

SALT LAKE COUNTY

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



Meeting Minutes

Wednesday, May 25, 2022

2:00 PM

Room N2-800

Debt Review Committee

1. Call to Order

Present: Chair Wayne Cushing
Committee Member Chris Harding
Committee Member David Delquadro
Committee Member Darrin Casper
Committee Member Ralph Chamness
Committee Member Javid Majid
Committee Member Mitchell Park
Ex-Officio Member Marcus Keller

2. Public Comment**3. Approval of Minutes**

3.1

[22-0527](#)

Attachments: [DRC Minutes 042722](#)

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

4. Discussion Items

4.1

[22-0536](#)

Attachments: [Copy of Summary of STH contribution and bond defeasement](#)
[STH linked adjustments](#)
[1.12.01J - Decision Package Summary - June \(002\)](#)
[Salt Lake County Defeasance Summary \(002\)](#)
[Scenario 1 - SLCo Cash Def 20 STRB-STH Now with Call SLGS 05-17-22 \(002\)](#)
[Scenario 2 - SLCo Cash Def 20 STRB-STH Now with Call OMS 05-17-22 \(002\)](#)
[Scenario 3 - SLCo Cash Def 20 STRB-STH Now Waived Call 05-17-22 \(002\)](#)
[Scenario 4 - SLCo Cash Def 20 STRB-STH Now Waived Call 1% Prem 05-23-22](#)

Mr. Darrin Casper, Deputy Mayor of Finance & Administration, reviewed the Mayor's proposal to use General Fund fund balance bolstered by recouped lost revenues to help defease Shelter the Homeless debt. Shelter the Homeless is in a contract with the County to make payments to it to pay

off the debt. However, Shelter the Homeless has had difficulty raising money for a building that has already been constructed and where the County has stepped in. It paid the full amount the first year, but its fundraising efforts came up short the second year and it only contributed about \$900,000 out of \$3.4 million.

Defeating the Shelter the Homeless debt is a win-win because it reduces the risk of the County not receiving payments for that debt; it lifts a huge burden off Shelter the Homeless allowing it to focus on the operations; and at least three Council Members have a strong preference to defease some of the County's debt. In addition, the State appropriated \$5.8 million to Shelter the Homeless, available July 1st, but it is dependent upon a match by the County. The only downside is the County will be using its fund balance to reduce the debt.

Mr. Greg Folta, Finance Director, Mayor Finance, reviewed the budget adjustment that will be proposed on June 7th to the County Council. The budget adjustment consisted of \$7 million of sources that would be used to pay off Shelter the Homeless' debt to the County, including the \$5.8 million from the State, Shelter the Homeless' payments, and other sources of funds; and the total cash available for defeasance of \$16.86 million from fund balance transfers, including a buffer of \$419,236 from the Stat & General Fund.

Mr. Marcus Keller, Vice President, Zions Public Finance, stated the bonds are call-protected - they have a 10-year par call, which is February 1, 2030. To legally defease bonds that are call-protected, the County would need to buy state and local government securities or open market securities in an amount to match the payoff schedule of the bonds through the call date, plus the accrued interest that those securities would earn through the call, unless J.P. Morgan Chase would waive the call.

He reviewed a defeasance summary of the following four scenarios, with a defeasance date of August 16, 2022: Scenario 1 - Purchasing state and local government securities, which the County may or may not be able to use; Scenario 2 - Purchasing open market securities; Scenario 3 - JP Morgan waiving the call at 100 percent; and Scenario 4 - JP Morgan waiving the call at 101 percent, meaning the County would pay a 1 percent premium. This summary was done to see which was the most cost-effective way to defease the bonds.

He spoke with J.P. Morgan and it is willing to waive the call date at 101 percent, unless there is a large market movement that drops interest rates between now and when this gets done. He suggested pushing up the August 16th date to minimize the risk, provided the County can get the funds from the State earlier and as long as the funds needed were available.

A motion was made by Committee Member Delquadro, seconded by Committee Member Majid, that the Debt Review Committee recognized it was important to match the \$5.8 million the State is offering to Shelter the Homeless; and that it made sense, given the amount of money involved, to defease the entire portion of the bond that is currently being shouldered by Shelter the Homeless; and to the extent practical, that the County take advantage of moving the defeasance as close to July 15, 2022, as possible to minimize the risk and take advantage of the offer being made. The motion carried by a unanimous vote.

Mr. Craig Wangsgard, Deputy District Attorney, stated if interest rates go up significantly, the net present value of direct defeasance would go down or the other ones go up, so J.P. Morgan might be able to reduce its fee to get the cash.

Mr. Keller stated if rates jumped up, J.P. Morgan would want to get paid off versus the County putting it into open market securities. There is probably a sweet spot where everyone can come out happy with it.

4.2

[22-0533](#)

Mr. Marcus Keller, Vice President, Zions Public Finance, stated the Federal Government released the minutes today, saying it will continue to do whatever it needs to do to curb inflation. That may include a 50-basis point increase over the next year. It is very unlikely that rates will go down, which is good news for defeasing the bonds. He reviewed the Market Update for May 26, 2022, which included the J.P. Morgan Municipal Market Update of recent J.P. Morgan transactions, a market commentary, interest rate forecasts, a market monitor, and yield curve rates and ratios; a Municipal Market Outlook for May 18, 2022; and interest rate trends from the Bond Buyer Index for January 1988 to May 2022, and January 2019 to May 2022.

5. Other Committee Business

Committee Member Cushing stated the next meeting is June 29, 2022.

6. Adjournment

The meeting was adjourned at 2:40 PM.

SHERRIE SWENSEN, COUNTY CLERK

By _____
DEPUTY CLERK

By _____
CHAIR, DEBT REVIEW COMMITTEE