

SALT LAKE COUNTY

2001 S State Street, N2-800

Salt Lake City, UT 84114



Meeting Minutes

Wednesday, May 22, 2024

2:00 PM

Room N2-800

Debt Review Committee

Call to Order

Present: Committee Member David Delquadro
Committee Member Mitchell Park
Chair Ralph Chamness

Excused: Ex-Officio Member Johnathan Ward

Call In: Committee Member Darrin Casper
Committee Member Wayne Cushing
Committee Member Greg Folta
Committee Member Chris Harding

1. Public Comment**2. Approval of Minutes from the April 24, 2024 Meeting****2.1 Approval of Minutes from the April 24, 2024 Meeting**24-1729

Attachments: Salt Lake County Debt Review Meeting Minutes
2024-04-24

A motion was made by Committee Member Delquadro, seconded by Committee Member Folta, 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 the Municipal Market Outlook, reviewing interest rates for a Municipal Market Data (MMD) General Obligation Bond for a AAA rated entity, and the U.S. Department of the Treasury (Treasury) interest rates. In the last month, the MMD came down 7 to 2 basis points and the Treasury came down 20 basis points. He also reviewed the ratios between the MMD and Treasury rates, at 62.79 percent today. Typically, it was closer to 75 to 80 percent. That ratio would affect the County's Build America Bonds (BABs) refunding if it were to issue that now because the interest rate on new money was tied to the MMD, but the County would have to pay a premium on the make whole call, and that was tied to the Treasury rate. If the Treasury rate went down, the premium would go up. If the Treasury rate went up or the cost of the premium went up more than the County's interest cost on its bonds went down, the County would lose efficiency on the refund.

Committee Member Casper stated to be clear, there would be no net present value (NPV) savings associated with the refunding today.

Mr. McGee stated that was correct. If the County were to do the financing now, it

would come at a cost of \$158,000 for the NPV over the life of the financing. However, there were still other reasons to issue the refunding because of the potential risk associated with the Federal Government's subsidy payments. He continued the presentation reviewing a Market Snapshot showing the yield curve change for a ten-year median MMD and current MMD; credit rate spreads from a AAA-level MMD to a AA-level, a A-level, and a BAA-level; the Consumer Price Index (CPI) (less food and energy) for a one month and three month average; and the Federal Reserve project future for September 18, 2024, the current rate of 525-550. If the Federal Reserve pushed for a rate cut, Treasuries would also go down, and a lot of times, that came with a commensurate cut in Municipals. If a rate cut dislocated the MMD/Treasury ratio, the County could see further erosion in savings with a BABs refunding.

4. Refunding Analysis Update

Committee Member Casper stated thirty days ago, the County would have been in the black by issuing a Build America Bonds (BABs) refunding, but not now. He asked Zions Public Finance if the County should move forward with preparing the refunding in the event the market turns back around.

Mr. Japheth McGee, Vice President, Zions Public Finance, stated Zions Public Finance's recommendation would be to move forward because it did think there would be movement on these ratios. If the County hired an underwriter and rates became favorable again, Zions Public Finance could move fast. Bradley Patterson, Attorney, Gilmore Bell, did an analysis of the BABs refunding and the timing of an issuance. He asked if the District Attorney's Office was meeting with him to see that.

Mr. Craig Wangsgard, Deputy District Attorney, stated he and Committee Member Casper would be meeting with Mr. Patterson and Johnathan Ward, Senior Vice President, Zions Public Finance, on Friday.

Committee Member Chamness stated the Debt Review Committee also needed to make its recommendation to the Council for its ultimate decision. He suggested meeting prior to the Debt Review Committee's June meeting to discuss this, after hearing Mr. Patterson's analysis.

Committee Member Casper stated he thought the County should issue the refunding because of the risk of the Federal Government lowering the rebate associated with BABs or doing away with it.

Mr. Wangsgard stated a parameters resolution would need to be placed on a Council agenda for approval to start the 30-day contest period. He asked if the Debt Review Committee wanted to see that resolution before placing it on a Council agenda, or just let the Council know it would not recommend moving forward with the refunding unless it benefited the County.

Committee Member Casper stated the Council had provided the authority to him or Committee Member Cushing in the past to make that judgment call. He was comfortable bringing the parameters resolution to the next Debt Review Committee with that proviso in it.

Committee Member Delquadro stated the Council was aware the Debt Review Committee was looking at this from the standpoint of minimizing loss as opposed to trying to gain. It made sense to get a parameters resolution in front of the Council soon, and to make a recommendation to move forward based on the opinion of the Debt Review Committee and the County's advisors.

5. Rowland Hall Conduit Financing Application

5.1 Salt Lake County Bond Application Form - Rowland Hall

24-1730

Attachments: Salt Lake County Bond Application Form - Rowland Hall

Mr. Steve Cross, Chief Financial and Operations Officer, Rowland Hall, reviewed Rowland Hall's application requesting the County issue tax-exempt debt on behalf of Rowland Hall for a new campus. Rowland Hall is an independent school in Salt Lake City, but it is currently split across two campuses. Its pre-kindergarten through fifth grade campus is on Guardsman Way, and its middle and upper school campus is located at 800 South Lincoln Street. Rowland Hall fundraised for the new campus, which will be built behind the campus on Guardsman Way uniting all grades onto one campus. Rowland Hall was ready for permitting; lined up a construction firm, with a guaranteed maximum price (GMP) contract that it expected to have signed by mid-July; and lined up the tax-exempt debt financing, which it was trying to line up with the construction timelines.

Mr. Japheth McGee, Vice President, Zions Public Finance, stated the application looked good. Conduit debt was an obligation of the school, not the County, so there would not be a lot of risk for the County. Issuing this

conduit debt would facilitate access to the market for Rowland Hall.

Mr. Craig Wangsgard, Deputy District Attorney, stated the County would issue the bond and loan the money to Rowland Hall, and then it would pledge the loan agreement as security for the bonds.

Committee Member Park stated he did not see anything with this application that would suggest the County treat it differently than historical precedent or the existing ordinance. However, he would recommend the ordinance regarding conduit financing be placed on a Council agenda to make sure it met County needs.

A motion was made by Committee Member Park, seconded by Committee Member Casper, that the Debt Review Committee indicate to the Council it had reviewed the initial application to the extent it was consistent with the requirements of County ordinance, and was forwarding it on for additional processing, due diligence, and consideration by the County Council. The motion carried by a unanimous vote.

Committee Member Chamness stated once the Debt Review Committee had all the information, it could prepare a letter for the Council and place that on an agenda along with the necessary resolutions.

6. Library Bond Update and Reimbursement Resolution

Committee Member Chamness stated this item has been pulled from the agenda and will be considered at a future meeting.

Committee Member Casper stated he pulled the reimbursement resolution from this week's agenda. A request will be made to the Council in June to start spending design money, pursuant to the long-range plan adopted by a prior Council. If the Council agreed with the \$200,000 request, the Mayor's Office would start planning for the next seven projects incorporated in that plan, and the first step would be a reimbursement resolution for the library.

7. Potential Jail General Obligation Bond

Committee Member Casper stated the County is moving forward with an analysis of project types for the jail. A preliminary cost estimate came in at about \$500 million. The

concept was to close the Oxbow Jail and sell the property to do major maintenance on the Adult Detention Center (ADC), which would include an additional approximately 80 mental health beds in a user-friendly environment that had direct sunlight, a laundry facility, a major remodel of the kitchen, and the expansion of beds to make up for the beds that would be lost with the closure of Oxbow as well as some additional beds. The Mayor's Systemic Coordination Committee, consisting of the District Attorney, Sheriff, Criminal Justice Services Division, and Behavioral Health Division, had proposed a Justice and Accountability Center, a separate non-lockup option for people who should not be in jail, but who needed help. That would be an additional \$100 million, included in the \$500 million cost estimate. The County has \$75 million set aside and could probably come up with another \$25 million, which would leave \$400 million to bond for. He anticipated this would be ready to place on this year's ballot. The requirement to place it on a countywide election year ballot pushed it faster than it was ready to go, but he did not think the two jails would withstand not having major maintenance conducted on them if the bond was pushed two years out.

Committee Member Park asked what the drop-dead date was to get this on the ballot.

Mr. Craig Wangsgard, Deputy District Attorney, stated the August 20th meeting is the absolute drop-dead date to approve putting this on the ballot.

Committee Member Chamness asked how much the Oxbow land might sell for.

Committee Member Casper stated a report stated it would sell for \$30 million, but the County's Real Estate Section thought that report overstated the value and that the value was closer to \$18 million.

Committee Member Park asked if an analysis had been done on leasing the property versus selling it.

Committee Member Casper stated no, but the Real Estate Section would be open to leasing it. The Mayor and Council Members would be the people who would debate the alternatives.

8. Other Business

Committee Member Chamness stated June 26th was the next scheduled meeting. He asked if the Debt Review Committee wanted to move that meeting to June 19th or meet both days. Two meetings in June would give the County more leeway because of the

holidays in July.

Committee Member Park stated June 19th is Juneteenth, but the County is observing that on June 17th. He agreed it would be more difficult to meet in July.

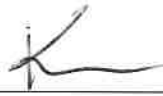
Committee Member Chamness stated he would schedule the next meeting for June 19th.

Committee Member Cushing stated he would like to see a comparison of the General Obligation Bond balance today versus what it was ten years ago at the next meeting.

Committee Member Casper stated he could provide that.

The meeting was adjourned at 2:55 PM.

LANNIE CHAPMAN, COUNTY CLERK

By 

DEPUTY CLERK

By 

CHAIR, DEBT REVIEW COMMITTEE

