OF TAYLORSVILLE, UTAH

(SEAL)

By: _____
Chair

ATTEST:

By: _____
Secretary

APPROVED AS TO FORM AND COMPLIANCE WITH APPLICABLE LAW:

Redevelopment Agency Attorney