

# **SALT LAKE COUNTY**

*2001 S State Street, N2-800  
Salt Lake City, UT 84114*



## **Meeting Minutes**

**Wednesday, March 27, 2024**

**2:00 PM**

**Room N2-800**

## **Debt Review Committee**

Call to Order

- Present:** Committee Member Wayne Cushing  
 Committee Member David Delquadro  
 Committee Member Chris Harding  
 Committee Member Mitchell Park  
 Chair Ralph Chamness
- Excused:** Ex-Officio Member Jonathan Ward
- Call In:** Committee Member Darrin Casper  
 Committee Member Greg Folta

**1. Public Comment**

**2. Approval of Minutes**

**2.1 Approval of Minutes from the March 29, 2023 meeting** 24-1536

**Attachments:** Salt Lake County Debt Review Meeting Minutes  
2023-03-29

A motion was made by Committee Member Park, seconded by Committee Member Harding, that this agenda item be approved. The motion carried by a unanimous vote.

**2.2 Approval of Minutes from the November 29, 2023 meeting** 24-1537

**Attachments:** Salt Lake County Debt Review Meeting Minutes  
2023-11-29

A motion was made by Committee Member Park, seconded by Committee Member Harding, that this agenda item be approved. The motion carried by a unanimous vote.

**3. Financial Advisor Update**

**Mr. Japheth McGee**, Vice President, Zions Public Finance, delivered a presentation on “Inflation, Economy, and Interest Rates,” reviewing inflation and economic conditions, showing the inflation trajectory had been wrong, and had actually increased, so the Federal Reserve did not lower its interest rate; the National Financial Conditions Index for inflation; rate trends of the Bond Buyer Index - Revenue Bond Index of A+/A1 ratings with 30-year maturities; the Utah Public Treasurer’s Investment Fund (PTIF) regarding historic investment returns; the current target Federal funds rate of 5.25 percent to 5.50 percent and expectations for March 2024 compared with March 2023; and rate trends for May 1, 2024, June 12, 2024, July 31, 2024, and September 18, 2024, indicating that by the

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end of the year, rates will be about 50 basis points lower.

#### 4. Refunding Analysis Update

**Mr. Japheth McGee**, Vice President, Zions Public Finance, reviewed Build America Bonds (BABs), a great recession stimulus program, wherein the Federal Government had provided a 35 percent interest rate subsidy. However, it reduced that subsidy by 5.7 percent reduction, due to Federal sequestration. Some issuers, including the Indiana Municipal Power Agency, sued the Federal Government saying the reduction was a breach of contract. The court upheld the Federal Government's decision, ruling the subsidy was not a contract, and Federal legislation that altered and superseded existing law creating the statutory reduction in the BABs subsidy meant the new sequestration rate was the rate under Federal statute, so there was no violation of anything.

Issuers are now using this ruling to determine that an "Extraordinary Event" occurred, making bonds subject to "Extraordinary Redemption Provisions." A lot of these bonds were issued with "make whole calls," whereby if the bond is called, the net present value has to be paid to make the investors whole on prepaying for them. However, in the event of an emergency or an extraordinary redemption provision, the make whole call is at par, which means issuers can take advantage of refunding these bonds. Investors are not happy about that, and are now filing lawsuits in some cases.

This determination is relevant to the County's Series 2009B BABs, which currently has a make whole call, and an extraordinary redemption provision that says, an "*extraordinary event*" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to Build America Bonds) pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated." He thought the language was clear that the County could refund these bonds. It made sense to refund the bonds since they mature in 2029, and they are part of the yield curve, which is very susceptible to the Federal funds rate moving. However, waiting might provide a net present value savings if rates dropped. He advised getting bond counsel involved if the County considered this.

**Committee Member Casper** stated there is a moderate risk that the sequestration rate could go back up to 8 percent from the 5.78 stabilized rate. In other words, there would be a hedge benefit to refunding these bonds, but he thought it was best to wait awhile.

**Committee Member Park** stated he thought there was a fair amount of legal uncertainty

in recommending policy makers execute on that.

**Committee Member Chamness** stated he would want to have a better idea what the real return would be if the County had to litigate it.

## 5. SOAR Project Update

**Committee Member Casper** updated the Debt Review Committee on the Service Opportunities Assessment Review (SOAR) Committee's research on a new Salt Lake County Government Center. The committee looked into the possibility of a development project on the Government Center property, and the initial return from a financial perspective was encouraging. If the County were to go down this path, the most optimistic view would be to demolish the Government Center and the parking structure, build a new government center and joint parking structure on about three acres of the property, and sublease the remaining eleven acres to private development, part of which would be open space and park areas. The incremental property taxes that would be generated by doing that, plus the land lease revenue would be roughly sufficient to pay for debt that would need to be issued to cover a new government center. The existing building is 35 years old and has \$100 million of deferred maintenance, and it is also functionally obsolete.

The County's assumption, vetted by a couple firms, showed the County could probably get \$2.8 million per year for subleasing the property, which is what it got for the land adjacent to the District Attorney's building. Then, property tax increment would be about \$6 million a year. Debt service on a \$165 million building would be about \$9 to \$10 million.

The committee is going to take a deeper dive into the various assumptions built into the model, which were primarily residential and retail, with a little bit of office space. Chris Stavros, County Assessor, planned to have his top commercial appraiser do the net present value analysis, which he planned to have done mid April. If the committee got to a point where it wanted to make a request of the Council, he anticipated the Council would want the Debt Review to further vet the assumptions and give an independent review of this. The committee felt it would be best to have many people look at this to ensure nothing got missed. The primary decision was to analyze this to see if it makes sense from a financial standpoint.

## 6. Jail Project Update

**Committee Member Casper** stated a group of Council Members, the Mayor, Sheriff, District Attorney, and Criminal Justice Advisory Council have been meeting to talk about expanding the Adult Detention Center jail beds, building an accountability center for people who are in and out of jail to get help, and mothballing the Oxbow Jail and selling the land or developing it. That land is worth about \$30 million. The group wanted to proceed with putting a \$300 million bond for the project on the ballot this year. That would be about \$40 per year on an average house. Craig Wangsgard, Deputy District Attorney is working on a timeline, the dates, and the requirements. Getting this on the ballot is time sensitive because there are some critical factors with the jail.

**Committee Member Delquadro** thought the County needed to bond for the \$300 million, plus contingencies, as it was going to need the \$75 million it put away for this project to relocate people in the jail and pay for operating costs while the jail is being rebuilt.

**7. Other Committee Business**

**Committee Member Park** stated the Council imposed requirements last year that the Debt Review Committee have public comment at its meetings because it is subject to the Open and Public Meetings Act. The committee must also ensure a way for the public to contact members. The Debt Review Committee has a webpage, but it needs to be updated with current information.

**Committee Member Chamness** stated he would have someone update that. He also asked members to provide him with confirmation if they have taken the 2024 Open and Public Meetings Act training. If members needed to do the training, that could be placed on the next meeting agenda, which is scheduled for April 24, 2024.

**8. Adjournment**

The meeting was adjourned at 2:50 PM.

LANNIE CHAPMAN, COUNTY CLERK

By  \_\_\_\_\_  
DEPUTY CLERK

By   
CHAIR, DEBT REVIEW COMMITTEE