

**INTERLOCAL AGREEMENT  
GALLATIN COUNTY – BOZEMAN SCHOOL DISTRICT #7 - CITY OF BOZEMAN  
BOZEMAN DOWNTOWN TAX INCREMENT FINANCE DISTRICT**

**Interlocal Agreement for the Disbursement of Downtown Tax  
Increment Funds Pursuant to City of Bozeman Ordinances 1409 and 1628 and  
Commission Resolution No. 3718**

THIS AGREEMENT is made and entered into this 2<sup>nd</sup> day of May, 2011, between **Gallatin County, Bozeman School District #7, and the City of Bozeman**, all being political subdivisions of the state of Montana, with principal offices at 311 West Main Street, Bozeman, Montana, 59715 (hereinafter referred to as the "County"), and 404 W. Main Street, Bozeman Montana, 59715 (hereinafter referred to as the "School District"), and 121 N. Rouse Ave, Bozeman, Montana, 59715 (hereinafter referred to as the "City.")

WHEREAS, between 1996 and 2008, \$3,382,219 of tax increment funding has been invested in urban renewal projects located in the Downtown Tax Increment Finance District valued in excess of \$32 Million. Tax increment funds committed to urban renewal projects significantly raise the tax base of the Downtown Tax Increment Finance District and in turn increase tax revenues for the County, School District and City.

WHEREAS, § 7-15-4201, MCA, *et seq.*, tax increment funds are one of the primary tools by which Bozeman's historic and urban core is maintained and improved. Recognizing the urban renewal, property value, and tax base benefits of tax increment districts, the County, School District, and City seek to retain the option to pledge their portion of their tax increment funds to remain with the Downtown Tax Increment Finance District to be used for continued urban renewal, and

WHEREAS, City of Bozeman Commission Ordinance No. 1628 provides for the Downtown Tax Increment Finance District, after the 15<sup>th</sup> year of payments or after the annual tax increment reaches an inflation adjusted \$750,000, whichever occurs first, shall return to the taxing bodies payments that would normally accrue to those bodies with the exception of tax increment dollars pledged to the payment of principal and interest on outstanding tax increment bonds, and

WHEREAS, in the 14<sup>th</sup> year of payments, the inflation adjusted cap was reached. The inflation adjusted cap was equal to \$1,059,103, and the increment value was \$1,158,917.

WHEREAS, § 7-15-4292, MCA, allows tax increment financing to continue until payment in full or discharge of all bonds for which the tax increment has been pledged and the interest on the bonds, and

WHEREAS, the tax increment funds will always, first and foremost, be committed to make scheduled payments on the outstanding City of Bozeman Downtown Tax Increment Urban Renewal Revenue Bonds, Series 2007, and

WHEREAS, said Ordinance requires the return of payments to be accomplished through an interlocal agreement between the City, County and School District, and

WHEREAS, the County, School District, and City have the authority to enter into this agreement pursuant to §§ 7-11-101 through 7-11-108, MCA.

NOW, THEREFORE, the County, School District, and City agree as follows:

1. **PURPOSE OF INTERLOCAL AGREEMENT.** The purpose of this Interlocal Agreement is to establish the terms under which annual Downtown Tax Increment Finance District monies in excess of those needed to pay principal and interest payments on outstanding bonds (hereinafter referred to as the “Remaining Funds”) will be disbursed pursuant to City of Bozeman Commission Ordinance No. 1628. Remaining Funds will be returned to the County, School District, and City on an annual basis as set forth here within, unless otherwise pledged to remain as tax increment funds to be used for urban renewal purposes within the Downtown Tax Increment Finance District pursuant to Title 7, Chpt. 15, Parts 42 and 43, MCA.

This agreement shall be based upon the annual Certified Taxable Value of the Downtown Tax Increment Finance District, as made by the Montana Department of Revenue. The County, School District, and City shall each be responsible for annually budgeting to receive and spend monies, as required by law.

2. **PLEDGE OF REMAINING FUNDS/FUTURE AGREEMENTS FOR USE.** The County, School District, and City may pledge any of their share of the Remaining Funds back to the Downtown Tax Increment Finance District and if so, the pledging party’s Remaining Funds may be used by the Downtown Tax Increment Finance District for any of purpose authorized pursuant to Title 7, Chpt. 15, Parts 42 and 43, MCA. Notwithstanding the above, the County, School District, and City may pledge to the Downtown Tax Increment Finance District any portion of their Remaining Funds for any specific purpose such as, but not limited to, a specific infrastructure improvement or development proposal.

Regardless of the County or School District actions, the City of Bozeman hereby pledges its remaining funds to the City of Bozeman – Downtown Tax Increment Finance District.

3. **DISBURSEMENT OF FUNDS.** Beginning with the Fiscal Year 2012 Increment Payment, the City of Bozeman will disburse Downtown Tax Increment Finance District Remaining Funds according to the following formula by June 15<sup>th</sup> each year, unless pledged to remain with the Downtown Tax Increment Finance District or pledged pursuant to a signed agreement for a specific infrastructure improvement or development proposal (under section2, above):

- a. To the City of Bozeman Downtown TIF – Debt Service, amounts:

Date	Tax Year		To the City of Bozeman For Debt Service Payment
November 2011	2010	\$	423,087.50
November 2012	2011	\$	421,687.50
November 2013	2012	\$	425,087.50
November 2014	2013	\$	423,087.50
November 2015	2014	\$	425,887.50
November 2016	2015	\$	423,287.50
November 2017	2016	\$	425,487.50
November 2018	2017	\$	422,287.50
November 2019	2018	\$	423,572.50
November 2020	2019	\$	424,222.50
November 2021	2020	\$	424,102.50
November 2022	2021 <sup>2 of 6</sup>	\$	423,302.50
November 2023	2022	\$	421,802.50

November	2025	2024	\$	426,382.50
November	2026	2025	\$	422,027.50
November	2027	2026	\$	422,177.50
November	2028	2027	\$	421,585.00
November	2029	2028	\$	425,250.00
November	2030	2029	\$	422,750.00
November	2031	2030	\$	424,500.00
November	2032	2031	\$	425,250.00

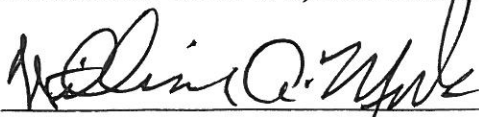
b. Remaining Funds are allocated based on pro-rated mill levy shares, where:

County Mill Levy
+ City Mill Levy
+ <u>School District Mill Levy</u>
Total Mills for Distribution

1. To School District #7 Building Fund:  
Remaining Dollars \* (School District Mill Levy/Total Mills)
2. To Gallatin County:  
Remaining Dollars \* (County Mill Levy/Total Mills)
3. To City of Bozeman - Downtown Tax Increment Finance District:  
Remaining Dollars \* (City Mill Levy/Total Mills)
4. **DURATION & TERMINATION.** This Agreement shall terminate upon the payment or provision for payment in full or discharge of all bonds for which the tax increment has been pledged and the interest on the bonds, anticipated no later than December 2032 per the schedule in Section 3, above.
5. **SEPARATE LEGAL ENTITY/ADMINISTRATION.** There shall be no separate legal entity created as a consequence of this Agreement. Administration of this Agreement shall be the responsibility of the City of Bozeman.
6. **PROPERTY.** There shall be no sharing of property or equipment between the parties in the execution of this Agreement.
7. **LIAISON.** The County designates the Finance Officer (phone no. 582-3002) as liaison, or any other person the liaison appoints. The City designates the City Manager (phone no. 582-2306) as liaison under this Agreement. The School District designates District Superintendent (phone no. 522-6001) as liaison under this Agreement.
8. **HOLD HARMESS AND INDEMNIFICATION.** The Parties shall indemnify and hold harmless each other party from and against any and all claims, demands, or actions for damages to property or injury or death to persons or other damage to persons or entities arising out of or resulting from the performance of this Agreement or the results of this Agreement, provided such damage to property or injury or death to person is due, in whole or in part, to the error, omission, or acts of the indemnifying party or any of its employees.

9. **NON-WAIVER.** Waiver by any party of strict performance or any provision of this Agreement shall not be a waiver of or prejudice the party's rights to require strict performance of the same provision in the future or of any other provisions.
10. **TIME OF ESSENCE.** It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Agreement.
11. **HEADINGS.** The section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Agreement.
12. **NOTICES.** All notices required under this Agreement shall be deemed properly served if delivered in writing, personally, or sent by certified or registered mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Gallatin County Commission, Finance Officer, 311 West Main, Bozeman, Montana 59715, and City of Bozeman City Manager, 121 N Rouse Ave., Bozeman, MT 59771, and School District #7 Superintendent, 404 W. Main, Bozeman MT 59715. The date of mailing shall be deemed the date of such notice and service thereof.
13. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties. No alterations, modifications, or additions to this Agreement shall be binding unless reduced to writing and signed by the parties to be charged herewith. No covenant, term or addition to this Agreement shall be deemed waived by either party unless such waiver shall be reduced to writing and signed by the parties.
14. **AMENDMENTS.** The terms and conditions of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto. No oral modification shall be enforceable.
15. **SEVERABILITY.** The provisions of this Agreement shall be deemed independent and severable, and the invalidity, partial invalidity, or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision herein.
16. **EFFECTIVE DATE.** This Agreement shall be effective after approval by the respective governing bodies.
17. **RECORDATION.** This Agreement shall be filed with the Gallatin County Clerk and Recorder and Montana Secretary of State as required by § 7-11-107, MCA.

**BOARD OF COUNTY COMMISSIONERS  
GALLATIN COUNTY, MONTANA**

  
\_\_\_\_\_  
William A. Murdock, Chairman

DATE: 5/19/11

ATTEST:

Charlatte Mills  
Gallatin County Clerk and Recorder

DATE: 5/19/11

**CITY OF BOZEMAN COMMISSION  
BOZEMAN, MONTANA**

Jeff Krauss  
Jeff Krauss, Mayor

DATE: 5/2/11

ATTEST:

Stacy Ulmen  
Stacy Ulmen, City Clerk

DATE: 5/3/2011

Approved as to Form:

Greg Sullivan  
Greg Sullivan, City Attorney

DATE: 5/3/2011

**SCHOOL DISTRICT #7 BOARD OF TRUSTEES  
BOZEMAN, MONTANA**

Merise Flayman  
, Chairman

DATE: 5/9/11

ATTEST:

[Signature]

DATE: 5/9/11

