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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** April 7, 2009

**SUBJECT:** The Leonardo

- Briefing – Lease Terms and Conditions Memorandum of Understanding and General Obligation Bonds, Series 2009B
- Council Action Required For Items Included in Staff Report - General Obligation Bonds, Series 2009B, Adopt Resolution to Set Public Hearing Date of May 5, 2009

**STAFF REPORT BY:** Karen Halladay, Budget and Public Policy Analyst

**AFFECTED COUNCIL DISTRICTS:** All

**ADMINISTRATIVE DEPT:  
AND CONTACT PERSON:** **LEASE ISSUES – RICK GRAHAM AND BOYD FERGUSON  
BOND ISSUES – DAN MULÉ**

**NOTICE REQUIREMENTS:** The resolution sets the hearing date for May 5, 2009

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Two items regarding the Leonardo are included in this report:

- Council Briefing - Review, consider and, possibly, provide feedback to the Administration regarding the terms and conditions of the lease agreement between The Library Square Foundation for Art, Culture, and Science (The Leonardo) and Salt Lake City during the Council's Work Session.
- Council Action Required - Consider adopting a Public Hearing Resolution on April 7, 2009 that will authorize the publication of the Public Hearing as required and to set May 5, 2009 as the date of the Public Hearing.

## POTENTIAL MOTIONS ON COUNCIL ACTION ITEMS:

- Memorandum of Understanding - Lease Agreement - Briefing Item Only
- Public Hearing Resolution

1. ["I move that the Council"] adopt a Public Hearing Resolution related to the issuance and sale of \$10,200,000 of General Obligation Bonds, Series 2009B that will:
  - a. Authorize the publication of a *Notice of Public Hearing* to be published twice prior to the date set for the public hearing and
  - b. Set May 5, 2009 as the date to hold the public hearing.

OR

2. ["I move that the Council"] Not adopt the resolution.

## KEY ELEMENTS:

- Memorandum of Understanding (MOU) - Lease Agreement - (NOTE: The Administration is responsible for negotiating lease terms and conditions. However, the issuance of bonds is a Legislative responsibility, so it is not unusual for a Legislative Body to gain an understanding of the financial implications of the agreement before committing City

**funds to a project. In addition, it is possible for a Legislative Body to authorize bonds with conditions attached.)**

The Administration has been negotiating the lease terms and conditions with The Leonardo. At this time in the negotiations, both Parties to the lease have signed a MOU indicating their understanding and agreement to key points of the lease, which is expected to be completed and signed by May 5, 2009 – prior to the sale of the \$10.2 million in bonds. The entire MOU, which is full effect for sixty days (60) is attached for your review. The following is a partial listing of some of the lease terms:

- The Parties will enter into the lease following the issuance of the General Obligation Bonds. According to the transmittal from the Administration, the lease agreement is expected to be signed by May 5, 2009.
- **Term (a)** – 20 Years, with three (3) possible ten year extensions.
- **Rent (b)** - \$12.00/Year – Due annually.
- **Operating Expenses (c)** – Responsibility of The Leonardo. Operating expenses include cleaning, maintenance, repair, utilities, lawn care, snow removal, trash removal, LEED ED certification, elevator and escalator expenses.
- **Use of Premises (d)** – The building shall be occupied and used as a science, culture, and art education center.
- **ESCO (e)** – The project may involve ESCO financing if mutually agreed upon by the City and the Foundation to be appropriate, considering that bond money will be available.
- **Terms of Default (f)** – Non-defaulting Party may terminate the lease and pursue any and all other rights and remedies available under the lease or law in the event of default as defined:
  - Any failure to pay, when due, an amount due to the other party
  - Failure to observe and perform any other obligations under the lease
  - Failure by The Leonardo to continuously occupy and use, for 90 consecutive days, the building consistent with The Leonardo’s mission
- **No additional financial support by the City (g)** – The City will provide the building at the specified rent, but is not under any obligation to provide financial support to The Leonardo for operations, building and programming. Capital improvements for the building, such as replacement of heating and cooling systems, may be the responsibility/obligation of the City.
- **City use of premises (h)** – The City may use the facility premises for meetings, receptions, and other activities at no cost. The City will give advance notice and coordinate events so as not to interfere with The Leonardo’s programming and administrative schedule.
- **Capital repairs and improvements (i)** - The Leonardo shall be responsible for all capital improvement costs needed to support or expand its programming use of the building, such as electrical, plumbing, and environmental.
- **Utility billing periods (k)** – The Leonardo shall pay 1/12 of its pro-rata share of utility costs, including the boiler costs, for the building on or before the first day of the month.
- **Parking issues (l)** – The Leonardo shall have the exclusive right to an agreed upon number of parking stalls located adjacent to the underground dock area of the Old Main Library.
- **Indemnification (m)** – The Leonardo shall indemnify, defend, and hold harmless the City for any actions or damages resulting from The Leonardo’s contracts with suppliers and outside providers, including contracts related to rotating exhibits.
- **Insurance (n)** – The Leonardo shall provide, at its sole expense, insurance related to the building and operations. The insurance coverage includes, but is not limited to worker’s compensation, commercial general liability, casualty, interruption of operations, commercial automobile, personal property, and insurance to cover artwork and exhibits.
- **No Agency or Partnership Relationship (o)** – The City shall not be considered an agent or partner of the Foundation, including with respect to the Foundation’s programming.
- **Other conditions or parameters (p)** –
  - **Signage** – Must meet City code and not compromise or damage the building’s exterior panels and surface.

- **Building sub-lease** – Sub-leasing may be allowed provided the City consents to it in writing and the sub-lease has a direct relationship to The Leonardo’s goals and programming plans.
- **Taxes** – The Leonardo is responsible for paying applicable state or federal taxes or fees if related to the building and The Leonardo’s programming and operations.
- **Financial reporting** – The Leonardo shall annually report financial, programming, and fundraising information to the City.
- **Design and construction plan** – The City is solely responsible for the building design and construction management. The Leonardo may appoint a member to the design team for input regarding the design and construction process.
- A General Provisions Section is included in the MOU. Provisions include, but are not limited to, ability by either party to amend the lease, a statement that the MOU is not assignable, ethical standards, and the City is subject to GRAMA.

According to the Administration, the following items are still being negotiated with The Leonardo:

- **Termination and Notice (j)** – The terms and conditions under which the lease may be terminated are still under discussion.
- **General Obligation Bonds, Series 2009B, Public Hearing** – Provisions of the Local Government Bonding Act required the City to hold a public hearing to receive input from the public with respect to a) the issuance of our general obligation bonds and b) the potential economic impact that the proposed project will have on the private sector. The Administration is requesting that the Council set May 5, 2009 as the date of the public hearing. The Act requires a “Notice of Public Hearing” to be published once a week for two consecutive weeks, with the first publication being at least 14 days prior to the set date for the public hearing. The City’s plan is to publish the notice on April 12<sup>th</sup> and April 19<sup>th</sup>.

The following is a brief timeline (Wells Fargo Timetable of Events is Attached) related to the issuance of \$10,200,000 general bonds which are for the purpose of financing all or a portion of the cost of renovation, improvement, and preservation of the old main library building and for paying the costs incurred in connection with the issuance and sale of the bonds:

- **November 4, 2003** - Special Bond Election – Proposition 2 – Passes
- **April 18, 2006** – Parameters Resolution Adopted by City Council for The Leonardo (and Open Space Projects)
- **February 10, 2009** – City Council (by straw poll) agrees to issue the bonds and to allow The Leonardo to move forward on the project with the City and Leonardo’s agreed upon project scope as described and discussed in the Council briefing. A formal Council vote is still required to issue the bonds.

Council Action is still required for the following items:
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- **April 7, 2009** – Public Hearing Resolution needs to be adopted which will set the date of the Public Hearing. The proposed date is May 5, 2009.
- **April 7, 2009** – Public Benefit Hearing Resolution – The Council will receive a briefing on the public benefit to be received by entering into a lease agreement with The Leonardo at below market rates. If the public benefit study is acceptable to the Council, the Council will set the date of the Public Benefit Hearing for May 5, 2009. (A separate staff report and briefing will occur separately on this item.)
- **May 5, 2009** – Two Public Hearings will be held regarding:
  - Issuance of General Obligation Bonds, Series 2009B for the purpose of financing all or a portion of the cost of renovation, improvement, and preservation of the old

main library building and for paying the costs incurred in connection with the issuance and sale of the bond.

- Public Benefit Hearing on the public benefit to be received by entering into a lease agreement with The Leonardo at below market rates.
- **May 19, 2009** – The competitive sale of the bonds will occur and at the City Council Meeting and the Bond Resolution will be approved and the Bond Purchase Contract will be signed.
- **June 4, 2009** – The final closing procedures on the general bond issuance will occur.

## **BUDGET RELATED FACTS:**

**General Obligation Bonds, Series 2009B, Public Hearing** – *(Details of the Debt Service schedule are included on Attachment A. Details of the estimated tax impact on residential and commercial properties are included on Attachments B and C.)*

- Amount of the general obligation bond is \$10,200,000.
- Estimated interest rate on the bond issue is unknown. However, the average rate as of April 2, 2009 is 4.4%.
- Term of the general obligation bond is 20 years.
- Annual debt service payment, principal and interest, is approximately \$772,000 per year.
- First debt service payment is due June 30, 2010.
- Final debt service payment is due June 30, 2029.
- Residential - Estimated tax increase for The Leonardo bond on a \$250,000 home is \$5.97.
- Commercial – Estimated tax increase for The Leonardo bond on a \$1,000,000 commercial property is \$43.40.

## **MATTERS AT ISSUE:**

### **Memorandum of Understanding (MOU) – Lease Agreement**

- Does the Council wish to encourage the Administration to include additional terms or conditions to the lease agreement or further define particular lease terms?
- Does the Council wish to specify conditions that they would like to consider attaching to the bonds?

### **General Obligation Bonds, Series 2009B, Public Hearing**

- Does the Council wish to discuss current bond market conditions with Wells Fargo Public Finance, the City's Financial Advisor prior to the Council's final approval of the bonds?
- Certain financial transactions may cause bonds to become taxable. Does the Council wish to understand the circumstances that may trigger taxable bonds?
- Does the Council wish to clarify the type of bonds that will to be issued for The Leonardo project?
- Currently, the Council has chosen to vote on items one week after the public hearing. With regard to bonds, does the Council wish to continue to follow this process when addressing bond issues?

**CITY COUNCIL TRANSMITTAL**



David Everitt, Chief of Staff



Date Received:

Date sent to Council: 3/31/2009

**TO:** Salt Lake City Council  
Carlton Christensen, Chair

**DATE:** March 31, 2009

**FROM:** Rick Graham, Director  
Public Services Department

**SUBJECT:** Memorandum of Understanding between Salt Lake City and The Library Square Foundation for Art, Culture, and Science (The Leonardo)

**STAFF CONTACT:** Rick Graham 535-7774  
Boyd Ferguson 535-7796

**DOCUMENT TYPE:** Memorandum of Understanding

**RECOMMENDATION:** That the Council consider the MOU to be adequate evidence of progress on the lease to justify setting the hearing date of May 5, 2009.

**BUDGET IMPACT:** None

**BACKGROUND/DISCUSSION:** On February 10, 2009 the City Council agreed by straw poll to issue the bonds and allow The Leonardo project to move forward. In making this decision the Council indicated a strong expectation that a signed lease agreement will be in place prior to the sale of the bond. The Administration and The Leonardo have now fully engaged in final lease discussions with a goal of having a signed lease by May 5, 2009. The Administration and The Leonardo have agreed to the attached Memorandum of Understanding that states the intention of the parties to enter into a lease agreement, and sets forth conceptually the key provisions that will be in the lease.

**PUBLIC PROCESS:** Not required

**MEMORANDUM OF UNDERSTANDING**  
**between**  
**SALT LAKE CITY CORPORATION**  
**and**  
**THE LIBRARY SQUARE FOUNDATION FOR ART, CULTURE, AND SCIENCE**

This Memorandum of Understanding (“MOU”) is entered into on March 31, 2009, by and between SALT LAKE CITY CORPORATION, a Utah municipal corporation (the “City”), and THE LIBRARY SQUARE FOUNDATION FOR ART, CULTURE, AND SCIENCE, a Utah nonprofit corporation the “Foundation” or “The Leonardo”).

**1. PURPOSE.** The purpose of this MOU is to express the intention of the parties to enter into a lease agreement (the “Lease”) with respect to the old library building located at 209 East 500 South in Salt Lake City, which is owned by the City, and to set forth, at least conceptually, some of the provisions that will be in the Lease.

**2. TERM OF MOU.** This MOU is effective upon the day and date last signed and executed by the duly authorized representatives of the parties to this MOU and shall remain in full force and effect for sixty (60) days. Notices under this MOU shall be delivered by hand or by certified mail to the address listed as follows:

The Library Square Foundation for Art, Culture, and Science  
Box 2129  
Salt Lake City, Utah 84110  
Attention: Peter Giles

Salt Lake City Corporation  
451 South State Street, Room 138  
P.O. Box 145470  
Salt Lake City, Utah 84114-5470  
Attention: Public Services Director

**3. AGREEMENT TO ENTER INTO THE LEASE.**

The Parties shall enter into the Lease following the issuance by the City of its general obligation bonds to finance, in part, the renovation of the old library building and the completion of the construction of such renovations. The Lease shall contain provisions mutually acceptable to the parties, but shall include provisions that reflect the following agreement of the parties:

a. **Lease term:** The Lease shall have a 20-year term. The term may be extended by the Foundation for three additional 10-year periods, in each case with the consent of the City, which consent shall not be unreasonably withheld.

b. **Rent:** The Foundation shall pay a base rent of \$12 per year, payable annually, with the first payment being due at the commencement of the lease term.

c. **Payment of operating expenses:** The Foundation shall pay all operational expenses, including cleaning, maintenance, and repair, payment of utilities costs, payment of exterior landscape seasonal expenses (e.g., lawn care, irrigation, snow removal), trash removal, annual LEED EB certification, and elevator and escalator expenses.

d. **Use of the premises by the Foundation:** The Foundation shall occupy and use the building as a science, culture, and art education center.

e. **ESCO payments and reimbursements:** The project may involve ESCO financing if mutually agreed upon by the City and the Foundation to be appropriate, considering that bond money will be available.

f. **Defaults:** Events of default shall include (i) any failure to pay, when due, an amount due to the other party, (ii) failure to observe and perform any other obligations under the lease, (iii) failure by The Leonardo to continuously occupy and use, for 90 consecutive days, the building consistent with The Leonardo's mission. Following an event of default, the non-defaulting party may terminate the lease or pursue any and all other rights and remedies available under the lease or the law.

g. **No additional financial support by the City:** Other than by providing the old library building at the specified rent, the City shall have no obligation to provide financial support to the Foundation or to the operation or use of the building or to programming during the term of the Lease. The foregoing shall not limit the City's obligations under the Lease relating to capital improvements, the provision of heating and cooling, and other similar obligations.

h. **City use of premises:** The City, with advance notice and with consideration for The Leonardo's programming and administrative schedule, may use the premises for meetings, receptions, and other activities in a way that is compatible with The Leonardo's mission and goals. The City will be responsible for the associated costs of any event it sponsors or manages at the facility. The City's use shall be on a rent-free basis. The City will endeavor to avoid scheduling events for the building at times and/or for events which will conflict with The Leonardo's exhibits or events. In the event that the City uses the building at a time or in a way that requires The Leonardo to close an exhibit during its ordinary hours of operation, the City will be responsible to reimburse The Leonardo for its lost revenues.

i. **Capital repairs and improvements:** Except with respect to the initial renovation and reconstruction of the building, the Foundation shall be responsible for all capital

improvement costs that are needed to support or expand its programming use of the building, such as electrical, plumbing, and environment. The City shall be responsible for structural and system repairs and upgrades that are not a result of use of the building by the Foundation.

j. **Termination and notice thereof:** [Terms and conditions under which the lease may be terminated are still under discussion.]

k. **Utility billing periods:** The Foundation shall pay 1/12 of its pro-rata share of utility costs (including boiler costs) for the building on or before the first day of each month.

l. **Parking issues (certificate of occupancy):** The Foundation shall have the right to priority and exclusive use of an agreed upon number of parking stalls located adjacent to the underground dock area of the old Main Library.

m. **Indemnification by Foundation for Foundation contracts (ExNet, rotating exhibits):** The Foundation shall indemnify, defend, and hold harmless the City for any actions or damages resulting from the Foundation's contract relating to the building, including without limitation the contract with ExNet and the contracts relating to any rotating exhibits. The City shall indemnify the Foundation for any actions or damages resulting out of the negligence of the City or its agents or employees relating to the building.

n. **Insurance requirements (including interruption of operations insurance):** The Foundation shall provide, at its sole expense, any insurance relating to the building or the Foundation's operations reasonably required by the City, including without limitation worker's compensation insurance, commercial general liability insurance, casualty insurance, commercial automobile liability insurance, personal property insurance, and insurance covering artwork. Such insurance shall be in the amounts reasonably required by the City.

o. **No agency or partnership relationship:** The City shall not be considered an agent or partner of the Foundation, including with respect to the Foundation's programming.

p. **Other conditions or parameters:**

(i) Signage: The Foundation shall be permitted to put signage on the building or grounds provided that such signage (i) meets Salt Lake City Code and (ii) conforms to an acceptable sign fastening system(s) that does not compromise or damage the building's exterior panels and surface, which systems(s) shall be agreed upon by the Foundation and the City (including but not limited to the City's Engineering division) prior to occupancy of the building by the Foundation.

(ii) Building sub-lease: The Foundation may not sub-lease space in the building for any reason without the written consent of the City, which consent shall not be



unreasonably withheld, provided that any approved sublease must have a direct relationship to the Foundation's goals and programming plan.

(iii) Taxes: The Foundation shall pay all applicable state or federal taxes or use fees related to the building and the Foundation's programming and operations.

(iv) Financial reporting: The Foundation shall report its financial, programming, and fundraising information to the City annually, provided that the substance of any such information provided shall not, in and of itself, be grounds upon which the City may declare the Foundation to be in breach of the lease. To the extent allowed by law, all information provided pursuant to the lease shall be confidential and not subject to public disclosure under GRAMA.

(v) Annual program plan: The Foundation shall report its programming plan to the City annually, provided that the substance of such plan shall not, in and of itself, be grounds upon which the City may declare the Foundation to be in breach of the lease.

(vi) Design and construction plan: The City shall be solely responsible for building design and construction management, but the Foundation may appoint a member of the design team and may provide input regarding the design and construction process. The City and the Foundation shall work together in good faith to agree upon a design that meets the City's building renovation objectives, supports the basic programming objectives of the Foundation, and meets a reasonable construction timeline. This does not apply to the Foundation's programming or exhibit installation.

#### **4. GENERAL PROVISIONS**

**A. AMENDMENTS.** Either party may request changes to this MOU. Any changes, modifications, revisions or amendments to this MOU which are mutually agreed upon by and between the parties to this MOU shall be incorporated by written instrument, and effective when executed and signed by all parties to this MOU.

**B. APPLICABLE LAW.** The construction, interpretation and enforcement of this MOU shall be governed by the laws of the State of Utah. The courts of the State of Utah shall have jurisdiction over any action arising out of this MOU and over the parties, and the venue shall be the Third Judicial District Court, Salt Lake County, Utah.

**D. ASSIGNMENT.** This MOU is not assignable.

**E. ENTIRE AGREEMENT.** This MOU, consisting of four (4) pages, represents the entire and integrated agreement between the parties concerning the matters set forth herein and supersedes all prior negotiations, representations and agreements, whether written or oral.

**F. SEVERABILITY.** Should any portion of this MOU be illegal or unenforceable as determined by a court of law, the remainder of the MOU shall continue

in full force and effect, and either party may renegotiate the terms affected by the severance.

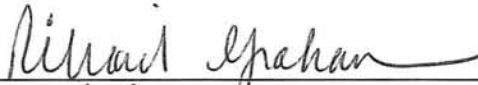
**G. THIRD PARTY BENEFICIARY RIGHTS.** The parties do not intend to create in any other individual or entity the status of a third party beneficiary, and this MOU shall not be construed so as to create such status. The rights, duties and obligations contained in this MOU shall operate only between the parties to this MOU, and shall inure solely to the benefit of the parties to this MOU. The provisions of this MOU are intended only to assist the parties in determining and performing their obligations under this MOU. The parties to this MOU intend and expressly agree that only parties signatory to this MOU shall have any legal or equitable right to seek to enforce this MOU, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this MOU, or to bring an action for the breach of this MOU.

**5. REPRESENTATION REGARDING ETHICAL STANDARDS FOR CITY OFFICERS AND EMPLOYEES AND FORMER CITY OFFICERS AND EMPLOYEES.** The Foundation represents that it has not: (1) provided an illegal gift or payoff to a City officer or employee or former City officer or employee, or his or her relative or business entity; (2) retained any person to solicit or secure this contract upon an agreement or understanding for a commission, percentage, or brokerage or contingent fee, other than bona fide employees or bona fide commercial selling agencies for the purpose of securing business; (3) knowingly breached any of the ethical standards set forth in the City's conflict of interest ordinance, Chapter 2.44, Salt Lake City Code; or (4) knowingly influenced, and hereby promises that it will not knowingly influence, a City officer or employee or former City officer or employee to breach any of the ethical standards set forth in the City's conflict of interest ordinance, Chapter 2.44 Salt Lake City Code.

**6. GOVERNMENT RECORDS ACCESS AND MANAGEMENT ACT (GRAMA):** The Parties understand that the City is subject to the provisions of the Utah Government Records Access and Management Act and is bound by its provisions.

IN WITNESS WHEREOF, having been duly authorized, the Parties have executed this Agreement on the dates set forth below.


SALT LAKE CITY CORPORATION

By:   
Name: Richard Graham  
Title: Director

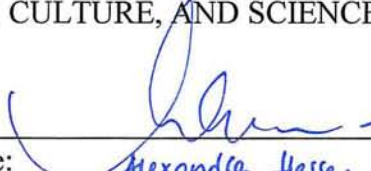
ATTEST:

\_\_\_\_\_  
CITY RECORDER

Approved as to Form  
Salt Lake City Attorney's Office

  
Senior City Attorney  
Date: 3-31-09

THE LIBRARY SQUARE FOUNDATION FOR  
ART, CULTURE, AND SCIENCE

By:   
Name: Alexandra Hesse  
Title: Associate Director, The Leonardo

**\$10,200,000**  
**SALT LAKE CITY, UTAH**  
**General Obligation Bonds**  
**Series 2009B**  
**(The Leonardo Project)**

**TIMETABLE of EVENTS\***  
(March 11, 2009)

<b>Date/Time</b>	<b>Event</b>	<b>Responsibility</b>
February 26 (Thurs)	Conference Call with Tony Rosso	All Hands
February 27 (Fri)	Structure of bond issue determined	
March 13 (Fri)	Bond Counsel transmits Public Hearing Resolution electronically to City Treasurer	BC
March 18 (Wed)	Bond Counsel transmits first draft of Preliminary Official Statement to Financing Team	BC
March 31 (Tues)	Due Diligence Meeting to review Preliminary Official Statement and Official Notice of Sale and Bid Form	All Hands
April 3 (Fri)	Financing Documents transmitted to Rating Agencies	FA
April 7 (Tues)	City Council briefed on proposed bond issue; Adopt Public Hearing Resolution; authorizing the publication of "Notice of Public Hearing" to be published and set May 5, 2009 as date of said hearing. [Council to adopt Doug Short hearing resolution?]	BC
April 8 (Wed)	Send "Notice of Public Hearing" to <i>Deseret News</i> and <i>The Salt Lake Tribune</i>	BC
April 12 (Sun)	First Publication of "Notice of Public Hearing" in <i>Deseret News</i> and <i>The Salt Lake Tribune</i>	BC
Week of April 13	Discussions with Rating Agencies	CT, CO, FA
April 19 (Sun)	Second Publication of "Notice of Public Hearing" in <i>The Salt Lake Tribune</i> and <i>Deseret News</i>	BC

April 19 (Sun)	Publication of the Doug Short Notice in <i>The Salt Lake Tribune</i> and <i>Deseret News</i>																															
April 28 (Tues)	Bond Counsel transmits Bond Resolution and Bond Purchase Contract electronically to City Treasurer	BC																														
April 30 (Thurs)	Ratings Received																															
May 4 (Mon)	Preliminary Official Statement Posted	P																														
May 5 (Tues)	City Council Conducts Public Hearing and Doug Short Hearing	CC																														
May 5 (Tues)	Short-form Official Notice of Sale published in The Bond Buyer	BB																														
May 19 (Tues)	Competitive Sale of the Bonds	FA, CT																														
May 19 (Tues)	Regular Meeting (7:00 p.m.): Salt Lake City Council approves Bond Resolution, signs Bond Purchase Contract	BC, CC, CT, FA																														
May 21 (Thurs)	Final Official Statement transmitted to Printer	BC																														
May 22 (Fri)	Final Official Statement transmitted to investors	UW, P																														
May 27 (Wed)	Bond Counsel distributes Closing Documents	BC																														
May 27 (Wed)	Financial Advisor distributes Closing Memo	FA																														
	Mayor signs closing documents. ____ p.m., Mayor's office	Mayor Becker																														
June 4 (Thurs)	Closing, 9:00 a.m. at the offices of Chapman and Cutler	All Hands																														
<p><b>Legend:</b></p> <table> <thead> <tr> <th><u>Acronym</u></th> <th><u>Name</u></th> <th><u>Role</u></th> </tr> </thead> <tbody> <tr> <td>BB</td> <td>The Bond Buyer</td> <td>Advertiser</td> </tr> <tr> <td>BC</td> <td>Chapman and Cutler LLP</td> <td>Bond Counsel</td> </tr> <tr> <td>CA</td> <td>Hansen, Barnett &amp; Maxwell</td> <td>City Auditor</td> </tr> <tr> <td>CC</td> <td>Salt Lake City Council</td> <td>City Council</td> </tr> <tr> <td>CO</td> <td>Salt Lake City Officials</td> <td>City Staff</td> </tr> <tr> <td>CT</td> <td>Salt Lake City Treasurer</td> <td>City Treasurer</td> </tr> <tr> <td>FA</td> <td>Wells Fargo Brokerage Services, LLC</td> <td>Financial Advisor</td> </tr> <tr> <td>P</td> <td>Rose Printing</td> <td>Printer</td> </tr> <tr> <td>UW</td> <td>TBD</td> <td>Underwriter</td> </tr> </tbody> </table>			<u>Acronym</u>	<u>Name</u>	<u>Role</u>	BB	The Bond Buyer	Advertiser	BC	Chapman and Cutler LLP	Bond Counsel	CA	Hansen, Barnett & Maxwell	City Auditor	CC	Salt Lake City Council	City Council	CO	Salt Lake City Officials	City Staff	CT	Salt Lake City Treasurer	City Treasurer	FA	Wells Fargo Brokerage Services, LLC	Financial Advisor	P	Rose Printing	Printer	UW	TBD	Underwriter
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\*Preliminary, subject to change

DANIEL A. MULE'  
CITY TREASURER

# SALT LAKE CITY CORPORATION

DEPARTMENT OF MANAGEMENT SERVICES  
TREASURER'S DIVISION

RALPH BECKER  
MAYOR

## CITY COUNCIL TRANSMITTAL

  
David Everitt, Chief of Staff



Date Received: By Steven Berg  
Date sent to Council: 3/18/09 3/23/2009  
RL

**TO:** Salt Lake City Council  
Carlton Christensen, Chair

**DATE:** March 17, 2009

**FROM:** Lyn Creswell, Management Services Director



**SUBJECT:** General Obligation Bonds, Series 2009B, Notice of Public Hearing for The Leonardo at Library Square (the "Leonardo Project")

**STAFF CONTACT:** Daniel A. Mulé, City Treasurer (535-6411)



**DOCUMENT TYPE:** Briefing/Resolution

**RECOMMENDATION:** That the City Council adopt a Public Hearing Resolution on April 7, 2009 for the above-mentioned bond issue that will: a) authorize the publication of a *Notice of Public Hearing* to be published twice prior to the date set for the public hearing; and b) set May 5, 2009 as the date to hold the public hearing.

**BUDGET IMPACT:** None. A property tax levy resulting from the issuance of voter-authorized general obligation bonds for the Leonardo Project will generate sufficient property tax revenue to cover debt service costs for the period over which the bonds are outstanding.

**BACKGROUND/DISCUSSION:** A Special Bond Election was held on November 4, 2003. Voters within Salt Lake City passed Proposition Number 2 authorizing the City to issue and sell general obligation bonds in an amount not to exceed \$10.2 million for the purpose of paying the costs of renovating, improving and preserving the old main library building to establish a science, culture and art education center known as The Leonardo at Library Square. The City covenanted in a Special Bond Election Resolution adopted by the City Council on September 9, 2003 that "any bonds authorized pursuant to City Proposition Number 2 (The Leonardo at Library Square) shall only be issued if money or pledges satisfactory to the City have been received for the facilities described in City Proposition Number 2 in an aggregate amount at least equal to the principal amount of such bonds to be issued." The Administration has confirmed that the required matching

LOCATION: 451 SOUTH STATE STREET, ROOM 228, SALT LAKE CITY, UTAH 84111

MAILING ADDRESS: P.O. BOX 145462, SALT LAKE CITY, UTAH 84114-5462

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funds have been raised. These matching funds can only be used for exhibits, not construction.

A Parameters Resolution was adopted by the City Council on April 18, 2006 for both The Leonardo and Open Space Projects. That Resolution contemplated bonds being issued at a rate or rates not to exceed 8%.

In accordance with provisions of the Local Government Bonding Act, the City is required to hold a public hearing to receive input from the public with respect to: a) the issuance of our general obligation bonds; and b) the potential economic impact that the Project will have on the private sector. The financing team is requesting that the City Council approve a motion on April 7, 2009 setting Tuesday, May 5, 2009 as the date to hold the public hearing. A *Notice of Public Hearing* (the "Notice") is required to be published once a week for two consecutive weeks, with the first publication being at least 14 days prior to the date set for the public hearing. The current plan is for the *Notice of Public Hearing* to be published on April 12, 2009 and April 19, 2009. The Resolution and Notice are attached for your review.

Included are schedules provided by the City's Financial Advisor, Wells Fargo Public Finance. Attachment "A" reflects the estimated annual debt service of approximately \$772,000 per year for 20 years and is based on the current interest rate environment. Attachments "B" and "C" reflect the estimated impact from the required property tax levy on residential and commercial properties respectively.

Attachments

cc: Gina Chamness, Kay Christensen, Boyd Ferguson, Rick Graham, Gordon Hoskins, Susi Kontgis, Marina Scott

RESOLUTION NO. \_\_\_\_ OF 2009

**CONSIDERATION OF A RESOLUTION PROVIDING FOR THE  
HOLDING OF A PUBLIC HEARING RELATIVE TO THE CITY'S  
GENERAL OBLIGATION BONDS FOR THE LEONARDO AT LIBRARY  
SQUARE AND PROVIDING FOR RELATED MATTERS.**

\*\*\*                      \*\*\*                      \*\*\*

WHEREAS, at the special bond election duly and lawfully called and held in Salt Lake City, Salt Lake County, Utah (the "*City*"), on November 4, 2003 (the "*Bond Election*"), the issuance of \$10,200,000 principal amount of general obligation bonds (the "*Bonds*") was authorized for the purpose of paying the costs of renovating, improving and preserving the old main library building and providing related facilities located at approximately 5th South Street and 2nd East Street to establish a science, culture and art education center currently known as The Leonardo at Library Square (the "*Leonardo Project*");

WHEREAS, the Issuer has not heretofore issued any of the Bonds voted at the Bond Election;

WHEREAS, the City Council (the "*Council*") of the City considers it desirable and necessary and for the benefit of the City to issue up to \$10,200,000 of the Bonds, in one or more series, for the purpose of (a) financing all or a portion of the cost of the renovation, improvement and preservation of the Leonardo Project and (b) paying the costs incurred in connection with the issuance and sale of the Bonds;

WHEREAS, pursuant to the provisions of the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "*Act*"), and the authorization of the Bond Election, the City has the authority to issue the Bonds for the foregoing purposes;

WHEREAS, Section 11-14-318 of the Act requires that a public hearing be held to receive input from the public with respect to the issuance of the Bonds and the potential economic



impact that the Leonardo Project will have on the private sector and that notice of such public hearing be given as provided by law and, in satisfaction of such requirement, the City desires to publish a Notice of Public Hearing and Intent to Issue Bonds (the "*Notice of Public Hearing*") pursuant to such Section; and

WHEREAS, the City desires to provide for the holding of a public hearing, as required by law;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Salt Lake County, Utah, as follows:

*Section 1. Findings and Determinations.* The Council hereby finds, determines and declares that the financing of the Leonardo Project is in the public interest and is in the best interest of the City and the businesses, residents and consumers within the City.

*Section 2. Public Hearing.* In satisfaction of the requirements of Section 11-14-318 of the Act, a public hearing shall be held by the Council on Tuesday, May 5, 2009, during the regular Council meeting which begins at 7:00 p.m., at the regular meeting place of the Council in the Council Chambers, Room 315 in the City and County Building, 451 South State Street, in Salt Lake City, Utah, to receive input from the public with respect to the issuance by the City of the Bonds and the potential economic impact that the Leonardo Project will have on the private sector.

*Section 3. Publication of Notice of Public Hearing.* The City Recorder or any Deputy City Recorder (the "*City Recorder*") shall publish or cause to be published the Notice of Public Hearing in *The Salt Lake Tribune* and the *Deseret News*, newspapers having general circulation in Salt Lake City, Utah, and in which notices relative to the City are customarily published. Such notice shall be published once a week for two consecutive weeks, with the first

publication being at least 14 days prior to the date set for the public hearing. The Notice of Public Hearing shall be in substantially the form attached hereto as *Annex 1*.

*Section 4. City Recorder to Perform Certain Acts.* The City Recorder is hereby directed to maintain a certified copy of this Resolution on file in office of the City Recorder during regular business hours for inspection by registered voters of the City, and other interested persons.

*Section 5. Severability.* It is hereby declared that all parts of this Resolution are severable, and if any section, paragraph, clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect the remaining sections, paragraphs, clauses or provisions of this Resolution.

*Section 6. Repealer.* All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

*Section 7. Effective Immediately.* This Resolution shall take effect immediately upon its adoption.

*(Signature page follows.)*

ADOPTED by the City Council and APPROVED by the Mayor of Salt Lake City, Salt Lake County, Utah, this 7th day of April, 2009.

SALT LAKE CITY, SALT LAKE COUNTY, UTAH

By \_\_\_\_\_  
Chair

[SEAL]

ATTEST:

By \_\_\_\_\_  
Deputy City Recorder

APPROVED:

By \_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

By \_\_\_\_\_  
Senior City Attorney

## ANNEX 1

### SALT LAKE CITY, UTAH NOTICE OF PUBLIC HEARING AND INTENT TO ISSUE BONDS

PUBLIC NOTICE IS HEREBY GIVEN that on April 7, 2009, the City Council (the "Council") of Salt Lake City, Utah (the "City"), adopted a resolution (the "Resolution") calling a public hearing to receive input from the public with respect to the issuance of its general obligation bonds (the "Bonds") to finance all or a portion of the cost of renovating, improving and preserving the old main library building and providing related facilities located at approximately 5th South Street and 2nd East Street to establish a science, culture and art education center currently known as The Leonardo at Library Square (the "Leonardo Project") and the potential economic impact that the Leonardo Project will have on the private sector, pursuant to the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "Act").

#### PURPOSE FOR ISSUING BONDS

The City intends to issue the Bonds for the purpose of (1) financing all or a portion of the costs of renovating, improving and preserving the Leonardo Project and (2) paying the costs incurred in connection with the issuance and sale of the Bonds.

#### MAXIMUM PRINCIPAL AMOUNT OF THE BONDS

The City intends to issue the Bonds in an aggregate principal amount not exceeding Ten Million Two Hundred Thousand Dollars (\$10,200,000), as authorized at a special bond election duly and lawfully called and held in the City on November 4, 2003.

#### THE TAXES, IF ANY, PROPOSED TO BE PLEDGED

The City proposes to pledge the full faith and credit of the City for the payment of the Bonds and may be obligated to levy and collect ad valorem taxes without limitation as to rate or amount in order to pay the Bonds, as provided by law.

#### TIME, PLACE AND LOCATION OF PUBLIC HEARING

The City will hold a public hearing during its City Council meeting that begins at 7:00 p.m. on May 5, 2009. The public hearing will be held at the regular meeting place of the Council in the Council Chambers, Room 315 in the City and County Building, 451 South State Street, in Salt Lake City, Utah. All members of the public are invited to attend and participate in the public hearing. Written comments may be submitted to the City, to the attention of the City Recorder, prior to the public hearing.

PURPOSE FOR HEARING

The purpose of the hearing is to receive input from the public with respect to the issuance of the Bonds and the potential economic impact that the Leonardo Project will have on the private sector.

SALT LAKE CITY, UTAH

By \_\_\_\_\_  
Deputy City Recorder

# \$10,200,000

Salt Lake City, Utah  
General Obligation Bonds  
Series 2009B (The Leonardo Project)

ATTACHMENT "A"

## Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/11/2009	-	-	-	-	-
12/15/2009	-	-	200,327.19	200,327.19	-
06/15/2010	375,000.00	1.270%	195,972.25	570,972.25	-
06/30/2010	-	-	-	-	771,299.44
12/15/2010	-	-	193,591.00	193,591.00	-
06/15/2011	385,000.00	1.700%	193,591.00	578,591.00	-
06/30/2011	-	-	-	-	772,182.00
12/15/2011	-	-	190,318.50	190,318.50	-
06/15/2012	395,000.00	2.010%	190,318.50	585,318.50	-
06/30/2012	-	-	-	-	775,637.00
12/15/2012	-	-	186,348.75	186,348.75	-
06/15/2013	400,000.00	2.310%	186,348.75	586,348.75	-
06/30/2013	-	-	-	-	772,697.50
12/15/2013	-	-	181,728.75	181,728.75	-
06/15/2014	410,000.00	2.470%	181,728.75	591,728.75	-
06/30/2014	-	-	-	-	773,457.50
12/15/2014	-	-	176,665.25	176,665.25	-
06/15/2015	420,000.00	2.770%	176,665.25	596,665.25	-
06/30/2015	-	-	-	-	773,330.50
12/15/2015	-	-	170,848.25	170,848.25	-
06/15/2016	430,000.00	2.970%	170,848.25	600,848.25	-
06/30/2016	-	-	-	-	771,696.50
12/15/2016	-	-	164,462.75	164,462.75	-
06/15/2017	445,000.00	3.220%	164,462.75	609,462.75	-
06/30/2017	-	-	-	-	773,925.50
12/15/2017	-	-	157,298.25	157,298.25	-
06/15/2018	460,000.00	3.430%	157,298.25	617,298.25	-
06/30/2018	-	-	-	-	774,596.50
12/15/2018	-	-	149,409.25	149,409.25	-
06/15/2019	475,000.00	3.630%	149,409.25	624,409.25	-
06/30/2019	-	-	-	-	773,818.50
12/15/2019	-	-	140,788.00	140,788.00	-
06/15/2020	490,000.00	4.000%	140,788.00	630,788.00	-
06/30/2020	-	-	-	-	771,576.00
12/15/2020	-	-	130,988.00	130,988.00	-
06/15/2021	510,000.00	4.220%	130,988.00	640,988.00	-
06/30/2021	-	-	-	-	771,976.00
12/15/2021	-	-	120,227.00	120,227.00	-
06/15/2022	530,000.00	4.340%	120,227.00	650,227.00	-
06/30/2022	-	-	-	-	770,454.00
12/15/2022	-	-	108,726.00	108,726.00	-
06/15/2023	555,000.00	4.520%	108,726.00	663,726.00	-
06/30/2023	-	-	-	-	772,452.00
12/15/2023	-	-	96,183.00	96,183.00	-
06/15/2024	580,000.00	4.610%	96,183.00	676,183.00	-

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# \$10,200,000

Salt Lake City, Utah  
General Obligation Bonds  
Series 2009B (The Leonardo Project)

## Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/30/2024	-	-	-	-	772,366.00
12/15/2024	-	-	82,814.00	82,814.00	-
06/15/2025	605,000.00	4.770%	82,814.00	687,814.00	-
06/30/2025	-	-	-	-	770,628.00
12/15/2025	-	-	68,384.75	68,384.75	-
06/15/2026	635,000.00	4.900%	68,384.75	703,384.75	-
06/30/2026	-	-	-	-	771,769.50
12/15/2026	-	-	52,827.25	52,827.25	-
06/15/2027	665,000.00	4.990%	52,827.25	717,827.25	-
06/30/2027	-	-	-	-	770,654.50
12/15/2027	-	-	36,235.50	36,235.50	-
06/15/2028	700,000.00	5.040%	36,235.50	736,235.50	-
06/30/2028	-	-	-	-	772,471.00
12/15/2028	-	-	18,595.50	18,595.50	-
06/15/2029	735,000.00	5.060%	18,595.50	753,595.50	-
06/30/2029	-	-	-	-	772,191.00
<b>Total</b>	<b>\$10,200,000.00</b>	<b>-</b>	<b>\$5,249,178.94</b>	<b>\$15,449,178.94</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$119,388.33
Average Life	11.705 Years
Average Coupon	4.3967269%
Net Interest Cost (NIC)	4.4479882%
True Interest Cost (TIC)	4.3917197%
Bond Yield for Arbitrage Purposes	4.3233112%
All Inclusive Cost (AIC)	4.4847818%

### IRS Form 8038

Net Interest Cost	4.3967269%
Weighted Average Maturity	11.705 Years

**Salt Lake City, Utah**  
**Estimated Impact of Annual Debt Service**  
**Residential Properties**  
**Existing and Proposed Bonds**

	Debt Service Payment FYE 6/30/10	Estimated Tax Levy (a)	Taxable Value (b) for Home of \$150,000	Estimated Annual Tax	Taxable Value (b) for Home of \$250,000	Estimated Annual Tax	Taxable Value (b) for Home of \$350,000	Estimated Annual Tax	Taxable Value (b) for Home of \$500,000	Estimated Annual Tax
<b>Existing Bonds:</b>										
Series 1999 (Library)	4,113,187.50	0.0002313	82,500	19.08	137,500	31.80	192,500	44.53	275,000	63.61
Series 2002 (Refund portion of Series 1999)	2,739,568.76	0.0001541	82,500	12.71	137,500	21.19	192,500	29.66	275,000	42.38
Series 2004A (Hogle Zoo & Tracy Aviary)	865,287.50	0.0000487	82,500	4.02	137,500	6.70	192,500	9.37	275,000	13.39
Total Existing Impact:				<u>35.81</u>		<u>59.69</u>		<u>83.56</u>		<u>119.38</u>
<b>Proposed Bonds (c):</b>										
\$10.2 Million The Leonardo Project	771,299.44	0.0000434	82,500	3.58	137,500	5.97	192,500	8.35	275,000	11.94
Total Proposed Impact:				<u>3.58</u>		<u>5.97</u>		<u>8.35</u>		<u>11.94</u>
Total Existing and Proposed Impact:				<u>39.39</u>		<u>65.66</u>		<u>91.91</u>		<u>131.32</u>

(a) Taxable Value provided by Salt Lake City. This amount is net of Redevelopment Agency Value.

Base Tax amount for 2007 equals \$17,779,861,880

(b) All residential homes receive a 45% exemption.

(c) Assumes the bonds would be issued in 2010 at today's rates.

FOR DISCUSSION PURPOSES ONLY

Wells Fargo Brokerage Services, LLC  
Public Finance

File = Impact Existing and Proposed \$10.2MM 3-16-09  
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**Salt Lake City, Utah**  
**Estimated Impact of Annual Debt Service**  
**Commercial Properties**  
**Existing and Proposed Bonds**

	Debt Service Payment FYE 6/30/10	Estimated Tax Levy (a)	Commercial Property \$350,000	Estimated Annual Tax	Commercial Property \$500,000	Estimated Annual Tax	Commercial Property \$1,000,000	Estimated Annual Tax
<b>Existing Bonds:</b>								
Series 1999 (Library)	4,113,187.50	0.0002313	350,000	80.96	500,000	115.65	1,000,000	231.30
Series 2002 (Refund portion of Series 1999)	2,739,568.76	0.0001541	350,000	53.94	500,000	77.05	1,000,000	154.10
Series 2004A (Hogle Zoo & Tracy Aviary)	865,287.50	0.0000487	350,000	17.05	500,000	24.35	1,000,000	48.70
Total Existing Impact:				<b>151.95</b>		<b>217.05</b>		<b>434.10</b>
<b>Proposed Bonds (c):</b>								
\$10.2 Million The Leonardo Project	771,299.44	0.0000434	350,000	15.19	500,000	21.70	1,000,000	43.40
Total Proposed Impact:				<b>15.19</b>		<b>21.70</b>		<b>43.40</b>
Total Existing and Proposed Impact:				<b>167.14</b>		<b>238.75</b>		<b>477.50</b>

(a) Taxable Value provided by Salt Lake City. This amount is net of Redevelopment Agency Value.  
Base Tax amount for 2007 equals \$17,779,861,880

(b) All residential homes receive a 45% exemption.

(c) Assumes the bonds would be issued in 2010 at today's rates.

FOR DISCUSSION PURPOSES ONLY

Wells Fargo Brokerage Services, LLC  
Public Finance

File = Impact Existing and Proposed \$10.2MM 3-16-09  
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