SALT LAKE COUNTY

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

Meeting Minutes

Wednesday, July 31, 2024

2:00 PM

Room N2-800

Debt Review Committee

1. Call to Order

Present: Committee Member Darrin Casper
Committee Member David Delquadro
Committee Member Chris Harding
Committee Member Mitchell Park
Ex-Officio Member Johnathan Ward
Chair Ralph Chamness

Call In: Committee Member Wayne Cushing
Committee Member Greg Folta

2. Public Comment

3. Approval of Minutes

Approval of Minutes from the June 19, 2024 Debt Review Committee meeting 24-1911

Attachments: 061924 Debt Review Committee Minutes

Mr. Craig Wangsgard, Deputy District Attorney, asked that the minutes be amended to change “temporary” hearing to “TEFRA” hearing.

A motion was made by Committee Member Park, seconded by Committee Member Delquadro, to approve the minutes with that amendment. The motion carried by a unanimous vote.

4. Financial Advisor Update

Mr. Johnathan Ward, Senior Vice President, Zions Public Finance, delivered a presentation on the Municipal Market Outlook for July 25, 2024, reviewing interest rate movements in the Municipal Market Data (MMD) Triple A General Obligation (GO) bonds and the United States Treasury, the ratios, other rates, and Bond Buyer Indexes; graphs of the 10-year Treasury and Triple A MMD, the Bond Buyer 20-year GO Index; daily Triple A MMD interest rates from 2012 to present, and US Treasury Rates from 2008 to present; and a market snapshot of the yield curve for 10-year MMD and current MMD rates; the yield curve change for July 28th and July 29th, and the averages; the Federal Reserve Future projections for September 18th, and December 18th, at the current rate. Mr. Johnathan Ward stated the chart showing the 10-year Treasury and AAA MMD would be important to the County if it did the Municipal Building Authority Lease Revenue Refunding Bonds. The larger the gap between those two, with municipal bonds being low and treasuries being high, was better for the County, with regard to its refinancing. That gap was narrower than it was at the beginning of the year, and it would have an impact.

5. MBA $30,920,000 Lease Revenue Refunding Bonds Calendar of Events

Mr. Johnathan Ward, Senior Vice President, Zions Public Finance, stated if the County refunded its 2009B Build America Bonds (BABs) using the extraordinary redemption feature, and waited until December 1, 2024, to close, it would cost the County $62,000, based on today's market. If the County closed before December 1st, it would cost the County $850,000, Under the extraordinary redemption price calculation, the County had two options: it could pay the greater of the outstanding principal remaining on the bonds or the present value of all future principal and interest payments. The greater of the two is the present value of all principal and interest in today's market. When using the present value calculation to come up with a discount rate, the County had to look to the Treasury yields. High Treasury yield rates would give the County a higher discount rate. A lower present value price under this redemption feature would save the County money. The other factor in that equation, were the total principal and interest payment amounts. If the County could wait to close the refunding until December, and make the December payment as scheduled, it would reduce the County's present value remaining on the bonds. The $62,000 of net present value costs would change, but he hoped it would be a positive change.

A parameters resolution was scheduled to be placed on a Council agenda next week for authorization. That authorization would start the 30-day contest period, and it would authorize publications of notices in a newspaper and on websites. However, it would not authorize the refinancing, so if there was a negative amount, the County would not have to do the transaction. He thought it was worth paying $62,000 to get out of the BABs. The County would have to decide on that soon because it would need to start talking about ratings and the expense it would incur to have one or two rating agencies review the credit. A rating agency would expect 75 percent of its normal cost to do that. A draft of the calendar had an October 1st closing at the earliest, but again, the County would be better waiting until December to close at the earliest. The Debt Review Committee could also push back the parameters resolution to August 13th.

Committee Member Casper stated he was fine waiting until October 13th. He did not want to incur rating expenses until he knew if the County was going to do this, and it would not refinance for a loss. It would only refinance if it made good financial sense.

Mr. Ward stated the County should be ready to put out an official statement and have its rating presentation ready to go in the event the market looked good. It would probably take a month after the presentation to get the rating. Then, two weeks beyond that, the County should be ready to sell. There would be some potential risk getting ready for a rating presentation call, in that the County could incur a cost and end up eating it.

Committee Member Casper asked if the $62,000 loss included the cost of ratings.

Mr. Ward stated yes.

Committee Member Delquadro stated the other metric was if the federal sequestration subsidy was reduced or eliminated.

Mr. Ward stated the County could lose its subsidy. If that happened, this analysis would go out the door because the County was assuming that subsidy would stay intact at its existing level throughout the life of the bonds. If the County did not get any subsidy from the Federal Government, there would be no reason for the County to pay taxable interest rates.

Committee Member Chamness asked if the Debt Review Committee had to make a recommendation to send the parameters resolution to the Council.

Mr. Craig Wangsgard, Deputy District Attorney, stated it normally did that with a parameters resolution.

Mr. Ward stated getting some things underway would be helpful in the event the County wanted to expedite this in December. There were multiple steps to do this. The County had to not only do a parameter's resolution, but it also had to do a statement resolution authorizing the bonds.

Committee Member Delquadro asked if the Debt Review Committee could delegate the authority to Committee Member Casper on its behalf to consider whether to pull the trigger or not.

Committee Member Casper stated it would be best to have as much flexibility as possible to move forward on this because the market was so tight.

A motion was made by Committee Member Delquadro, seconded by Committee Member Park, to give Committee Member Casper the authority to make the decision when to put this on the Council's agenda, on behalf of the Debt Review Committee. The motion carried by a unanimous vote.

6. Conduit Financing Application Fees

Committee Member Chamness stated this fee has not changed since the Council first imposed it. He asked if the Council wanted to consider raising this fee or looking into whether it correlated with what it cost the County to do a conduit bond.

Committee Member Park stated the Debt Review should review this fee, but it made more sense to discuss it during the first quarter of 2025, at which time there would be three new Council Members.

7. Jail Bond Financing Recommendation

Committee Member Casper stated he worked with Zions Public Finance on a spreadsheet of the actual anticipated financing to bond for the jail, so the County could come up with ballot language. Today, the Debt Review Committee would be looking at operating costs for that and making a final determination whether a general obligation (GO) bond was the appropriate bond for the jail. At its last meeting, the Debt Review Committee tentatively made that determination.

Ms. Jill Miller, Deputy Mayor of Finance and Administration, reviewed the components of the project, stating the first component would be to move everything from the Oxbow Jail to the Adult Detention Center (ADC), build 800 additional beds at the ADC, expand the mental health unit, and add a transitional or step-down unit. The next component would be to build a Justice and Accountability Center (JAC), which would focus primarily on providing substance use support, mental health support, and stabilized housing for primarily the unsheltered population who were cycling through the criminal justice system. The third component would be to take care of deferred maintenance on the ADC and the Sheriff's office building. Then, the final component would be to demolish the Oxbow Jail and sell off that land. Those components would cost approximately $607 million. The County has $100 million set aside, so it would need to bond for $507 million.

Committee Member Delquadro asked how many beds would be eliminated with consolidating the Oxbow Jail.

Chief Matt Dumont, Deputy Chief, Sheriff's Office, stated the Oxbow Jail had a total of 552 beds. Of those, it had two of the three pods operational, and each pod had 184 beds, so it would lose 368 beds.

Ms. Miller stated once everything was complete, there would be 2,620 general population, 160 mental heath, and 100 step-down beds at the ADC. Then, at the Justice and Accountability Center, there would be 16 subacute beds and 280 housing stabilization unit beds.

Committee Member Harding asked if there would be capacity to grow the jail or if it would be at maximum capacity when it opened.

Chief Dumont stated he anticipated there would be a slight increase in jail population of about 10 percent, but there would be a reduction of 160 mental health beds.

Ms. Kelly Colopy, Director, Human Services Department, stated the intention with the Justice and Accountability Center was to fill two key gaps in the current system. It would have a subacute unit, which would be a short-term intensive residential program to stabilize people who have both a high level of mental health concerns and substance abuse. The other piece would be to provide short-term transitional housing and wraparound services for people who had multiple criminal citations, but who were being booked and released to the street. The purpose was to get these people stabilized to stop them from rotating in and out of the jail due to the lack of access to services and housing.

While there was a $2.3 million price tag for the 16-bed subacute unit, it would be primarily Medicaid funded. The County would need to provide $400,000 for its annual programming. There would also be 180 transitional housing beds, some of which would be in small pods, such as six beds to a unit, and some would be more individualized, but without kitchens. Then, there would be 100 permanent supportive housing units, which would have kitchens. Each of those models had a different cost. Some of the annual programming for those could be covered by Medicaid, depending on the model, and some could be paid for with housing vouchers and other things. The Human Services Department was still working on that combination of different funding methods.

Committee Member Delquadro asked how much the contingency was in the total amount of $607 million.

Ms. Miller stated it was 10 percent on the construction, and the costs were projected to be 2027 numbers.

Committee Member Harding asked how much was being put into deferred maintenance.

Committee Member Casper stated $90 million was included in the $607 million for deferred maintenance.

Committee Member Chamness stated County ordinance requires the Debt Review Committee to validate the annual combined net operational and maintenance costs for each facility subject to the bond proposition. Those costs would go into the bond language for the ballot.

Committee Member Delquadro stated he would like Ms. Colopy to address what Medicaid dollars would be available for regarding the professional services provided at the Justice and Accountability Center for the record.

Ms. Colopy stated Medicaid would pay for almost the full amount of the 16-bed subacute unit, i.e. the mental health treatment, staffing, and other things. A specific Medicaid code also allowed for the payment of housing providers and support systems, and that code was expanded to include providers other than just the County's provider, Optum. She was not sure what amount the County would be able to draw down because it would depend on the models. She anticipated the total cost for full operations would be around $14 million.

Committee Member Folta asked if the Medicaid portion was factored into that $14 million.

Ms. Colopy stated it was not. Her office was working on identifying the different resources it would need to operate the center as it built out the model more fully. The estimates had come from similar models that existed today in Salt Lake County, with an inflationary factor built in for 2027.

A motion was made by Committee Member Park to: 1) restate what the Debt Review Committee indicated at its last meeting that the most fiscally prudent available financing for this issue would be a GO bond; 2) based on that assumption, the Debt Review Committee reviewed the numbers presented by the Mayor's Financial Administration to determine whether or not the net operational and maintenance costs were valid based on the assumptions that were presented and that the Debt Review Committee had no reason to believe they were not; and 3) to instruct Committee Member Chamness, acting in his capacity as Chair, to draft a letter to the County Council indicating those two recommendations had been made and that this was a policy choice appropriate for the policy makers to consider at their discretion.

Committee Member Delquadro asked for a friendly amendment to change the words in the second portion of the motion "that the Debt Review Committee had no reason to believe they were not," and instead say "the Debt Review Committee had no basis to change them." Committee Member Park accepted the amendment.

Committee Member Casper stated the $14 million for the sub-acute unit was the gross amount, so $1.9 million would need to be subtracted from that.

Committee Member Park withdrew the motion until all the numbers were clear.

Chief Dumont reviewed the numbers for the jail, stating there would be an increase of 250 beds, which was about a 10 percent increase, and the Sheriff would open about 5 percent of those initially. Then, staff additions would be at an increase of $5.5 million. That included adding ten deputies, eight full-time registered nurses, one laboratory technician, one pharmacy technician, four therapists, one case manager, one program manger, and one nurse practitioner. He anticipated staffing at full capacity would cost $11 million. The jail has a series of contracts based off prisoner population for food service, medical service, IMC Labs, Pacific Mobile, and Diamond, and those costs would increase by 5 percent, so just under $5 million. Operations and maintenance (O&M) would increase at the ADC, but be offset by reduced O&M costs at the Oxbow Jail. O&M costs would be just under $4 million.

Committee Member Casper stated the jail costs reflect the ability to grow in terms of providing services, and they include some efficiencies. Now, the Sheriff's Office had to transport food and laundry between the ADC and Oxbow Jail. The decrease for O&M costs for Oxbow Jail was $4 million, and the increase for the ADC was $2.056 million, for a net decrease of $2 million.

A motion was made by Committee Member Park, seconded by Committee Member Delquadro to: 1) re-establish what the Debt Review Committee voted on the last time it met, which was that the most favorable approach for this project would be a GO bond; 2) consistent with that and County ordinance, that the Debt Review Committee had looked at and reviewed the Mayor's Financial Administration's preparation of the annual combined net operational maintenance costs for each facility, of which there were two related to this project subject to the bond proposition, and it had validated those numbers in the sense that it did not have a basis that they ought to be different, based on the data and assumptions that had been presented; and 3) to ask Committee Member Chamness, in his capacity as the Chair of the Debt Review Committee, to draft a letter stating these views to the Council and indicating in its legislative discretion that it could choose to go forward and approve this project by issuing a ballot proposition for the voters if that is what it chose to do.

Mr. Craig Wangsgard, Deputy District Attorney, suggested one clarification to include the word "additional" to the net operational maintenance costs to run these facilities. The costs presented did not take into account what the County was currently spending.

Mr. Park stated the letter should clearly state the assumptions based on County ordinance.

Committee Member Harding asked if the net operational maintenance costs included the reduction for the subacute beds.

Committee Member Casper stated his office would double check the math.

A motion was made by Committee Member Park, seconded by Committee Member Delquadro to: 1) re-establish what the Debt Review Committee voted on the last time it met, which was that the most favorable approach for this project would be a GO bond; 2) consistent with that and County ordinance, that the Debt Review Committee had looked at and reviewed the Mayor's Financial Administration's preparation of the annual combined net operational maintenance costs for each facility, of which there were two related to this project subject to the bond proposition, and it had validated those numbers in the sense that it did not have a basis that they ought to be different, based on the data and assumptions that had been presented; and 3) to ask Committee Member Chamness, in his capacity as the Chair of the Debt Review Committee, to draft a letter stating these views to the Council and indicating in its legislative discretion that it could choose to go forward and approve this project by issuing a ballot proposition for the voters if that is what it chose to do. The motion carried by a unanimous vote.

[Later in the Meeting]

Committee Member Casper reviewed the assumptions that showed the average cost on an average home for the debt issuance for the jail. The Facilities Management Division provided him with its standard bell curve on construction costs, with some costs added to that, and it was determined the County would not need to issue debt, pursuant to the GO bond authorization, until 2027.

The debt issuance would be done in two traunches. This would ensure the County could meet the Internal Revenue Service (IRS) spend down rules. This was important because the yield curve would be different in 2027, and if the County could spend those proceeds within the IRS spend down timeline, then it could keep any interest that was approved above the average yield. By doing traunches, the County would also get the benefit of average growth in the new growth, drawing down the actual impact on an average home, not year-over-year inflationary growth.

The first bond issuance would be for $250 million, and the next issuance would be for $257 million. Using the bell curve structure draw schedule and two traunches of debt, the average impact on a homeowner would be $55 per household, and that amount would not be fully realized until 2030 when the GO debt levy was raised to pay for this debt service. If the County were to issue $507 million of debt on January 1, 2025, the average impact on a home could be as high as $70 per household. He provided this best estimate to Ryan Bjerke, Bond Counsel, using these assumptions, and he seemed comfortable with this analysis.

Committee Member Delquadro asked how much detail the County would tell the public when asking it to vote to authorize this request.

Mr. Craig Wangsgard, Deputy District Attorney, stated the bottom part of the ballot language would show the anticipated additional expenses for the jail; the top part would show the additional tax on the average value of a residence and the same value on a business.

Committee Member Casper stated the language would also say these were estimates based on the current plans.

Mr. Johnathan Ward, President, Zions Public Finance, stated it was important the public realized that the current estimates were not going to be the actuals. The assumptions were based on what was known today, but the numbers would be different when the bond was issued.

Mr. Wangsgard stated the numbers would be for the actual cost of the debt service.

Mr. Japheth McGee, Vice President, Zions Public Finance, reviewed the property tax value percent change year over year for years 2018- 2024, and then the estimates of what the property tax value percent would be, with descending increases each year. If the County continued to see valuation increases similar to what it had seen over the past decade, then there would be a much smaller impact on the average home in Salt Lake City from what had been estimated.

8. Validation of Mayor's Fiscal Staff's Determination of "Net Operational and Maintenance Costs" for Potential Jail Bond

This agenda item was discussed concurrently with the jail bond financing discussion.

9. Recommended Ballot Language for Potential Jail Bond

Committee Member Chamness stated if there was no objection, he would pull this item. It was not the Debt Review Committee's purview to opine on this. The County Council will have a discussion on what the actual language should be based on state law and ordinance.

10. Potential Debt Issuance for New County Building

Committee Member Casper stated the Administrative Services Department had formed a group to work on a Service, Opportunity, Assessment Review (SOAR) project, with the Real Estate Section. The Real Estate Section started looking at County real estate assets on a balance sheet to gain a return from then, rather than just forgetting about them. As the SOAR committee and Real Estate embarked on doing this, they recognized the Government Center was an inefficient building with massive excess land. The building is a 500,000-square-foot building for 2,000 people on 14.1 acres. Since Covid changed the way County employees worked, in that many of them were working from home, the current design of the Government Center was inefficient and had a tremendous amount of functional obsolescence. SOAR and others considered demolishing the Government Center, and building a new building on this site that was more efficient and conducive to the way the County was working. Then, it could lease the balance of the land, which would result in an increase in taxes, and that money could possibly be used to pay for the new building. While entertaining that idea, the Assessor's Office also discovered buildings were on the market for sale and that the cost to buy those buildings was a lot less that the cost to build a new building. The County is possibly going to take action to do that, and it needed to be ready to act quickly because the buildings that were for sale would sell within months.

He suggested the Debt Review Committee take the County Council a reimbursement resolution, so if the Council did take action to purchase a building, the County could issue debt for that purpose. The reimbursement resolution would enable the County to spend money that had been assigned to offset future debt, and then it would reimburse that money from a secondary bond issuance. That would give the County time to determine if it needed to issue debt or whether it could make it up.

Mr. Craig Wangsgard, Deputy District Attorney, stated the County would have 60 days before the resolution and 18 months after it to do that.

Committee Member Casper stated Mr. Wangsgard prepared two draft reimbursement resolutions - a Municipal Building Authority Lease Revenue Bond and a Sales Tax Bond, that the Council could consider.

Mr. Wangsgard stated regulations on reimbursement resolutions did not require specifying what the debt would be.

Mr. Japheth McGee, Vice President, Zions Public Finance, stated a reimbursement resolution would not give the County the authority to issue debt; it would just allow it to reimburse itself.

Committee Member Park stated his suggestion would be put this on the next Council agenda and let the Council know the Debt Review Committee had vetted this.

11. Other Business

Committee Member Chamness stated the next meeting was scheduled for August 28, 2024.

12. Adjourn

The meeting was adjourned at 3:30 PM.

LANNIE CHAPMAN, COUNTY CLERK

By ____
DEPUTY CLERK

By ____
CHAIR, DEBT REVIEW COMMITTEE