

GUIDELINES OF
THE CITY OF PITTSBURG, KANSAS, RELATING
TO THE ISSUANCE OF INDUSTRIAL REVENUE BONDS

The following guidelines of the City Commission regarding Industrial Revenue Bonds will be applied upon receipt of a request for the issuance of the bonds.

1. **PURPOSE OF INDUSTRIAL REVENUE BONDS**

The primary aim of Industrial Revenue Bond financing is to promote, stimulate, and develop the general economic welfare of the community. Consideration will be given to all applications where it appears that the applicant will create new jobs in the community, stimulate the local economy, or add to the diversification of the community's economy.

2. **AUTHORITY TO ISSUE INDUSTRIAL REVENUE BONDS**

The authority to approve the issuance of Industrial Revenue Bonds is the responsibility of the City Commission. The Commission's decision for approval or disapproval will be based on an analysis made by the City Staff, Bond Counsel, the Bond Underwriter, and a review of all the pertinent data relating to the request for bond issuance. If the Commission issues a Letter of Intent or an Inducement Resolution noting preliminary approval for the issue it shall state in the Letter or Resolution the conditions the issue is subject to, and for how long it is valid. The Letter of Intent or Inducement Resolution may be renewed, subject to the review of the project status, until the bonds are

issued. Both may be rescinded by action of the City Commission if the applicant fails to a) pursue the matter; b) provide the required information; c) misrepresents any information required by the application and related papers; or d) for any other reason; in which event the City shall incur no liability or obligation whatsoever to the applicant or any other individual or entity.

3. REVIEW OF AN APPLICATION FOR IRB ISSUANCE

No request for IRB's will be considered unless the applicant has completed and signed the Application Form, copies of which are available in the City Manager's Office, and attached the required supporting documentation. Each application shall be filed with the City Manager's Office.

Upon receipt of an application for Industrial Revenue Bonds, the City Manager and City Attorney shall review the application with all the supporting documents, including such additional information and material as may be requested by the City Manager or the City Commission (A copy of the Application Form to be used is attached hereto). The review will utilize the criteria as set forth in these Guidelines to assist with the City's analysis. Based on the review, the City Manager will forward his or her comments to the City Commission for consideration.

4. CRITERIA FOR THE ISSUANCE OF IRBS

The criteria for considering the feasibility of each application for Industrial Revenue Bonds may be divided into four

(4) classifications:

- a. The Financial Responsibility of the Respective Tenant.
- b. The Marketing of the Bonds.
- c. The Type of Tenant.
- d. The Nature of the Improvements to be Financed.

The four (4) classifications are more particularly defined as:

a. FINANCIAL RESPONSIBILITY

The prospective tenant shall be required to show substantial financial responsibility. The applicant will be asked to furnish as part of the application, an accounting audit of its past three (3) fiscal years operations prepared by a Certified Public Accountant, as well as tax returns for said years. Other items required for the evaluation shall be the number of years the applicant has been in business; financial statements and records; the amount of proposed equity the applicant will have in the project; the pledge of any other established businesses which might insure the financial success of the applicant; financial information relevant to the net worth of the personal guarantors as well as tax returns for the three (3) previous years of said personal guarantors; pro formas and other relevant financial information requested by the City Manager, City Attorney, Bond Counsel or the Bond Underwriter. Applicants must demonstrate financial soundness and in no event will issues be approved in which the applicant does not have a substantial equity interest in the proposed project. Industrial Revenue Bonds will not be used for risk capital. To insure soundness of the project and to

guarantee lease payments, the applicant, on the completion of the bond sale, may be required to furnish to the City, commercial insurance guaranteeing lease payments. In those instances where the applicant is a subsidiary of another company, the parent company will provide appropriate financial data and may be required to guarantee the lease payments. In those instances where the applicant is privately held, the City will require the principal owners to personally guarantee the lease payments.

b. MARKETING THE BONDS

Where IRB's are proposed to be marketed through negotiation with a Bond Underwriter, such underwriter shall be required to submit to the City an analysis of the current market conditions which indicate that the bonds are marketable. The analysis must state that the marketability is based upon the financial soundness of the firm and its ability to meet the debt and obligations incurred by the proposed bond issue, as well as whether or not a market exists for the bonds. If the bonds are to be placed without the services of a reputable underwriter, the applicant must submit substantial evidence that the bonds will be successfully placed as well as a description of the proposed purchaser(s).

c. TYPE OF TENANT

The nature of the applicant's business shall be such that its new facility or expansion will give measurable growth or diversification to the community's economic base. The issuance of Industrial Revenue Bonds shall be most highly considered for manufacturing, processing, warehousing, and service industries, as defined in the Standard Industrial Classification Manual.

d. NATURE OF IMPROVEMENTS TO BE FINANCED

IRB's shall generally be issued to finance the purchase of land, land improvements, and buildings. No Industrial Revenue Bonds will be issued where the nature of the project is primarily to refinance existing debt, except when a substantial expansion is planned in the refinancing of the debt. The inclusion of machinery and equipment costs will be approved when such assets have a life span equal to the term of the lease. Legal fees, trustee fees, service fees, and other administrative costs as well as capitalized interest and the cost of obtaining financing, such as underwriting fees, may be included as part of the bond issue if those fees are not excessive and their inclusion is based on sound financial management.

5. ORIGINATION AND ADMINISTRATIVE FEES TO CITY

The applicant agrees to pay the City on the date specified in the bond documents an origination fee of \$1,000.00 the first year of the issue and an administrative fee of \$500.00 per year for the remaining years of the lease period. The origination fee shall be used exclusively for economic development activities and not for payment of administrative costs and the administrative fees, if in excess of actual administrative costs, shall be deemed payments in lieu of taxes and distributed as provided by K.S.A. 12-1742 and amendments thereto. These fees will be in addition to any payment by applicant to reimburse the City for its out-of-pocket expenses associated with processing the application and issuing the bonds, including the fee billed by

the City for the costs, expenses, and time of the City's Attorney in reviewing and preparing documents as well as advising the City as a result of the application.

6. DOCUMENTS PREPARED BY AND FEE OF BOND ATTORNEY

All appropriate and necessary documents relating to the issuance of bonds will be prepared by the Bond Attorney chosen by the applicant. The applicant will pay all fees and expenses of said Bond Attorney.

7. NOTICE TO COUNTY AND SCHOOL DISTRICT(S)

Prior to the adoption of a Letter of Intent or Inducement Resolution which includes a statement of the City's Intent to grant a tax exemption to applicant, the City Clerk shall notify the board of county commissioners, the superintendent of the appropriate school district, and the clerk of any other taxing jurisdiction, excluding the State, which derives or could derive property taxes from the applicant, advising them of the scheduled City Commission meeting and inviting their review and comment. The applicant shall be invited, but not required, to attend said meeting

8. AD VALOREM TAXES.

Unless the applicant meets or exceeds the criteria set forth herein, neither the applicant nor the City shall file an application for exemption. In the event the property purchased or constructed with IRB proceeds shall nevertheless be held to be tax exempt pursuant to Kansas law, the applicant understands that

it will be required to make payments in lieu of taxes pursuant to K.S.A. 12-1742, and amendments thereto, in an amount equal to 100% of the ad valorem taxes which would have been payable except for the exemption, including any penalties and interest.

FURTHER, should the applicant not meet or exceed the criteria herein after a tax exemption has been granted, said City shall file appropriate papers with Crawford County and/or the State Board of Tax Appeals to revoke the exemption. And, in the event the tax exemption cannot be revoked due to provisions of Kansas Law, the applicant understands that it will then be required to make payments in lieu of taxes in an amount equal to 100% of the ad valorem taxes which would have been payable except for the exemption, including any penalties and interest.

The City of Pittsburg will allow a property tax exemption when Industrial Revenue Bonds are used for financing an economic development project if the applicant meets or exceeds the following criteria for creation of new jobs or for capital investment:

If the expansion of an existing business or the opening of a new business in the City or its environs will create additional regular full-time jobs or add capital investment then a property tax exemption can be requested. The number of years of tax exemption available will be decided by (1) The number of new jobs created or (2) The amount of capital investment into the project which will expand the city's economic base, WHICHEVER gives the applicant the most years of exemption. Under no circumstances will the City exempt property taxes for more than 10 years.

SCHEDULE OF TAX EXEMPTION

<u>LEVELS</u>	<u>CAPITAL INVESTMENT</u>	<u>JOBS CREATED</u>	<u>EXEMPTION</u>
ONE	\$ 100,000 - \$ 200,000	or 5 - 20	1 - YEAR
TWO	201,000 - 400,000	or 21 - 40	2 - YEARS
THREE	401,000 - 600,000	or 41 - 60	3 - YEARS
FOUR	601,000 - 800,000	or 61 - 80	4 - YEARS
FIVE	801,000 - 1,000,000	or 81 - 100	5 - YEARS
SIX	1,000,000 - 2,000,000	or 101 - 150	6 - YEARS
SEVEN	2,000,001 - 3,000,000	or 151 - 200	7 - YEARS
EIGHT	3,000,001 - 5,000,000	or 201 - 250	8 - YEARS
NINE	5,000,001 - 7,000,000	or 251 - 300	9 - YEARS
TEN	7,000,001 - 9,000,000	or 301 - 450	10 - YEARS

a. DEFINITION OF REGULAR FULL-TIME EMPLOYEE

A regular full-time employee is defined as one whose position has been filled for at least ten consecutive months for 160 hours per month during the applicant's taxable year. Additional employees are those who exceed the base number of employees of the applicant, which base is computed by dividing by three (3) the sum of the number of regular full-time employees of the applicant, as defined above, during the three taxable years immediately preceding the filing of the IRB application.

If the applicant is a new business or has not been in operation for the full three (3) year period, then, the base shall be an annualized employment figure to be determined by the following computation:

Divide the sum of the total number of employees who have been employed for 160 hours on the last day of each calendar month of operation by the number of full calendar months the business has been in operation immediately preceding the filing of the application.

Assuming the business is eligible for a tax exemption and continues to comply with this criteria and other sections hereof, the term of the tax exemption will be for the number of years

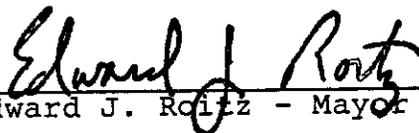
the term of the tax exemption will be for the number of years provided by either the capital investment or the jobs created column, WHICHEVER IS HIGHER.

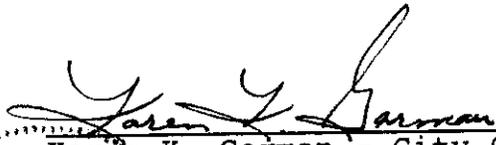
The applicant shall file a report on the annual anniversary date of the issuance of the Industrial Revenue Bonds certifying the number of regular full-time employees it has retained over the base. The applicant shall provide the City with all documentation necessary to confirm the employment figures. Failure to furnish such documentation may result in the revocation of the tax exemption and/or payments in lieu of taxes in an amount equal to 100% of the ad valorem taxes which would be payable except for the exemption.

9. CITY NOT BOUND BY GUIDELINES

This document is intended to be a set of general guidelines only. Any provisions herein may be waived or added to at the discretion of the City Commission.

ADOPTED BY THE GOVERNING BODY of the City of Pittsburg,
Kansas, on this 14th day of September, 1993.


Edward J. Roitz - Mayor


Karen K. Garman - City Clerk

