

SALT LAKE COUNTY

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



Meeting Minutes

Wednesday, March 25, 2020

2:00 PM

Room N2-800

Debt Review Committee

1. Call to Order

Present: Chair Scott Tingley
Committee Member Wayne Cushing
Committee Member Darrin Casper
Committee Member Ralph Chamness
Committee Member Javaid Majid
Ex-Officio Member Jon Bronson

Call In: Committee Member David Delquadro
Committee Member Brad Kendrick

Also in attendance: Rod Kitchens, Greg Folta, Shanell Beecher (Mayor's Finance); Brad Rogers, Roswell Rogers, Jennifer Durham (Auditor's Office); Mitchell Park (Council Office); Craig Wangsgard (District Attorney's Office); Phil Martinez (Information Services Division); Kim Stanger (Clerk's Office); Antti Suhonen, Spencer Barton, Zachary Carbone (JP Morgan); Blake Wade, Bradley Patterson (Gilmore Bell); Ryan Bjerke (Chapman & Cutler); Eric Pehrson (Zions Bank Public Finance)

The meeting was called to order by Chairman Tingley.

2. Public Comment**3. Approval of Minutes****3.1 Approval of 2/26/2020 Meeting Minutes** [20-0338](#)

Attachments: [DRC Minutes 02.26.20](#)

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

4. Financial Advisor Updates and Financial Business**4.1 Sales Tax Revenue and Refunding Bonds, Series 2020** [20-0339](#)

Attachments: [POS Sales Tax Revenue and Refunding Bonds, Series 2020](#)

Market Update

Mr. Spencer Barton, JP Morgan, delivered a PowerPoint presentation on how markets were continuing to react to COVID-19 throughout March 2020, demonstrating the S&P 500 Index increase amid potential Federal aid programs, widening corporate credit spreads, plunging oil prices; volatility in

Municipal Market Data (MMD) and US Treasury (UST) yields; tax-exempt yields underperforming UST yields causing record high ratios; Municipal Market selling pressures amid outflows and elevated bids wanted; Municipal Bond outflows and volatile yields that contributed to muted tax-exempt supply in March; J.P. Morgan research examining the current outflow cycle relative to historical precedent; corporate and municipal issuers continuing to have access to primary market, although new issue concessions remained elevated; J.P. Morgan Research expecting 30-year UST yields to reach 1.45 percent by year-end 2020, Federal Government's purchase of \$75 billion in Treasury assets and plans to purchase another \$300 billion this week; and Federal Government's announcement of new and expanding programs to aid in market function and in support of the US economy.

Mr. Bronson stated what this meant for the Salt Lake County transaction was that interest rates in the taxable market moved up, but not as much as tax exempt rates did. He recommended the County pick a date to actually sell the bonds, but to wait to price them when rates return to an acceptable level for both the savings from the refunding and the absolute levels on taxable new money deal.

Coronavirus Effect on Salt Lake County

Mr. Bronson stated the Preliminary Official Statement (POS) is not reflecting what it needs to as far as anticipated effect on the County's revenues, specifically sales tax revenues. Eric Pehrson, Vice President, Zions Bank Public Finance, created a coverage table in the POS anticipating the total pledged revenues from sales taxes of \$52.8 million. That is a greater reduction from pledged revenues than what the County is projecting.

Committee Member Casper stated the County option sales tax projections range from the loss of 6 percent to 15 percent. The POS had numbers even further than that, but still showing positive coverage ratios.

Mr. Ryan Bjerke, Chapman & Cutler, asked how the County was coming up with some of its estimates, and if it was comparing what was happening with anything else that has happened.

Mr. Rod Kitchens, Budget Director, Mayor's Finance & Administration, stated the County has very detailed code level of information from sales

taxes, and it gets weekly reports with what is happening with hotel revenue. It can also apply policy information in terms of restaurant closures and curbside sales, and it tried to build in the Governor's plan for recovery. Additionally, it is looking at what public companies' expected reductions will be and looking at leading indicators. Then, the County can reference from the great recession on general purchases.

Mr. Bronson stated the County can measure certain things, but many measurables are lagging.

Mr. Brad Patterson, Gilmore Bell, stated it would be helpful to get a sense of the methodology to assess the reasonableness rather than waiting to get numbers.

Mr. Bronson suggested Mr. Kitchens start outlining the methodology and think about the POS as he does that.

Projects

– Reimbursement for Homeless Facilities

Mr. Bronson stated the original Parameters Resolution done in October, included a reimbursement to the County of \$17 million. He asked what the current spending estimate was. Then, the Legislature passed HB 440, which will essentially provide the County with \$3 million.

Committee Member Casper stated \$17 million is about the amount of the reimbursement. The County also intends to reimburse itself for land surrounding the South Salt Lake Homeless Resources Center.

Mr. Bronson stated Zions Bank and JP Morgan want that added to the new money project. His understanding is it is about \$5.8 million. That will require the County Council to adopt a new parameters resolution for the additional amount next week. It will need to notice a public hearing for that.

Mr. Blake Wade, Bond Counsel, Gilmore Bell, asked Mr. Casper to explain the loan made to Shelter the Homeless and if the additional funds would be used almost entirely for the location in South Salt Lake, and if the money coming to the County from HB440 was going to be less than the cost

of the South Salt Lake facility.

Committee Member Casper stated the County does not intend for Shelter the Homeless to pay back the additional cost of the purchase of land around the homeless resource center. The South Salt Lake Shelter is about 80 percent of the overall costs. That 80 percent, the amount of the debt, and the amount the County loaned to Shelter the Homeless far exceeds the legislation.

Mr. Bronson asked if the County was still pursuing New Market Tax Credits (NMTC).

Mr. Greg Folta, Finance Director, Mayor's Finance & Administration, stated one of the loans made to the owner of the facility, Shelter the Homeless, will represent the net equity that will come from the New Market Tax Credit (NMTC) transaction. Shelter the Homeless will be the one entering into the NMTC structure.

Committee Member Majid asked the Debt Review Committee to vote on adding the \$5.8 million to the current POS.

Committee Member Casper stated the amount of that land is uncertain.

A motion was made by Committee Member Delquadro, seconded by Committee Member Chamness, to approve the concept to bond for the additional land without knowing the actual dollar amount. The motion carried by a unanimous vote.

– Refinance the Salt Palace Debt from Tax-Exempt to Taxable

Mr. Bronson stated as of yesterday, using the interest rates that JP Morgan supplied to Zions Bank, the net present value savings dropped into negative figures. It would cost the County to do that refunding now. It would make more sense to do that when the market rebounded.

– Refund the 2010D Build America Bonds (BABS) Issue for Savings

Mr. Bronson stated this is taking a taxable issue and refunding it into tax exempt rates, but that the refunding just got killed with the movement of tax exempt rates. Refunding

this would be a \$1.35 million loss. It was over \$2.5 million in previous number runs or 10 percent prior to the virus. Also, by refunding away from BABS, the County would lose the direct pay subsidy.

– Updated Coverage Calculation

Mr. Bronson stated the Debt Review Committee already talked about this. He asked JP Morgan if it had a problem upsizing the new money by \$6 million.

Mr. Antti Stuhonen, JP Morgan, stated JP Morgan did not have any issues on its side. As was discussed earlier, things are in flux and wild swings are going on, so it could swing back the County's way.

Bond Ratings

Mr. Bronson recommended continuing to get sales tax issues rated by just Fitch and Standard & Poor's (S&P). Rating calls are set for April 7, 2020, but the County may want to delay that because of the market, so that it does not obtain a rating that it cannot use for a period of time.

Committee Member Casper stated he wanted to delay that.

Calendar Review

Mr. Bronson reviewed the calendar stating it is subject to change. He noted a parameters resolution was in front of the County Council yesterday. He asked how that went.

Committee Member Delquadro stated everything went as planned.

Mr. Wade stated the County will have to do a new notice of bonds to be issued and hold an additional public hearing.

Mr. Bjerke asked if the County could provide an adequate opportunity for the public to speak, since the requirement that gatherings be no more than 10 people.

Mr. Ralph Chamness, Deputy District Attorney, stated the Council will allow people into the Chamber, and it also has a call in telephone number.

Review Structure

Mr. Bronson reviewed the structure for the Series A (\$21,990,000 tax-exempt); Series B (\$36,685,000 taxable); the debt service to produce level savings; the interest payment dates; the principal payment dates, which have two different dates because of the original debt structure; the debt service schedule; 10-year par call; cost of issuance; and Social Impact Bond designation for homeless facilities. Zions Bank will be talking with JP Morgan about the call features as it gets closer to the date of issuance. He asked JP Morgan if it had any concerns with the Social Impact Bond designation

Mr. Suhonen stated he would look at that and get back to Zions Bank.

Parameters Resolution

Mr. Bronson reviewed a recap of the parameters resolution of \$46 million Par (plus \$21 million for the homeless facilities previously adopted); a 5.5 percent interest rate; 2 percent discount from Par, and the maturity date to be no longer than 21 years. Interest rates will change tonight.

Mr. Wade asked if there was a November 1, 2020, maturity date related to the Salt Palace, since the February 2020, maturity date has already passed,

Mr. Pehrson stated the \$765,000 refunding of the 2014 Sales Tax Revenue and Refunding Bonds (STRBs) is not being called. It is just going to stay in the escrow until the maturities in 2021, 2022, and 2023.

Mr. Wade stated if it is put in escrow now, it will be closed, so he asked that the resolution show that as having gone away.

Preliminary Official Statement

Mr. Pehrson reviewed the Preliminary Official Statement in detail.

Mr. Bronson stated pieces of the preliminary official statement need updating, especially as the Coronavirus issue continues. He suggested leaving it open and taking it day by day until the market comes back. He anticipated at some point, Zions Bank would turn out another draft and that there would have to be another conference call to go over the changes.

Committee Member Casper asked if the County should do the due diligence

questionnaire at that time.

Mr. Bjerke stated it seemed premature to do that now.

4.2 Sales Tax Revenue Refunding Bonds Due Diligence

[20-0346](#)

Attachments: [SL County STR Due Diligence Questionnaire v2 \(DRC 03.25.20\)](#)

This matter was not discussed.

5. Other Committee Business

Chair Tingley stated the next scheduled Debt Review Committee meeting will be Wednesday, April 29, 2020. There may need to be a conference call for the due diligence on these bonds.

6. Adjournment

The meeting was adjourned at 4:20 PM.

SHERRIE SWENSEN, COUNTY CLERK

By _____
DEPUTY CLERK

By _____
CHAIR, DEBT REVIEW COMMITTEE