SALT LAKE COUNTY

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

Meeting Minutes

Wednesday, March 29, 2023

2:00 PM

Room N2-800

Debt Review Committee

1. Call to Order

Present: Committee Member Wayne Cushing
Committee Member David Delquadro
Committee Member Darrin Casper
Committee Member Javaid Majid
Committee Member Mitchell Park
Ex-Officio Member Marcus Keller
Committee Member Richard Jaussi
Committee Member Craig Wangsgard

Excused: Chair Chris Harding
Committee Member Ralph Chamness

2. Public Comment

Mr. Steve Van Maren asked that speakers use their microphones for the benefit of those participating remotely.

3. Approval of Minutes

3.1 Approval of Minutes 23-0276

Attachments: 102622 Debt Review Minutes.pdf

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

4. Discussion Items

4.1 Discussion on Sales Tax on Food 23-0279

Committee Member Casper stated the County Council asked him to look into eliminating the 0.25 percent of the County's County Option sales tax on food. He told the Council he would first need to see whether that would violate the bond covenants with bond holders and if that could be done with the State Tax Commission because Salt Lake County shares revenues with other counties based on population.

Ms. Corinne Johnson, Senior Policy Advisory, Council Office, stated several Council Members have been asked by constituents what the impact would be if the County removed sales tax on food to provide tax relief to the residents of Salt Lake County. The Republican caucus made it a priority to understand this issue. She read the following email Tim Bodily, Deputy District Attorney, sent responding to that:

"*As to the County Option Sales tax, a statutory amendment would be required to exclude food for all Counties that impose a tax, or, alternatively, an amendment would be required to change the distribution formula from 50% population/ 50% point of sale to 100% point of sale. I spoke with Scott Stephens, CFO, at the Commission. Assuming the necessary statutory amendments, the Commission could administer it. As with all similar bills, they would need advanced notice at least 90 days before the first calendar quarter when the change is intended to go into effect. So, if the Legislature passed a bill that became effective on May 12, 2024, the soonest the change could occur would be on sales occurring on or after October 1, 2024. Of course, the Legislature could put a later date as it did when Section 59-12-1102 was originally passed.*

For reference, the current statutory language provides for a "county option sales and use tax of .25% upon the transactions described in Subsection 59-12-103(1)." Section 59-12-103(1) includes food. It is clear this is intended for a "statewide purpose." Utah Code § 59-2-1101. Thus, the statute needs to be amended so that the exclusion on food applies to all counties imposing the tax or the distribution formula needs to be changed to 100% point of sale.

As with any voluntary revenue reduction, bonding and other commitments must be considered. For example, I don't see a material impact to the Convention Hotel incentive since it likely does not sell unprepared food."

Committee Member Casper stated Mr. Bodily was concerned the State Tax Commission would not be able to properly distribute the dollars without the statutory authority enabling this action. The Tax Commission distributes the money based on a formula and this would alter the formula it uses.

Mr. Marcus Keller, Vice President, Zions Public Finance, stated he wanted to focus on the bond covenants if the County were to eliminate the sales tax revenue.

Mr. Bradley Patterson, Attorney, Gilmore Bell, stated the County has two covenants in its bond documents with Gilmore Bell. They are both contained in Article 6 of the indenture related to the County's sales tax revenue bonds. Article 6.1(a) is the County's covenant, which is basically that the County will not amend the authorizing ordinance in any way while the bonds are outstanding or in any way that would jeopardize the timely payment of principal or interest payment, and that covenant is for the life of the bonds. Then, 6.10 is language that mirrors the State's covenant, which is a statutory covenant in the Local Government Bonding Act where the State basically pledges to the owners of the bonds that it will not impair the revenues unless it makes adequate provisions by law for the protection of the owners. Those two covenants would play into the County's ability to change its sales tax or pledge. Depending on how things went, other provisions of the indenture in the document could come into play, such as the material impairment contract. There is some contract law about what material impairment is relating to removing or reducing sales tax from certain kinds of transactions, but there is nothing directly on point. Nonetheless, there is a possibility bond holders could cry foul, and a bond holder could file a suit, whereby the case would go to court for a decision.

Mr. Ryan Bjerke, Partner, Chapman & Cutler, stated there are provisions in the document that Chapman & Cutler provided to the County that gave it some argument moving forward, and the risk would be litigation and further impact down the line.

Committee Member Park stated he presumed if the County went down this path, and ended up in litigation, the mere fact its bond holders filed suit against the County would be looked at unfavorably by the rating agencies.

Mr. Japheth McGee, Vice President, Zions Public Finance, stated S&P Global Ratings says in its rating criteria that if there is a perceived change in the willingness of an entity to honor its obligation in full and on a timely basis, it will cap the entity's rating at a specific level. It cares very much about the perception of the entity's ability to freely unencumber its revenue stream. If it thought the future of that revenue stream would not continue to rise because the County decreased it, the County could expect a downward rating.

5. Other Committee Business

Market Update

Mr. Marcus Keller, Vice President, Zions Public Finance, delivered a PowerPoint presentation on the market update for March 29, 2023, reviewing J.P Morgan's Municipal Market Update, including recent J.P. Morgan transactions, market commentary, interest rate forecasts, market monitor, and yield curve rates and ratios; graphs of capital markets yield environment; a tax-exempt and taxable yield curve comparison; Salt Lake County's total sales tax revenue bonds; a graph showing 10-year municipal market data, 10-year United States Treasury, and the federal target rate; and a Salt Lake County refunding analysis for March 29, 2023.

Mr. Japheth McGee, Vice President, Zions Public Finance, continued the presentation reviewing S&P Global Ratings' Sales Tax Revenue Rating for Salt Lake County for 2022; and Moody's Revenue and Special Tax Bond Rating Analysis for Salt Lake County, Series 2023 Sales Tax Revenue Bonds.

Open Meetings Act Training

Committee Member Wangsgard stated the statute requires the Chair to make sure and note that all Debt Review Committee members have had Open Meetings Act Training. For the record, every member has affirmed they have had the training this year, so it will not be necessary to do the training here.

Judgment Levy

Committee Member Delquadro stated it came to his attention that the County Treasurer issued a couple large refunds in December 2022. The refunds amounted to around $1 million, but there may be another draw. The question was raised whether the County would want to do a judgment levy to recoup those losses. He thought the Debt Review Committee should let the Council know and find out what it would like to do.

Commercial Property Assessed Clean Energy (C-PACE)

Mr. Marcus Keller, Vice President, Zions Public Finance, stated Zions Public Finance was contacted asking if the County would be willing to do a C-PACE issuance. He suggested the requester look on the County's website at its policy on conduit issuance, but he was told this was unique and that there was a time constraint. The County would administer the C-PACE bond, but it would not have any obligation, as with any other conduit issuance. However, the statute allows the County's executive office, in this case, the Mayor, to delegate that.

Mr. Bradley Patterson, Attorney, Gilmore Bell, stated a developer business owner is asking if the County would issue these. He explained that a C-PACE is like a special assessment district, done to recoup energy savings. An agency would issue the C-PACE bond for the purpose of financing improvements that would provide energy efficiencies, and those energy efficiencies would yield certain kinds of savings. Then, those savings could be used to pay off the bonds.

Committee Member Park stated the statutory mandate and ordinance say the Debt Review Committee shall review a conduit issuance on behalf of a third-party entity when the County acts either as the issuer or is a participating entity, pursuant to a duly executed interlocal agreement.

Committee Member Wangsgard stated he would want to understand the transaction better. He did not understand how just executive action could take place to participate, and not legislative action.

Mr. Keller stated he would get some information on this and forward it to the Debt Review Committee. He suggested this be discussed at a meeting in April.

Committee Member Jaussi stated there would most likely be an April meeting and everyone should plan on attending.

6. Adjournment

The meeting was adjourned at 2:55 PM.

LANNIE CHAPMAN, COUNTY CLERK

By ____
DEPUTY CLERK

By ____
CHAIR, DEBT REVIEW COMMITTEE