

City Commission Member Dan Morrison moved to adopt the following resolution:

**RESOLUTION NUMBER 1045**

RESOLUTION OF THE CITY OF POLSON RELATING TO THE AUTHORIZATION TO ISSUE UP TO \$900,000 TAX INCREMENT URBAN RENEWAL REVENUE BONDS, SERIES 2013; AUTHORIZING THE ISSUANCE AND PRIVATE NEGOTIATED SALE THEREOF

BE IT RESOLVED by the City Commission of the City of Polson, Montana as follows:

Section 1. Recitals.

1.01. Under the provisions of Title 7, Chapter 15, Parts 42 and 43, Montana Code Annotated, as amended (the “Act”), the City is authorized to create urban renewal areas, prepare and adopt an urban renewal plan, undertake urban renewal projects therein, provide for the segregation and collection of tax increment revenues with respect to property taxes collected in such areas in excess of the base year taxes (the “Tax Increment Revenue”), issue its bonds to pay the costs of such projects and pledge to the repayment of the bonds the Tax Increment Revenue and other revenues derived from projects undertaken within the urban renewal area.

1.02. The City, pursuant to the Act and Ordinance No. 591, adopted on October 20, 2003, has created the City of Polson Urban Renewal District as an Urban Renewal Area (the “District”) and has approved the City of Polson Urban Renewal District Urban Renewal Plan, as amended and attached as an Exhibit to Ordinance 591 (the “Plan”), as an urban renewal plan in accordance with the provisions of the Act. The Plan provides for the segregation and collection of Tax Increment Revenue with respect to the District. Pursuant to the Act and Ordinance No. 591, the City designated tax year 2002 as the base year for the District.

1.03. Tax Increment Revenues of \$213,295 were received by the City in FYE 2011 for tax Increment Revenue amounts due in all prior years (from 2004 through 6/30/2011) for the District; Tax Increment Revenue amounts of \$86,143.84 were received in FYE 2012 and projected Tax Increment Revenue amounts of approximately \$101,500 are expected to be received in FYE 2013.

1.04. The City, by passage of its Ordinance No. 653 in January of 2010, indicated its intention to support a streetscape improvement project on Main Street in the District with possible Tax Increment Revenue bonds. Such bonds were not issued. Instead, pursuant to Resolution Nos. 955 and 975, the City created Special Improvement District #42 to fund a portion of the streetscape improvements and issued \$750,000 in SID #42 bonds for the streetscape project and utilized \$150,000 of tax increment funds generated from the District as part of the funding of the streetscape project. There are no bonds or other obligations of the City payable from the Tax

Increment Revenue.

1.05. Following a duly noticed public hearing and pursuant to Resolution No. 1040 adopted March 4, 2013, the City declared as Urban Renewal Projects under the Act the construction of an 8 foot wide walkway from Riverside Park along the lakeshore of Flathead Lake under the Highway 93 Bridge (with a fishing pier near the bridge) and extension to an existing walkway near Salish Point (the “Walkway”) and an 8 foot by 290 foot flow-through pier/dock with a 10 foot by 128 foot wing to replace the existing City pier on Salish Point (the “Pier Replacement”). The Walkway and the Pier Replacement, together with the engineering and financing costs thereof, are referred to herein collectively as the “Projects”.

1.06. Pursuant to Resolution No. 1042, adopted by the Commission on March 18, 2013, the City Commission approved an alternative project design method of contractor selection for the Projects under the design/build concept and directed the City Manager and City Engineer to proceed with the selection process and provide the results to the Commission with a recommendation.

1.07. The Tax Increment District Fund (Fund #2310) balance was \$144,028.51 on May 31, 2013 (which includes approximately \$92,932.69 collected through May, 2013 for FY 2013 tax increment funds). The City estimates that the Tax Increment Revenue will be at least \$85,000 per year based on conservative increases in value and offset by possible losses of property tax base and tax increments from transfers of private taxable property in the District to non-taxable Tribal Trust ownership.

1.08. The City, through the Design/Build Alternative Delivery Contract process authorized by Resolution No. 1042, has received a recommendation from the City Manager and City Engineer of a proposed design/build contract with McCrumb Construction, Inc., of Polson, Montana, and the City Engineer estimates cost of the Projects as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Negotiated Construction Contracts | \$715,000.00        |
| Contingency                       | 86,500.00           |
| Bond Reserve                      | 43,500.00           |
| Additional Engineer Oversight     | 30,000.00           |
| Structural Review by City         | 5,000.00            |
| Cost of Issuance & Miscellaneous  | 20,000.00           |
| TOTAL                             | <u>\$900,000.00</u> |

1.09. The Internal Revenue Service has issued Section 1.150-2 of the Treasury Regulations (the “Regulations”) dealing with the issuance of owner or issuer tax-exempt bonds, all or a portion of the proceeds of which are to be used to reimburse the owner or issuer for project expenditures made by the owner or issuer prior to the date of issuance of such bonds. The Regulations generally require that the owner or issuer make a declaration (no later than 60 days after payment of the original expenditures) of its official intent to reimburse itself for such expenditures out of the proceeds of a subsequently issued borrowing, that the borrowing occur and the reimbursement allocation be made from the proceeds of such borrowing within eighteen months of the original expenditure or the date the project is placed in service, and that the expenditure be a capital expenditure or cost of issuance. The City desires to comply with requirements of the Regulations with respect to its financing and does anticipate that the City may advance some Tax Increment Financing District funds for Project expenditures prior to the issuance of Tax Increment Financing Bonds for the Projects.

Section 2. Authorizations. Pursuant to the authority and findings recited in Section 1, it is hereby determined that it is in the best interests of the City to offer for sale up to \$900,000 in principal amount of its Tax Increment Urban Renewal Revenue Bonds, Series 2013 (the “Series 2013 Bonds”), for the purpose of financing the construction of the Projects, funding a deposit to a debt service reserve account for the Series 2013 Bonds, and paying costs of issuance of the Series 2013 Bonds, as determined by the officers of the City identified pursuant to, and subject to the limitations set forth in, Section 3.

Section 3. Parameters and Terms of Sale. This Council hereby determines that it would be in the best interests of the City to sell the Series 2013 Bonds through a negotiated sale to one or more banking institutions with offices in the City (“Prospective Purchasers”).

The Series 2013 Bonds shall be sold to the Prospective Purchasers on terms and at a purchase price within the following limitations: (1) the aggregate principal amount of the Series 2013 Bonds, exclusive of original issue discount, shall not exceed \$900,000; (2) the purchase price of the Series 2013 Bonds shall not be less than 99.0% of the principal amount thereof; (3) the total interest cost on the Series 2013 Bonds shall not exceed 5.00%; (4) the final stated maturity of the Series 2013 Bonds shall not be later than July 1, 2033; and (5) the Series 2013 bonds shall be prepayable, without penalty or premium, at any time from Tax Increment Revenues or other legally available City funds, including unspent Series 2013 Bond proceeds. All costs of issuing the Series 2013 Bonds (including, without limitation, the fees and expenses of bond counsel) shall be paid by the City from Series 2013 Bond proceeds.

The City Finance Officer is hereby authorized and directed to negotiate the principal amount, maturity dates, interest rates and other provisions of the Series 2013 Bonds, subject to the limitations contained in this Section 3. Upon negotiating such terms with the Prospective

Purchasers, the City Finance Officer is hereby directed to recommend to the City Commission the sale of the Series 2013 Bonds on the terms so negotiated.

The form of the Series 2013 Bonds and the security therefor and the final approval of such terms by the City Commission shall be described in a subsequent resolution to be adopted by this Commission.

Section 4. Reimbursement of Prior Expenditures. The City anticipates that issuance of the Series 2013 Bonds and, depending on the timing of the issuance of the Series 2013 Bonds, the City expects it may reimburse (from Series 2013 Bond proceeds) some expenditures made for the Projects. The City Finance Officer shall be responsible for making the reimbursement allocations, as described in the Regulations. Each allocation shall be evidenced by an entry on the official books and records of the City maintained for the Series 2013 Bonds, shall specifically identify the actual prior expenditure being reimbursed or, in the case of reimbursement of a fund or account, the fund or account from which the expenditure was paid, and shall be effective to relieve the proceeds of the Series 2013 Bonds from any restriction under the bond resolution or other relevant legal documents for the Series 2013 Bonds, and under any applicable state statute, which would apply to the unspent proceeds of the Series 2013 Bonds.

Passed by the City Commission of Polson, Montana this 1st day of July, 2013.

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Pat DeVries, Mayor

ATTEST:

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Cora E. Pritt, City Clerk

City Commission Member Mike Lies seconded the Motion for adoption of the Resolution.

City Commission roll call vote:

|                | <u>FOR</u> | <u>OPPOSED</u> | <u>ABSTAIN</u> | <u>ABSENT</u> |
|----------------|------------|----------------|----------------|---------------|
| John Campbell  | X          |                |                |               |
| Todd Erickson  | X          |                |                |               |
| Mike Lies      | X          |                |                |               |
| Stephen Turner | X          |                |                |               |
| Fred Funke     | X          |                |                |               |
| Dan Morrison   | X          |                |                |               |
| Pat DeVries    | X          |                |                |               |