
SALT LAKE COUNTY

Debt Review Committee

Debt Review Committee Meeting – MINUTES (approved)

Wednesday, March 29, 2017, 2pm - Auditor's Office Conference Room N3-300

Salt Lake County Government Center

2001 South State Street, Salt Lake City, Utah 84190

ATTENDEES

Committee Members Present:

Scott Tingley (Auditor), chairman
Jon Bronson (Zion's Bank), ex-officio member
Brad Kendrick (County Council) -Proxy for D. Delquadro
Cherylann Johnson (Auditor), member
Craig Wangsgard (District Atty.) -Proxy for R. Chamness
Darrin Casper (Mayor's Finance), member
Jason Rose (County Council), member
Javaid Majid (Mayor's Finance), member
K. Wayne Cushing (Treasurer), member

Other Attendees:

Blake Wade (Gilmore & Bell)
Eric Pehrson (Zion's Bank)
Jana Ostler (Auditor)
Marcus Keller (Zion's Bank)
Rod Kitchens (Mayor's Finance)
Shanell Beecher (Mayor's Finance)
Steve Barnes (District Attorney)

Committee Members Absent:

David Delquadro (County Council), member
Ralph Chamness (District Attorney), member

AGENDA ITEMS

The meeting was called to order by Chairman Tingley at 2:05pm.

1. Public Comment

No public comment.

2. Approval of Minutes – February 22, 2017

Wayne Cushing moved to approve the minutes of the February 22, 2017 minutes as written. Craig Wangsgard (proxy for Ralph Chamness) seconded the motion and all voted in favor.

3. General Obligation Bond Questions – Blake Wade (Gilmore & Bell)

Discussion for this item was deferred until after the discussion of item #4.

Jon Bronson began with explanations and handouts. A decision needs to be made regarding the percentage of premium the County will keep from the General Obligation Bond issuance. The premium is the difference between the higher coupon and the yield. We need to consider the agreement with the voters who authorized \$90 mil. Traditionally, it has been considered acceptable (based on IRS code) to keep up to 2% premium, which could be used to cover cost of issuance. Keeping premium means that debt service payments go up and ultimately the county receives, and pays interest on, more than the authorized \$90 mil. Blake Wade of Gilmore & Bell (Bond Counsel for this issuance) continued the discussion stating that in some areas of the country it is customary to keep up to 10% premium.

Regardless of the amount of premium kept, it would be recorded on the books as separate from the principal amount of \$90 mil, but still part of the overall bonded amount. Mr. Wade feels that it is unlikely that the premium issue would be challenged, but we could see future regulation through legislation. Darrin Casper expressed concern that keeping 10% would be too much, but keeping 2% for cost of issuance would be reasonable and defensible, and could leave some flexibility for the second issue of the GO Bond. Jon Bronson agrees with this approach. Ultimately a flexible approach was agreed upon stating that the county would be open to consider an offer of approximately 2-3% overall premium on the GO Bond, with the option to downsize as deemed appropriate on the second issue.

Jon Bronson discussed the debt service schedule for the GO Bond, reiterating the request to keep the total length of the bond to 10 years. One way to achieve this is to grow the debt service payment from year to year. Darrin Casper confirmed that advantages to this are the impact to the average home will remain roughly the same and it will give a future Council timely and better financial information to make a subsequent ZAP decision. Eric Pehrson pointed out that the first debt service payment to be made in December of 2017 will need to come from current debt service funds unless a June budget adjustment is made to cover the payment. Darrin Casper confirmed that there will not be a problem with that.

A discussion regarding whether to make the final two maturities of the GO Bond callable occurred, with Jon Bronson and Eric Pehrson explaining that the county would pay extra to make the bond callable, but if we do call the two final maturities then the county would save some money. If the bond is callable and we do not call the maturities, then the county loses some money. Making the bond non-callable lowers the interest rate, but eliminates the flexibility to call the bond if interest rates go too low. Approximately 85% of municipal bonds do get called if they have a call option. Javaid Majid and Darrin Casper and other committee members confirmed that the desired direction on this issue is to make the GO Bond (both this first issuance and the second issuance) non-callable.

Blake Wade gave a brief report regarding Senate Bill 150 which dictates the order of property tax cost declarations on ballot propositions and bond elections. The gross tax cost must be listed first followed by the net cost if desired. Committee members agree that this legislation is reasonable and proper. Mr. Wade noted that the opening of this legislation provided an opportunity to clean up and simplify existing legislation governing ballot proposition language.

Blake Wade brought to the attention of the Committee that Waterford School, which has a tax-exempt loan through the County, would like to make some amendments to their contract. The amendments are covenant amendments and do not impact the County, but because the County is a party to the contract, the Council needs to approve them. Zion's Bank owns all the debt and approves of the amendments. No action on this issue is needed or permissible (because it was not on the agenda), but Mr. Wade wanted the Committee to be aware of the situation before the issue is brought before the Council.

4. Review calendar revisions for GO Bonds, Sales Tax (TRCC) Revenue Bonds, and TRANS

Jon Bronson reviewed the few changes made to the bond calendars: the public hearing scheduled for the GO Bond was eliminated per instruction from Bond Counsel Blake Wade. The public hearing is not needed because there was an election held on the issue. The Due Diligence meeting for the Tax Revenue Anticipation Notes was changed to June 8, 2017 at 2:00pm. Darrin Casper will follow up with Mr. Bronson regarding which Council members will be attending the ratings presentation in May.

5. Report from Underwriter Selection Committee on Sales Tax (TRCC) Revenue Bonds

The Underwriter Selection Committee reviewed 11 proposals and selected Wells Fargo from those 11. There were 4 voting members on the committee. The DA's office representative was a non-voting member. Jon Bronson asked if there has been a policy change that now excludes him as a voting member. Craig Wangsgard is not aware of a change and is not sure why Mr. Bronson was not allowed to vote. Mr. Bronson is satisfied with the outcome of the vote nonetheless. Some discussion ensued regarding the heavy weighting (20%) on fees or price on the scoring documents. Wayne Cushing and others expressed concern that weighting price too heavily could result in the County not getting the best deal. Jon Bronson and Craig Wangsgard will work with the procurement office to better understand how "price" works for these contracts to avoid losing money in the future. In this current situation, everything turned out fine. Mr. Bronson pointed out that state procurement rules are not binding on counties.

6. Financial Advisor Updates

Jon Bronson reviewed the Municipal Market Outlook noting that rates fell in the past weeks due to the failure of the Trump administration to repeal and replace the Affordable Care Act. Stocks fell, but Mr. Bronson pointed out that bad news in the stock market is good news in the bond market if you are a borrower. Although rates are dropping again, the Market Outlook shows that rates a year ago were much lower.

7. Other

Darrin Casper reported that the County was successful in getting a CDE allocation for the New Market Tax Credit through CDE Fund of Utah. They are giving us \$12.5 mil of allocation, so we will be proceeding in that manner. Next time we can talk about the structure, but this should be good news for the investment fund transaction.

Darrin Casper and Jon Bronson spoke briefly about the Utah Olympic Legacy Foundation's plans to issue some conduit bonds for capital projects including a housing facility in Park City and improvements on the Kearns Oval. Because the projects are located in two different counties, they can choose either Salt Lake County or Summit County to use as the conduit. There is a possibility that Zion's Bank could have an underwriting or advisory role in that transaction, so Mr. Bronson will come to the committee with more information and possible disclosures as the transaction develops.

Jon Bronson introduced a new kind of loan for non-profit organizations from large foundations called PRI loans. He felt that this could have application for some of the work the County does.

Javaid Majid requested that all the handout documents be posted to the website.

8. Adjourn

Wayne Cushing moved to adjourn and Jason Rose seconded the motion. All were in favor and the meeting adjourned at 3:27pm.

Authorization	90,000,000.00
102% Max Premium	91,800,000.00
1st Issue Purchase Price	45,218,294.00
2nd Issue Purchase Price	<u>46,567,366.50</u>
Total	91,785,660.50
Difference to Max	14,339.50

D	Total DS	% Growth	2% Growth Constraint	difference
2017	677,150.00			
2018	9,351,000.00		9,350,000.00	(1,000.00)
2019	9,517,000.00	1.8%	9,537,000.00	20,000.00
2020	9,714,579.17	2.1%	9,727,740.00	13,160.83
2021	9,913,000.00	2.0%	9,922,294.80	9,294.80
2022	10,123,500.00	2.1%	10,120,740.70	(2,759.30)
2023	10,321,250.00	2.0%	10,323,155.51	1,905.51
2024	10,521,250.00	1.9%	10,529,618.62	8,368.62
2025	10,741,250.00	2.1%	10,740,210.99	(1,039.01)
2026	10,953,750.00	2.0%	10,955,015.21	1,265.21
2027	11,182,500.00	2.1%	11,174,115.52	(8,384.48)

Salt Lake County, Utah

\$41,125,000 General Obligation Bonds

Series June 21, 2017

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Salt Lake County, Utah

\$41,125,000 General Obligation Bonds

Series June 21, 2017

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/21/2017	-	-	-	-	-
12/15/2017	-	-	677,150.00	677,150.00	677,150.00
06/15/2018	-	-	700,500.00	700,500.00	-
12/15/2018	7,950,000.00	2.000%	700,500.00	8,650,500.00	9,351,000.00
06/15/2019	-	-	621,000.00	621,000.00	-
12/15/2019	8,275,000.00	2.000%	621,000.00	8,896,000.00	9,517,000.00
06/15/2020	-	-	538,250.00	538,250.00	-
12/15/2020	2,725,000.00	3.000%	538,250.00	3,263,250.00	3,801,500.00
06/15/2021	-	-	497,375.00	497,375.00	-
12/15/2021	2,800,000.00	3.000%	497,375.00	3,297,375.00	3,794,750.00
06/15/2022	-	-	455,375.00	455,375.00	-
12/15/2022	2,900,000.00	3.000%	455,375.00	3,355,375.00	3,810,750.00
06/15/2023	-	-	411,875.00	411,875.00	-
12/15/2023	2,975,000.00	5.000%	411,875.00	3,386,875.00	3,798,750.00
06/15/2024	-	-	337,500.00	337,500.00	-
12/15/2024	3,125,000.00	5.000%	337,500.00	3,462,500.00	3,800,000.00
06/15/2025	-	-	259,375.00	259,375.00	-
12/15/2025	3,300,000.00	5.000%	259,375.00	3,559,375.00	3,818,750.00
06/15/2026	-	-	176,875.00	176,875.00	-
12/15/2026	3,450,000.00	5.000%	176,875.00	3,626,875.00	3,803,750.00
06/15/2027	-	-	90,625.00	90,625.00	-
12/15/2027	3,625,000.00	5.000%	90,625.00	3,715,625.00	3,806,250.00
Total	\$41,125,000.00	-	\$8,854,650.00	\$49,979,650.00	-

Yield Statistics

Bond Year Dollars	\$211,677.08
Average Life	5.147 Years
Average Coupon	4.1830934%
Net Interest Cost (NIC)	2.2493488%
True Interest Cost (TIC)	2.0648817%
Bond Yield for Arbitrage Purposes	1.8277755%
All Inclusive Cost (AIC)	2.1587162%

IRS Form 8038

Net Interest Cost	1.8554818%
Weighted Average Maturity	5.378 Years

Salt Lake County, Utah

\$41,125,000 General Obligation Bonds

Series June 21, 2017

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
12/15/2018	Serial Coupon	2.000%	0.890%	7,950,000.00	101.632%	-	-	-	8,079,744.00
12/15/2019	Serial Coupon	2.000%	1.060%	8,275,000.00	102.297%	-	-	-	8,465,076.75
12/15/2020	Serial Coupon	3.000%	1.230%	2,725,000.00	106.017%	-	-	-	2,888,963.25
12/15/2021	Serial Coupon	3.000%	1.410%	2,800,000.00	106.884%	-	-	-	2,992,752.00
12/15/2022	Serial Coupon	3.000%	1.610%	2,900,000.00	107.266%	-	-	-	3,110,714.00
12/15/2023	Serial Coupon	5.000%	1.790%	2,975,000.00	119.566%	-	-	-	3,557,088.50
12/15/2024	Serial Coupon	5.000%	1.950%	3,125,000.00	121.141%	-	-	-	3,785,656.25
12/15/2025	Serial Coupon	5.000%	2.140%	3,300,000.00	122.079%	-	-	-	4,028,607.00
12/15/2026	Serial Coupon	5.000%	2.260%	3,450,000.00	121.043%	c 2.494%	12/15/2025	100.000%	4,175,983.50
12/15/2027	Serial Coupon	5.000%	2.350%	3,625,000.00	120.273%	c 2.760%	12/15/2025	100.000%	4,359,896.25
Total	-	-	-	\$41,125,000.00	-	-	-	-	\$45,444,481.50

Bid Information

Par Amount of Bonds	\$41,125,000.00
Reoffering Premium or (Discount)	4,319,481.50
Gross Production	\$45,444,481.50
Total Underwriter's Discount (0.550%)	\$(226,187.50)
Bid (109.953%)	45,218,294.00
Total Purchase Price	\$45,218,294.00
Bond Year Dollars	\$211,677.08
Average Life	5.147 Years
Average Coupon	4.1830934%
Net Interest Cost (NIC)	2.2493488%
True Interest Cost (TIC)	2.0648817%

Salt Lake County, Utah

\$41,125,000 General Obligation Bonds

Series June 21, 2017

Sources & Uses

Dated 06/21/2017 | Delivered 06/21/2017

Sources Of Funds

Par Amount of Bonds	\$41,125,000.00
Reoffering Premium	4,319,481.50
Total Sources	\$45,444,481.50

Uses Of Funds

Total Underwriter's Discount (0.550%)	226,187.50
Costs of Issuance	200,000.00
Deposit to Project Construction Fund	45,000,000.00
Rounding Amount	18,294.00
Total Uses	\$45,444,481.50

Municipal Market Outlook

March 23, 2017

RATE DATA				
	Today	Week Prior	Month Prior	Year Prior
MMD AAA GO				
3 Year	1.22	1.29	1.17	0.83
5 Year	1.58	1.68	1.55	1.12
10 Year	2.28	2.45	2.37	1.82
15 Year	2.72	2.87	2.77	2.26
20 Year	2.96	3.11	3.01	2.53
30 Year	3.07	3.21	3.11	2.76
US Treasury				
2 Year	1.26	1.33	1.22	0.87
5 Year	1.95	2.02	1.92	1.37
10 Year	2.41	2.51	2.42	1.88
30 Year	3.02	3.11	3.04	2.65
Federal Funds	0.91	0.66	0.66	0.37
Prime Rate	4.00	3.75	3.75	3.50
SIFMA 7 Day	0.79	0.71	0.64	0.29

BOND BUYER AND SHORT TERM INDEXES				
20 Bond GO ¹	3.91	4.02	3.92	3.38
25 Bond REV ²	4.08	4.17	4.08	3.79
Jefferies ST	0.75	0.72	0.66	0.30

¹GO bonds maturing in 20 years, avg. rating equivalent to Moody's Aa2 & S&P's AA

²Revenue bonds maturing in 30 years, avg. rating equivalent to Moody's A1 & S&P A+

ZIONS PUBLIC FINANCE – MMD Muni Bond Yields – 03/28/2017 EOD

		General Obligations						"AAA" Coupon Range	
		"AAA"	PRE-RE	INSURED	"AA"	"A"	"BAA"	"LOW"	"HIGH"
1	2018	0.86	0.86	0.96	0.88	1.05	1.32	5.00	5.00
2	2019	1.02	1.03	1.20	1.06	1.28	1.58	5.00	5.00
3	2020	1.19	1.20	1.40	1.25	1.50	1.82	5.00	5.00
4	2021	1.35	1.37	1.61	1.42	1.70	2.02	5.00	5.00
5	2022	1.55	1.57	1.85	1.64	1.94	2.25	5.00	5.00
6	2023	1.72	1.75	2.06	1.84	2.15	2.49	5.00	5.00
7	2024	1.88	1.91	2.27	2.03	2.36	2.68	5.00	5.00
8	2025	2.02	2.05	2.43	2.19	2.52	2.86	5.00	5.00
9	2026	2.14		2.58	2.33	2.67	3.01	5.00	5.00
10	2027	2.23		2.69	2.43	2.78	3.13	5.00	5.00
11	2028	2.32		2.80	2.54	2.89	3.25	5.00	5.00
12	2029	2.41		2.90	2.64	2.99	3.35	5.00	5.00
13	2030	2.50		2.98	2.74	3.07	3.43	5.00	5.00
14	2031	2.59		3.07	2.83	3.16	3.52	5.00	5.00
15	2032	2.67		3.15	2.91	3.24	3.60	5.00	5.00
16	2033	2.74		3.22	2.98	3.31	3.67	5.00	5.00
17	2034	2.80		3.28	3.04	3.37	3.71	5.00	5.00
18	2035	2.85		3.31	3.09	3.41	3.75	5.00	5.00
19	2036	2.89		3.35	3.13	3.45	3.78	5.00	5.00
20	2037	2.91		3.36	3.15	3.47	3.80	5.00	5.00
21	2038	2.92		3.37	3.16	3.48	3.80	5.00	5.00
22	2039	2.93		3.37	3.17	3.48	3.81	5.00	5.00
23	2040	2.94		3.38	3.18	3.49	3.82	5.00	5.00
24	2041	2.95		3.39	3.19	3.50	3.83	5.00	5.00
25	2042	2.96		3.40	3.20	3.51	3.84	5.00	5.00
26	2043	2.97		3.41	3.21	3.52	3.85	5.00	5.00
27	2044	2.98		3.42	3.22	3.53	3.86	5.00	5.00
28	2045	2.99		3.43	3.23	3.54	3.87	5.00	5.00
29	2046	3.00		3.44	3.24	3.55	3.88	5.00	5.00
30	2047	3.01		3.45	3.25	3.56	3.89	5.00	5.00

Interpolated AAA Yields

Yr	Mat	10 Mo JAN	11 Mo FEB	12 Mo MAR	13 Mo APR	14 Mo MAY	15 Mo JUN	16 Mo JUL	17 Mo AUG	18 Mo SEP	19 Mo OCT	20 Mo NOV	21 Mo DEC
1	2018	0.83	0.85	0.86	0.87	0.89	0.90	0.91	0.93	0.94	0.95	0.97	0.98
2	2019	0.99	1.01	1.02	1.03	1.04	1.05	1.07	1.08	1.10	1.11	1.13	1.14
3	2020	1.16	1.18	1.19	1.20	1.22	1.23	1.24	1.26	1.27	1.28	1.30	1.31
4	2021	1.32	1.34	1.35	1.36	1.38	1.39	1.41	1.42	1.44	1.46	1.47	1.49
5	2022	1.53	1.54	1.55	1.56	1.58	1.59	1.61	1.62	1.64	1.65	1.67	1.68
6	2023	1.70	1.71	1.72	1.73	1.75	1.76	1.77	1.79	1.80	1.81	1.83	1.84
7	2024	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.95	1.96	1.97	1.98
8	2025	2.00	2.01	2.02	2.03	2.03	2.04	2.05	2.06	2.07	2.08	2.09	2.10
9	2026	2.12	2.13	2.14	2.15	2.15	2.16	2.17	2.17	2.18	2.19	2.19	2.20
10	2027	2.21	2.22	2.23	2.23	2.24	2.24	2.25	2.25	2.26	2.27	2.27	2.28
11	2028	2.30	2.31	2.32	2.32	2.33	2.33	2.34	2.34	2.35	2.35	2.36	2.36
12	2029	2.39	2.40	2.41	2.41	2.42	2.42	2.43	2.43	2.44	2.45	2.45	2.46
13	2030	2.50	2.50	2.50	2.50	2.51	2.51	2.51	2.51	2.52	2.52	2.52	2.52

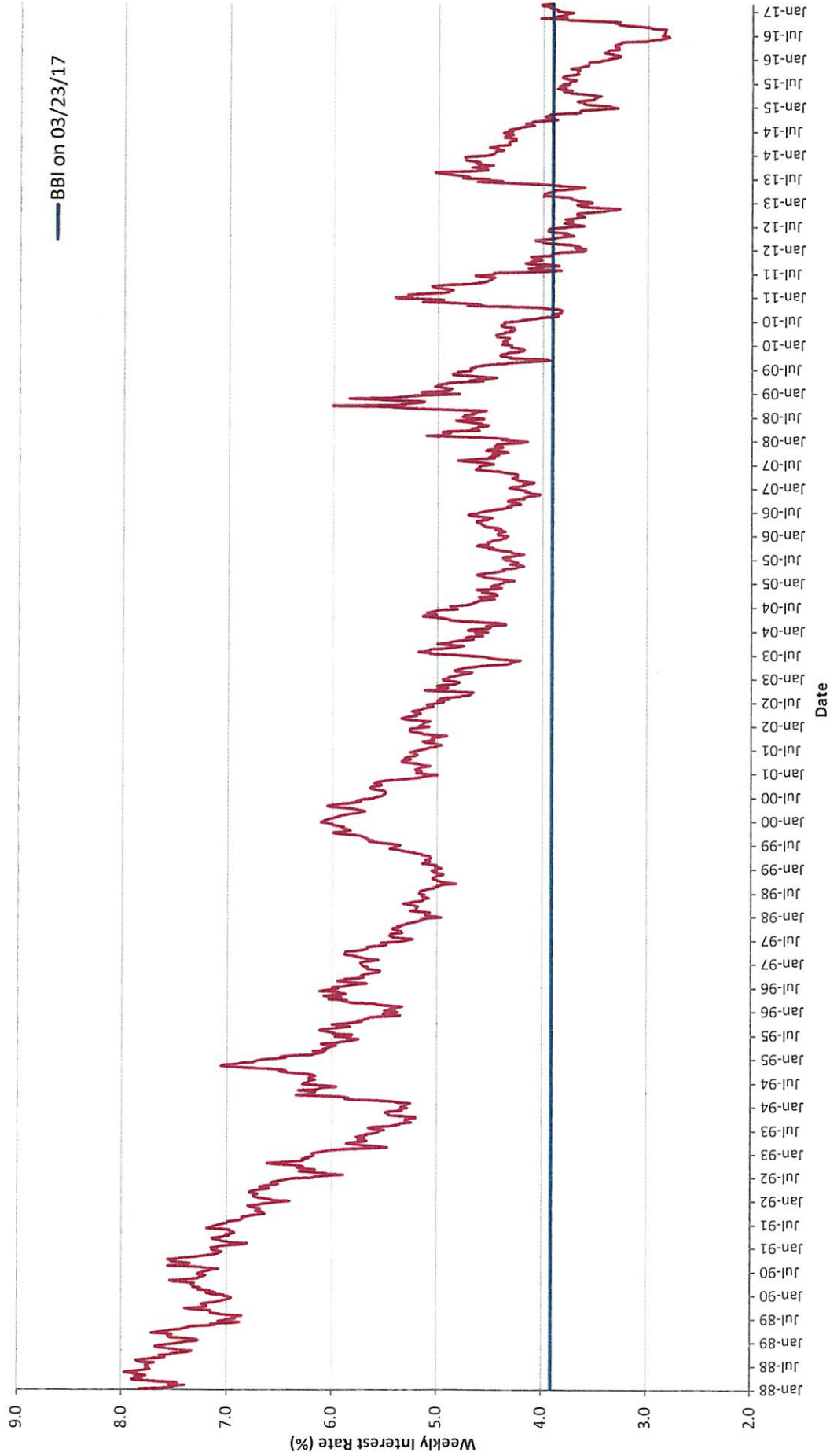
"AAA" Muni Yields as percent of US Treas Yields

Muni/Treas	CURR %	12/30/2016 to 03/28/2017			03/30/2016 to 03/28/2017				
		AVG %	# SD	MAX %	MIN %	AVG %	# SD	MAX %	MIN %
1 yr/1 yr	85.3	102.8	-1.22	121.3	76.2	105.7	-	137.3	76.2
2 yr/2 yr	78.3	86.2	-1.20	101.0	76.1	89.4	1.56	109.9	65.1
3 yr/3 yr	76.8	83.0	-0.93	99.9	72.9	86.3	1.07	107.9	65.5
5 yr/5 yr	79.2	83.2	-1.04	92.8	76.8	83.5	1.05	104.4	68.9
7 yr/7 yr	84	87.3	-2.07	91.3	83.6	84.5	0.68	99.1	70.4
10yr/10yr	92.5	95.1	-1.42	98.5	90.4	93.6	0.10	106.9	85.1
15yr/10yr	110.7	111.9	-0.50	116.2	106.3	113.5	0.31	124.4	103.
20yr/10yr	120.6	121.8	-0.48	127.0	116.4	126.8	-	138.1	115.
30yr/10yr	124.8	126.2	-0.63	131.3	121.8	134.8	-	151.3	121.
15yr/30yr	88.6	89.7	-0.65	92.6	85.0	82.4	0.98	95.3	69.7
20yr/30yr	96.5	97.7	-0.66	100.3	93.0	91.9	0.86	103.6	79.2
30yr/30yr	99.8	101.2	-0.91	103.5	97.4	97.6	0.50	108.8	85.8

Interest Rate Trend

20 Year 20 Bond Buyer Index

January 1988 to March 2017



Since January 1988:

Interest rates have been higher than the current BBI 87.66% of the time.

Interest rates have been lower than the current BBI 12.34% of the time.

Week Ending 3/24/2017

INVESTMENT BANKING DIVISION: The Goldman Sachs Municipal Weekly

Municipal Market Commentary

The failure to repeal and replace the Affordable Care Act (“ACA”) and questions regarding President Trump’s ability to implement his pro-growth agenda were the main themes this week. Since President Trump’s victory on November 8th, markets have bet heavily that Trump would be able to push tax reform and fiscal stimulus through Congress and boost growth. Early in the week, questions began to mount as Republican support for the American Health Care Act (“AHCA”), the proposed replacement for the ACA, failed to materialize. By Thursday, it became clear that a significant number of both moderate and more conservative House Republicans were not going to back the AHCA despite concessions from the White House, and ultimately, Speaker Ryan decided to not put the AHCA up for a vote. The inability to repeal and replace the ACA opened fresh doubts regarding Trump’s ability to shepherd his pro-growth agenda through Congress. Without the ACA repeal and the corresponding lower revenue baseline and budgetary savings, it will be harder to pass comprehensive tax reform via the reconciliation process, where only a simple majority is required. In addition, splits within the Republican party and unified Democratic opposition could imperil progress on any infrastructure bill. As a result, stocks slumped to their worst week since the election, falling 1.5%, and Treasury rates moved lower by ~10bp on the week.

Questions regarding Trump’s policy agenda pushed interest rates lower across the curve – 5, 10 and 30 year Treasury rates fell by 9bp, 10bp, and 11bp, respectively. Taking cues from a firmer Treasury market, municipals turned in a strong week -- 5, 10 and 30 year MMD decreased by 9bp, 12bp, and 11bp, respectively. Just \$4.8 billion in new issue supply was very well received with heavy retail participation and well subscribed for order books. After three weeks of outflows, municipal bond funds experienced a \$174 million inflow, which helped support the longer end of the yield curve. With just \$6.3 billion in new issue supply expected for next week and 30 day Visible Supply (\$10.9 billion) remaining below the yearly average (\$12.1 billion), the municipal market seems to be well positioned heading into April.

Source: Bloomberg, LIPPER, Thomson Reuters