

Governmental Capital Facilities Requirements

Herriman City

HERRIMAN CITY BOND PARAMETERS

The City Council has reviewed a list of projects that have been deemed priorities for the City. The majority of these projects have funding sources that are readily available. However, the following three projects would require a financing option to assist with covering the necessary costs. The projects under review for bonding include:

* Herriman Towne Center

* Herriman Parkway Extension

* Main Street Extension

This initial step is like pre-qualifying for a mortgage loan. The City would like to assure that monies are in place for the future, that way we don't get caught unprepared. In fact, bonding works a lot like a mortgage loan. Once we have received our bonding qualification for the noted amount, we won't necessarily need to bond for the full amount. Cost saving efforts as well as price negotiation may provide opportunity for the use of cash reserves to cover project costs reducing the bond needed.

The City Hall construction is estimated at approximately \$15 million. Additional costs will be paid for through cash reserves due to the pre-planning that has been in place for the past few years. The bond for City Hall **will not** increase property tax. This portion of the bond will be paid back with sales tax. Herriman City sales tax increases at a rate of 10% each year (50% over the last 5.5 years) as more and more commercial comes in to our City. The anchor that the City Hall will provide for the Towne Center will generate an increase in the economic development by showing that we are confident in making an investment in our own City. The economic growth will not only provide a variety of options for our community, but increased revenues, additional job opportunities and services as well.

The extension of Herriman Parkway will require a \$3 million dollar bond. This bond will be paid by through Transportation Impact Fees provided by the SLR property. The additional \$7 million in this portion of the bond is to refinance a previous bond on the original Herriman Parkway that was put in place in 2009. The refinance will save the City at least \$50,000 per year.

Main Street is also a vital area for economic growth. There are several businesses, including a Walmart Superstore, interested in this area once the road extension is put in. Herriman City is working closely with developers and design and feel we can come in under the estimated \$7.6 million dollars and bond for \$5 million. It is expected that \$1.6 million in annual sales tax will allow us to pay this portion of the bond in 3.2 years.

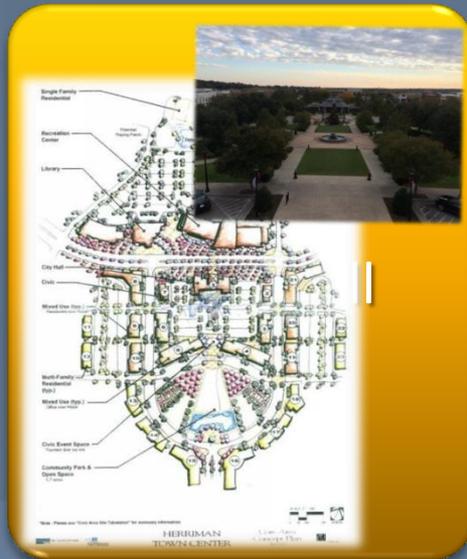
Property taxes are not a viable option to pay for these items. Tax payers can be assured that property taxes will not be raised to cover these costs. Sales and franchise taxes will continue to increase as opportunities for commercial/retail development are made available and will be sufficient to cover the payments on the bond.

The City Council directed staff to move forward and bring the parameters resolution to the City Council meeting on August 26th. City Council will consider the good standing of the City as well as a circumference of financial aspects before a final decision is made. City Council has assured the community that we are where we need to be. We are in good financial standing and need to grow economically to maintain sustainability and avoid economic downturn.

Projects to be Funded

- Herriman Towne Center Project
- Herriman Parkway Extension to 6400 W.
- Main Street Extension to 11800 S.

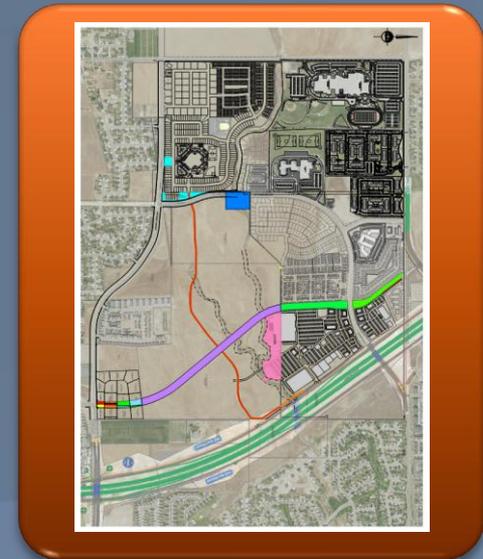
Herriman Towne Center



Herriman Pkwy Extension



Main Street Extension



Herriman Towne Center (\$15,000,000)

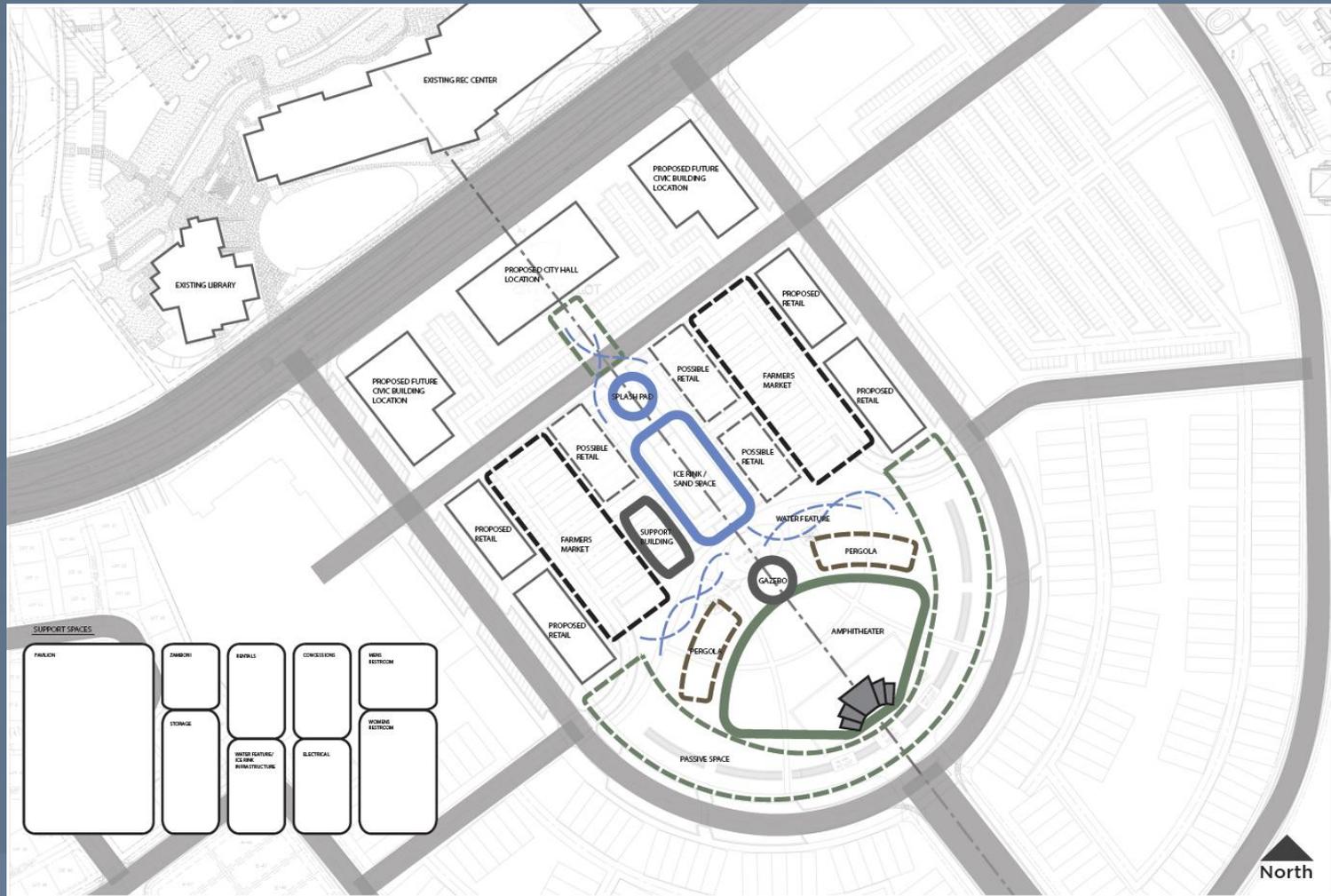
- City Hall location was selected over 9 years ago
- The Community has patiently waited for us to break ground and foster additional economic development in the Towne Center
- Responsible Financial Planning for last few years
- Community Outreach for design input was well received



Mike Bradshaw - Momentum

Herriman Towne Center (con't)

- Towne Center Core Concept Design

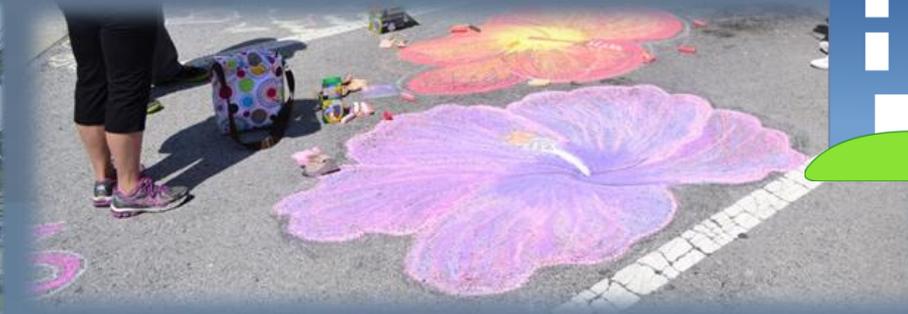


Herriman Towne Center

Estimated Financing	\$15,000,000
• Design Phase	\$ 1,100,000
• Building Construction	<u>\$15,000,000</u>
• Total Costs	\$16,100.00
• Park Design	\$ 6,000,000
• Park design will be covered by park impact fees.	

Herriman Towne Center

- Sales tax would likely increase as the Towne Center generates more economic development
- Expected Sales tax amounts = \$250,000/Yr



Herriman Parkway Extension

Estimated Cost

\$3,000,000

● Roadway Improvements	\$1,203,659
● Storm Drain Infrastructure	\$1,166,687
● Roadside Channel Improvements	\$ 215,517
● Culinary & Secondary Water	\$ 120,834
● Contingency on Project Costs	<u>\$ 541,331</u>
● Total Costs	\$3,250,000
● Expected Road Impact Fees from SLR Property	\$4,179,000 (difference of + \$929,000)

Herriman Parkway Loan Refinance

Estimated Cost

\$7,000,000

- \$7 million refinanced from current loan.
- Lower rates provide a significant savings
- Savings amount is at least \$50,000/yr

Main Street Extension (\$5,000,000)

Estimated Cost

● Roadway Improvements	\$3,204,063
● Storm Drain Infrastructure	\$1,289,790
● Culinary & Secondary Water	\$ 810,975
● Utilities	\$ 750,000
● Land Costs	\$ 871,200
● Contingency on Project Costs	\$ 692,603
● Total Costs	\$7,618,630
● Expected Annual Sales Tax Revenue	\$1,600,000
*3.2 year payoff on \$5,000,000	

Gordon Haight – Asst. City Manager

Development along Main Street



Development along Main Street



Development along Main Street



Development along Main Street

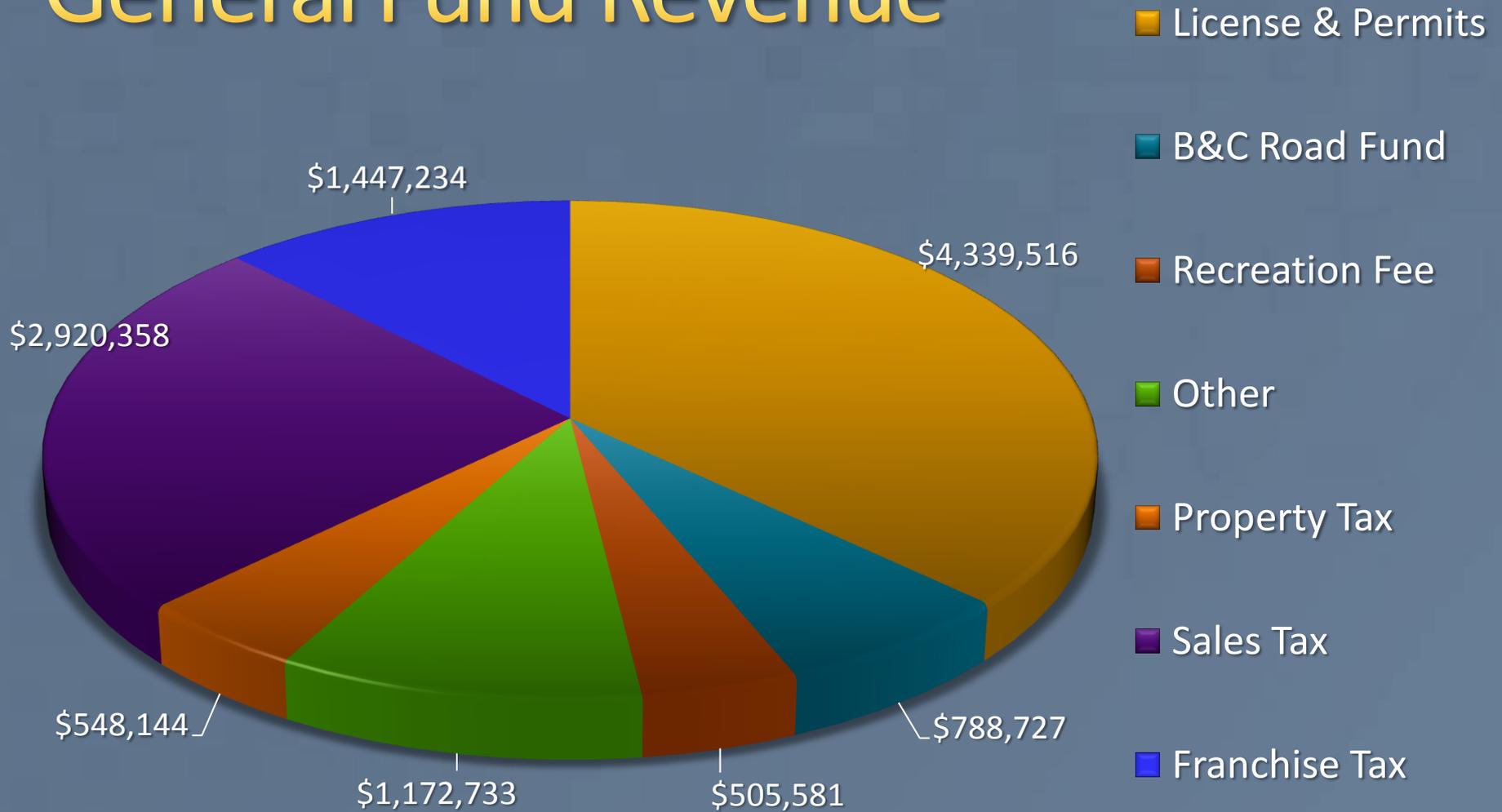


How do we fund these projects?

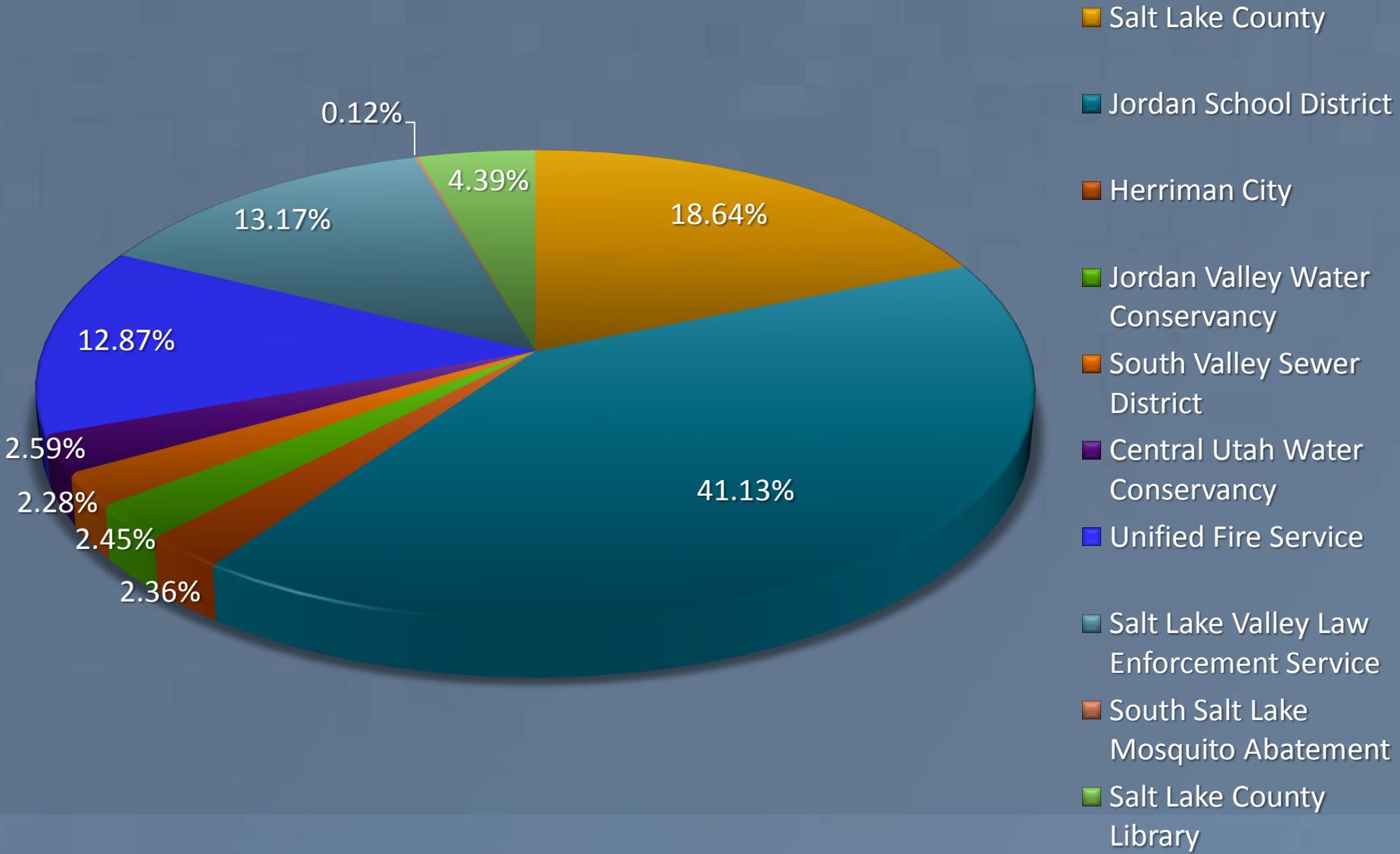


What would we provide as security?

General Fund Revenue



Property Tax Rate



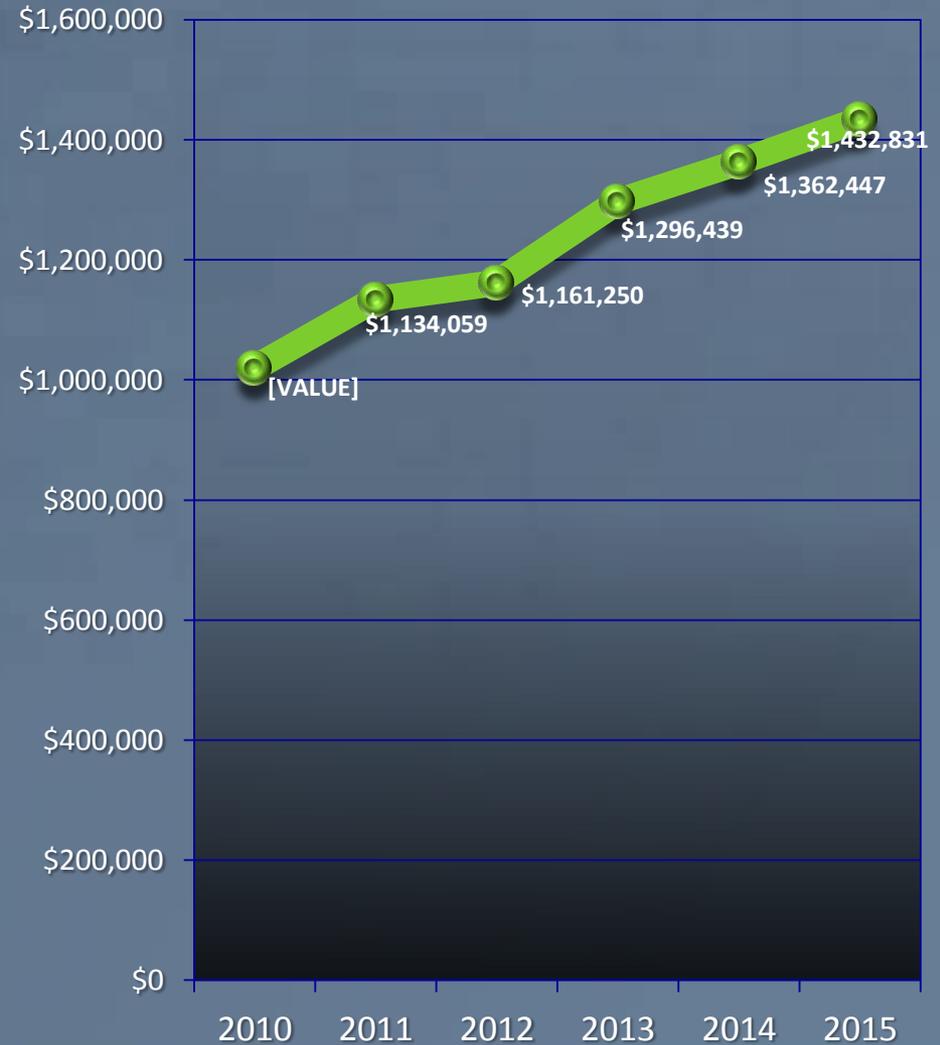
B&C Road Funds



Sales Tax Revenue



Franchise Tax Revenue



Evaluation

● Property Taxes

- The structure of property taxes in Herriman makes it undesirable to fund major projects.
- Herriman City receives such a small share of property taxes that the increase to fund a major project would be enormous. The current projects would require four times the current tax to manage the debt service.

● B&C Road Fund

- B&C Road Funds are set aside for road construction and maintenance so it is possible to use these funds for two of the projects.
- B&C Road Funds are limited to ten year funding which would make debt service unmanageable.



Sales & Franchise Taxes

- Currently at a level to provide 2 to 1 debt service
- Would not require a debt reserve fund
- Would allow for 20 Year amortization
- Would provide the lowest possible interest rate
- Both Sales & Franchise taxes have been raising at an average of 10% per year for several years
- Particularly the Main Street Expansion would greatly increase and improve sales tax revenues
- Franchise tax revenue raises at twice the rate of property taxes.



Recommendation:

Begin the process to obtain a \$30,000,000 Sales/Franchise Tax Bond by approving a parameters resolution.

● City Hall	\$15,000,000
● Herriman Parkway Extension (<small>\$3,000,000 for extension \$7,000,000 refinance of current bond</small>)	\$10,000,000
● Main Street Expansion	<u>\$ 5,000,000</u>
● Total Bond	\$30,000,000

The parameters resolution sets the maximum amount of bond issuance, interest rate, term and allowable discounts.

These are the maximum amounts and any portion can be removed prior to issuing bonds.

- Current interest rates will save us approximately \$50,000/yr to refinance the current sales/franchise tax bond on Herriman Parkway
- After the parameters resolution is approved we can begin working with financial advisors and underwriters to find terms that are within the limits set by the council.
- We would work with Standards and Poor's to obtain a bond rating.



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Thank You