

AMERICAN FORK CITY  
COUNCIL MEETING MINUTES  
MARCH 19, 2015

**ATTACHMENT**

The American Fork City Council met in a Work Session and a Special Session on Thursday, March 19, 2015, in the American Fork City Offices, 51 East Main Street, commencing at 3:30 p.m. Those present included Mayor James H. Hadfield and Councilmembers Carlton Bowen, Brad Frost, Jeff Shorter, \*Rob Shelton, and \*\*Clark Taylor.

Staff present: Administrative Intern Brittany Erickson  
Associate Planner Wendelin Knobloch  
City Administrator Craig Whitehead  
City Attorney Kasey Wright  
City Planner Adam Olsen  
City Recorder Richard Colborn  
Finance Director Cathy Jensen  
Fire Chief Kriss Garcia  
Parks & Recreation Director Derric Rykert  
Police Chief Lance Call  
Public Relations/Economic Development Director Audra Sorensen  
Public Works Director Dale Goodman  
Technology Director George Schade

Also present: Preston Kirk and Adam Terry (Waffle Love food truck)

Mayor Hadfield reported that Councilman Taylor would be delayed in arrival as would Councilman Shelton.

WORK SESSION

*The purpose of City Work Sessions is to prepare the City Council for upcoming agenda items on future City Council Meetings. The Work Session is not an action item meeting. No one attending the meeting should rely on any discussion or any perceived consensus as action or authorization. These come only from the City Council Meeting.*

DISCUSSION OF A RESOLUTION OF THE CITY COUNCIL OF AMERICAN FORK CITY, UTAH AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN \$7,500,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015; AND RELATED MATTERS – Preston Kirk

Mayor Hadfield explained that these were Pressurized Irrigation Bonds from 2007 and 2008. He turned time to Preston Kirk from George K. Baum & Company.

Mr. Kirk noted that he was keenly aware that American Fork City wanted to get out of debt. He explained that there was a refunding opportunity which a handout explained. It is included in these minutes as an **ATTACHMENT**. He further explained that there were certain time periods in which the bonds were not callable. The 2007 Bonds were callable on the tenth year anniversary which would be May of 2017. They were about two years out. However they looked at that and noted that the Federal Reserve has said that they were not going to keep

interest rates depressed forever. Ultimately they were going to start raising interest rates. Interest rates were lower than they were in 2007 in 2008. The recommendation was to look at hedging one's bet rather than rolling the dice. If they went with the 2007 refunding it would be what they call in the industry a Bank Qualification Designation. If a municipality, state, town, or school district, issued \$10 million or less in bonds in a year then the interest rates bear a slightly lower interest rate. There were write-offs for some investors and as a result of refunding the 2007 bonds they were currently anticipating net of all costs of issuance and everything a realization of about \$42,000 a year or \$850,000 over the life of the bonds.

\*Councilman Shelton arrived at 3:37 p.m.

Mr. Kirk continued that they could look at refunding the 2008 bonds early next year or as soon as practical. He asked if there were any questions.

Councilman Bowen noted that refunding was not adding new debt. He wanted to make sure that in the Resolution that was clear.

Mr. Kirk responded that the purpose for the bond was provided for in the Resolution.

Mayor Hadfield stated that this was on the agenda for action on Tuesday night.

Councilman Bowen asked why they were going for the 2007 bond and not the larger 2008 bond.

Mr. Kirk explained that the City already had issued some refunding bonds. If they went over \$10 million in a year they would forgo that Bank Qualification Designation and interest rates would be a ¼ percent higher. The 2008 bonds had a call date in 2018. The escrow would be about three years in length and they would lose about 40 percent of the savings. There was some loss in a two year escrow but it was 20 or 25 percent.

Councilman Bowen asked for an explanation of the two-year escrow.

Mr. Kirk explained that the escrow would make those payments for the two years. The City would take out a new loan that would exactly match the payments on the bonds that were being refunded. It was an irrevocable escrow. Those obligations could be taken off the City's audited financial statements. It was a win-win situation.

Councilman Bowen asked if there was a risk in a couple of years with the rate they were locking in now.

Mr. Kirk answered that when the bonds were sold all of the risk disappeared. There would be some risk in the future on the 2008 bonds.

Mayor Hadfield noted that on the 2007 bonds the City was paying an interest rate 4¾ percent. It was anticipated that they would get something less than 3 percent.

Mr. Kirk noted that they were looking at about 2.80 percent, about a 2 percent reduction.

Councilman Bowen commented that the City was going to borrow from private investors around \$7 million at current interest rates. The obligation that was the City's was then transferred to escrow for payment at the call date.

Mr. Kirk added that the 2007 bonds would disappear off the City's financial sheets this current year. In his entire career he never saw an escrow not pay off.

Councilman Bowen thanked Mr. Kirk for the explanations.

Councilman Frost asked why there was a tax advantage to the investor.

Mr. Kirk answered that it was because of the Bank Qualification. This came about nearly 20 years ago where the Federal Government said they were going to cut smaller communities a break. George K. Baum would continue to monitor the bonds.

#### DISCUSSION OF A MOBILE FOOD BUSINESS ORDINANCE – Audra Sorensen

Audra Sorensen reported that they had been working on this for a while.

Mayor Hadfield asked where the sample ordinance came from.

Kasey Wright responded that it was mostly from Orem and Provo.

Mayor Hadfield noted the attendance of Adam Terry from Waffle Love. He asked him when sales tax was collected, where did it go?

Mr. Terry answered that it went to each individual community. It was handled through his software.

Councilman Bowen asked what the fee would be to start a mobile food business.

Ms. Sorensen explained that it would be the same amount as a normal business license, \$200.

Councilman Bowen asked if each truck would be a separate entity.

Mr. Terry responded that it could be. It was up to the business plan. His was not.

Councilman Bowen wanted to make sure that the startup fee was not too high as to be a hindrance.

Mr. Terry stated that they had to pay a business license in every City they operated in even though it might only be one day a week.

Mayor Hadfield commented that on the other hand a brick and mortar business paid property and utility taxes in the City. He thought it was a balancing act.

Mr. Terry thought that was a fair way to look at it.

Mayor Hadfield asked Mr. Terry if he had read the Ordinance and asked for his comments.

Mr. Terry had read the Ordinance. First, he said that it was 100 times better than what was existing in American Fork City. The only thing he would like to see different was where it required any and all persons working a truck needed to have a background check. A lot of his employees went to American Fork High School.

Mr. Wright thought that provision had been changed to only require a background check on the EIN. If it had not, he would make the change.

Mr. Terry specifically liked where the City specifically outlined where food trucks could park.

Mayor Hadfield noted that there were certain times that the City had celebrations where they were invited into the community.

Councilman Shelton noted that going into an existing joint use parking lot took up parking spaces. There needed to be some prior consent.

Mr. Terry commented that those issues were usually worked out prior to their arrival. If there was a problem they would not go back. They would not go where people did not want them.

Ms. Sorensen stated that the best win-win was to have the food trucks in a common area at the same time.

Councilman Bowen expressed that on private property in which there was overflow parking from the food trucks a sign could be posted.

Councilman Shelton stated that there were four other cities that had major issues with this and we should learn from their mistakes.

\*\*Councilman Taylor arrived at 3:57 p.m.

Mr. Terry would like to see a food truck night where the food trucks would come and park in the same area.

Councilman Taylor expressed that it was not just food trucks that were going to cause overflow parking.

Councilman Frost was concerned as to how this would work during Steel Days. It was the Steel Days Committee's proposal to have a special fee as a revenue source to help offset Steel Days expenditures. He recommended that the Steel Days Committee have the ability to call upon who they wanted. It would be an additional revenue source beyond the license. He was going to work on that between now and Tuesday night.

Mr. Terry commented that Spanish Fork had their Fiesta Days. If Steel Days could make it as concentrated as Spanish Fork Fiesta Days, it would really be worth it. Now, there were different venues scattered about.

Mayor Hadfield responded that Spanish Fork had the Utah County Fairgrounds for a venue.

Councilman Frost added that they were more worried about people having fun than about having a food truck.

Councilman Taylor expressed that they would only have a certain number of food trucks allowed at an event.

Mayor Hadfield felt they were okay for Steel Days at the High School as the Ordinance provided “when school was in session.”

Councilman Bowen suggested that they leave it as open as possible.

Mayor Hadfield stated that they would discuss this on Tuesday.

#### ADJOURNMENT TO A SPECIAL SESSION

The City Council adjourned the work session and entered into a special session at 4:14 p.m.

#### SPECIAL SESSION

#### APPROVAL OF THE CITY BILLS FOR PAYMENT AND PURCHASE REQUESTS OVER \$25,000 – *Cathy Jensen*

Mayor Hadfield explained that he was approached earlier by the leadership of the Arts Council, that being Dr. Callahan and Paul Washburn, who stated that they were meeting tonight and they were going to disband the Arts Council. When asked why, they responded that the City promised them money and it hadn't been forthcoming. Mayor Hadfield responded that they agreed in the 2015 budget that they would set so much money aside as a grant and they were waiting for their submission.

Dr. Callahan and Paul Washburn responded that they had submitted application a number of months ago.

Mayor Hadfield reported that the paperwork has now been resubmitted. He hoped to get them paid today.

Councilman Shorter asked if this was something that would be funded by the PARC Tax in the future.

Mayor Hadfield did not know.

Councilman Shelton anticipated that in the 2015-16 there would not be an Arts Council item.

Mayor Hadfield explained that the 501C3 Organization that was the umbrella for the American Fork Arts Council was the Timpanogos Foundation.

Councilman Frost thought they were on a precipice with the PARC Tax.

Councilman Taylor commented that one of the things that were to be a result of spinning off the Arts Council was that those programs that could not stand on their own would go away. He understood that it was not in the budget for next year. There were a lot of programs that hung on the edge perpetually.

Mayor Hadfield added that there were other philanthropic organizations that supported the Arts other than American Fork City.

**Councilman Shelton moved to approve the City bills for payment and purchase requests over \$25,000. Councilman Shorter seconded the motion.**

There was no discussion on the motion.

**The voting was as follows: Aye, Councilmembers Frost, Shelton, Shorter, and Taylor. Nay, Councilman Bowen. The motion carried.**

CONSIDERATION AND ACTION ON ENTERING INTO AN EXECUTIVE SESSION REGARDING NEGOTIATIONS – Mayor Hadfield

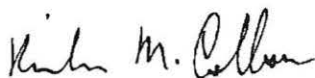
**Councilman Shelton moved to enter into an executive session at 4:20 p.m. to discuss negotiations. Councilman Shorter seconded the motion. All were in favor.**

The City Council entered into an executive session regarding negotiations at 4:22 p.m. Those in attendance included Mayor James H. Hadfield and Councilmembers Carlton Bowen, Brad Frost, Rob Shelton, Jeff Shorter, and Clark Taylor. Others present included City Attorney Kasey Wright, City Administrator Craig Whitehead, Police Chief Lance Call, and City Recorder Richard Colborn. Negotiations were discussed. The meeting was audio tape recorded as required by statute. The executive session ended at 4:43 p.m.

**Councilman Shorter moved to return to special session at 4:43 p.m. Councilman Taylor seconded the motion. All were in favor.**

ADJOURNMENT

**Councilman Shorter moved adjournment at 4:43 p.m. Councilman Bowen seconded the motion. All were in favor.**



Richard M. Colborn  
City Recorder

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Presentation to the  
**American Fork City**

March 19, 2015

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**George K. Baum & Company**

INVESTMENT BANKERS SINCE 1928

# Section 1

## Refunding Opportunity

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Refunding Opportunity



**George K. Baum & Company**

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# Refunding Opportunity

## BACKGROUND

As financial advisor to American Fork City, George K. Baum & Company (GKB) monitors the market and provides the City with regular updates on refunding opportunities.

In 2013 and 2014, the City refinanced two of the outstanding general obligation bonds to lower interest rates resulting in net present value savings (NPV) of \$329,678. In January 2015, American Fork City refinanced their Series 2005 Sales Tax Revenue Bonds (RDA Project) to realize NPV Savings of \$95,528.

The City has two Series of General Obligation Bonds outstanding for the secondary water system that were issued in 2007 and 2008. These two bonds are currently refunding candidates. With interest rates expected to increase later this year, the City may consider refunding the Series 2007 Bonds.



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# Outstanding Debt Profile

## Outstanding Bonds

<u>Series</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Current Interest Rate</u>	<u>Original Par Amount</u>	<u>Outstanding Par Amount</u>
2007	New Money - Water	5/1/2035	4.750%	\$ 8,250,000	\$ 7,445,000
2008	New Money - Water	5/1/2035	4.625%	38,700,000	35,525,000
2011	Refunding	2/1/2012	2.500%	1,650,000	\$ 1,175,000
2013	Refunding	2/1/2015	1.550%	1,517,000	1,275,000
2014	Refunding	6/1/2020	1.530%	3,393,000	3,393,000
<b>Total.....</b>				<b>\$ 53,510,000</b>	<b>\$ 48,813,000</b>

During 2007-08 the City issued \$46,950,000 of general obligation bonds for the City's secondary water projects.

Due to favorable interest rates and a shorter time to the call dates, the City has an opportunity to refinance the Series 2007 and Series 2008 Bonds.

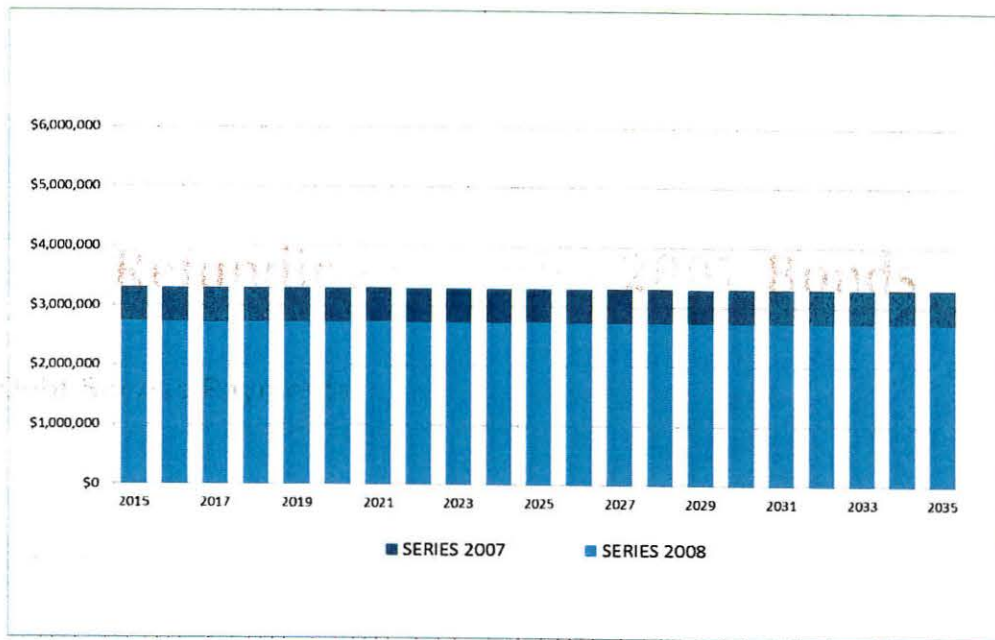


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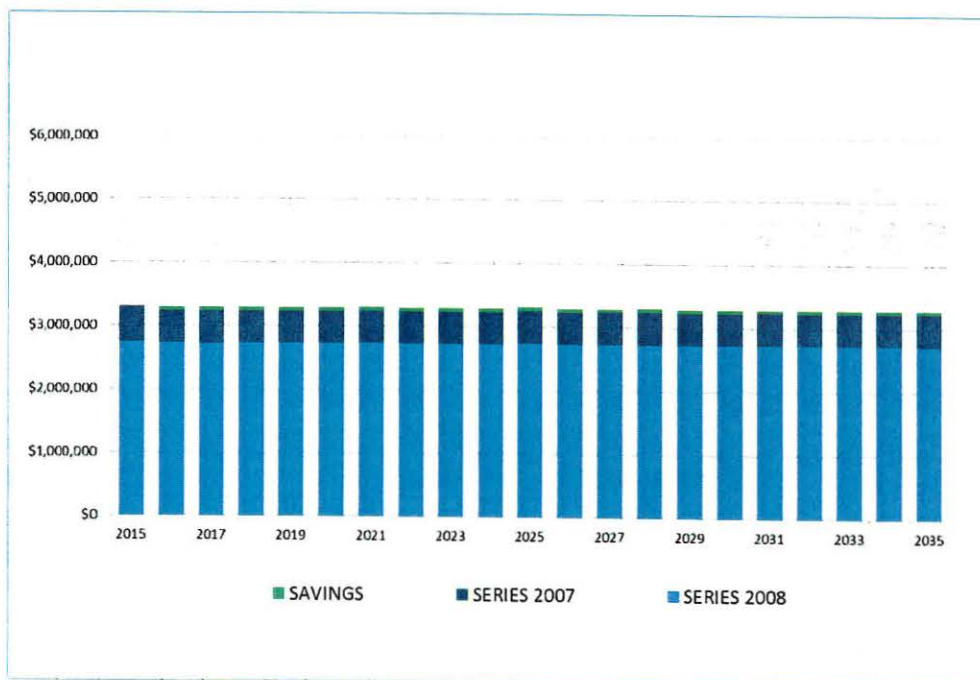
# Refunding of Series 2007 Bonds

## Annual Debt Service Payments



## Resulting Debt Service

By refinancing the City's Series 2007 to lower interest rates, the City can save approximately \$42,500 annually or \$850,515 over the life of the Bonds. The objective is to maintain the same final maturity date of the existing bonds, but decreases the annual debt service requirements.



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# Refunding of Series 2007 Bonds

## Comparison of Bond Payments

Date	Outstanding 2007 Bonds				\$6,880,000 General Obligation Refunding Bonds, 2015				Difference	Fiscal Total
	Principal	Coupon	Interest	Total P+I	Principal	Coupon	Interest	Total P+I		
05/01/2015	225,000.00	4.000%	168,535.63	393,535.63					0.00	
11/01/2015	-	-	164,035.63	164,035.63	-	-	101,329.38	113,204.38	50,831.26	-
05/01/2016	230,000.00	5.000%	164,035.63	394,035.63	45,000.00	2.000%	113,287.50	400,162.50	(6,126.87)	44,704.39
11/01/2016	-	-	158,285.63	158,285.63	-	-	112,837.50	118,962.50	39,323.13	-
05/01/2017	245,000.00	5.000%	158,285.63	403,285.63	35,000.00	2.000%	112,837.50	398,962.50	4,323.13	43,646.26
11/01/2017	-	-	152,160.63	152,160.63	-	-	112,487.50	112,487.50	39,673.13	-
05/01/2018	255,000.00	3.800%	152,160.63	407,160.63	290,000.00	2.000%	112,487.50	402,487.50	4,673.13	44,346.26
11/01/2018	-	-	147,315.63	147,315.63	-	-	109,587.50	109,587.50	37,728.13	-
05/01/2019	265,000.00	4.000%	147,315.63	412,315.63	300,000.00	2.000%	109,587.50	409,587.50	2,728.13	40,456.26
11/01/2019	-	-	142,015.63	142,015.63	-	-	106,587.50	106,587.50	35,428.13	-
05/01/2020	275,000.00	4.000%	142,015.63	417,015.63	305,000.00	2.000%	106,587.50	411,587.50	5,428.13	40,856.26
11/01/2020	-	-	136,515.63	136,515.63	-	-	103,537.50	103,537.50	32,978.13	-
05/01/2021	285,000.00	4.000%	136,515.63	421,515.63	310,000.00	3.000%	103,537.50	413,537.50	7,978.13	40,956.26
11/01/2021	-	-	130,815.63	130,815.63	-	-	98,887.50	98,887.50	31,928.13	-
05/01/2022	300,000.00	4.000%	130,815.63	430,815.63	320,000.00	3.000%	98,887.50	418,887.50	11,928.13	43,856.26
11/01/2022	-	-	124,815.63	124,815.63	-	-	94,087.50	94,087.50	30,728.13	-
05/01/2023	310,000.00	4.250%	124,815.63	434,815.63	330,000.00	3.000%	94,087.50	424,087.50	10,728.13	41,456.26
11/01/2023	-	-	118,228.13	118,228.13	-	-	89,137.50	89,137.50	29,090.63	-
05/01/2024	325,000.00	4.250%	118,228.13	443,228.13	340,000.00	3.000%	89,137.50	429,137.50	14,090.63	43,181.26
11/01/2024	-	-	111,321.88	111,321.88	-	-	84,037.50	84,037.50	27,284.38	-
05/01/2025	325,000.00	4.125%	111,321.88	436,321.88	335,000.00	3.000%	84,037.50	419,037.50	17,284.38	44,568.76
11/01/2025	-	-	104,618.75	104,618.75	-	-	79,012.50	79,012.50	25,606.25	-
05/01/2026	350,000.00	4.750%	104,618.75	454,618.75	360,000.00	3.250%	79,012.50	439,012.50	15,606.25	41,212.50
11/01/2026	-	-	96,306.25	96,306.25	-	-	73,162.50	73,162.50	23,143.75	-
05/01/2027	370,000.00	4.750%	96,306.25	466,306.25	375,000.00	3.500%	73,162.50	448,162.50	18,143.75	41,287.50
11/01/2027	-	-	87,518.75	87,518.75	-	-	66,600.00	66,600.00	20,918.75	-
05/01/2028	385,000.00	4.750%	87,518.75	472,518.75	385,000.00	3.500%	66,600.00	451,600.00	20,918.75	41,837.50
11/01/2028	-	-	78,375.00	78,375.00	-	-	59,862.50	59,862.50	18,512.50	-
05/01/2029	405,000.00	4.750%	78,375.00	483,375.00	400,000.00	3.500%	59,862.50	459,862.50	23,512.50	42,025.00
11/01/2029	-	-	68,756.25	68,756.25	-	-	52,862.50	52,862.50	15,893.75	-
05/01/2030	425,000.00	4.750%	68,756.25	493,756.25	415,000.00	3.500%	52,862.50	467,862.50	25,893.75	41,787.50
11/01/2030	-	-	58,662.50	58,662.50	-	-	45,600.00	45,600.00	13,062.50	-
05/01/2031	445,000.00	4.750%	58,662.50	503,662.50	430,000.00	3.750%	45,600.00	475,600.00	28,062.50	41,125.00
11/01/2031	-	-	48,093.75	48,093.75	-	-	37,537.50	37,537.50	10,556.25	-
05/01/2032	470,000.00	4.750%	48,093.75	518,093.75	450,000.00	3.750%	37,537.50	487,537.50	30,556.25	41,112.50
11/01/2032	-	-	36,931.25	36,931.25	-	-	29,100.00	29,100.00	7,831.25	-
05/01/2033	495,000.00	4.750%	36,931.25	531,931.25	465,000.00	4.000%	29,100.00	494,100.00	37,831.25	45,662.50
11/01/2033	-	-	25,175.00	25,175.00	-	-	19,800.00	19,800.00	5,375.00	-
05/01/2034	515,000.00	4.750%	25,175.00	540,175.00	485,000.00	4.000%	19,800.00	504,800.00	35,375.00	40,750.00
11/01/2034	-	-	12,943.75	12,943.75	-	-	10,100.00	10,100.00	2,843.75	-
05/01/2035	545,000.00	4.750%	12,943.75	557,943.75	505,000.00	4.000%	10,100.00	515,100.00	42,843.75	45,687.50
<b>Total</b>	<b>\$7,445,000.00</b>	<b>-</b>	<b>\$4,174,318.23</b>	<b>\$11,619,318.23</b>	<b>\$6,880,000.00</b>	<b>-</b>	<b>\$2,984,266.88</b>	<b>\$10,375,266.88</b>	<b>\$850,515.73</b>	<b>-</b>

**Yield Statistics**

Closing Date..... 5/20/2015  
 Average Life..... 11.971 Years  
 Average Coupon..... 4.6347132%

Closing Date..... 5/20/2015  
 Average Life..... 12.210 Years  
 Average Coupon..... 2.8383771%

**\$669,933.26 NPV Savings**

Green numbers are Series 2015 Refunding Bonds.  
 Black numbers are unrefunded Series 2007 Bonds.



## Section 2

# General Transaction Calendar



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# Transaction Calendar

March	GKB and City staff work with Bond Counsel to prepare a Preliminary Official Statement and ratings presentation materials.
March 19	Work Session to update City Council.
Mid March	Bond Counsel distributes a draft of the Preliminary Official Statement for review by the finance team.
March 24	<u>Regular City Council Meeting</u> – Adopt a Bond Resolution to establish the not-to-exceed parameters of the transaction, authorize the publication of a “Notice of Bonds to be Issued” and approve the drafting of all essential bond documents.
Early April	Ratings presentation is finalized. POS and other materials are sent to the ratings agencies for initial review.
April	Presentations to the ratings agencies.
Mid April	Receive final ratings from the ratings agencies. Update the POS and distribute to investment community.
Early May	Receive bids from interested investors via competitive sale.
Mid May	Close and settle the transaction.

