
SALT LAKE COUNTY

Debt Review Committee

Debt Review Committee Meeting – Minutes (Approved)

Audio available: <http://slco.org/debt-review/audio/>

Thursday, February 1, 2018, 2:00 p.m. – 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:

Ralph Chamness, Chair (District Attorney’s Office)
Wayne Cushing, Member (Treasurer’s Office)
David Delquadro, Member (Council Rep)
Cherylann Johnson, Member (Auditor’s Office)
Javaid Majid, Member (Mayor’s Office)
Jason Rose, Member (County Council)
Scott Tingley, Member (Auditor’s Office)
Jon Bronson, Ex-officio Member (Zions Bank)

Other Attendees:

Stephen Barnes (District Attorney’s Office)
Craig Wangsgard (District Attorney’s Office)
Steve VanMaren, (Citizen)
Laura Lewis (Lewis Young, Inc. for UOLF)
Marcus Keller (Zions Public Finance)
Rod Kitchens (Mayor’s Office)
Aaron Wade (Gilmore Bell)
Randy Larsen (Gilmore Bell)
Joyce Peterson (District Attorney’s Office)

Committee Member Absent:

Darrin Casper, Member (Mayor’s Office)

AGENDA

Chair, Ralph Chamness called the meeting to order at 2:05 p.m.

1. Financial Advisor Update

The meeting was started at Agenda No. 6, Financial Advisor Update. Jon Bronson handed out market information (attached). Mr. Bronson discussed the municipal market outlook. The MMD 10 year data from the prior Thursday indicates AAA GO rate was 2.20%, up 10 basis points from where it was the week prior and up another 13 basis points from the month prior, however lower than a year ago. Since Thursday the index has increased another 13 basis points, a pretty significant increase in rates. The JP Morgan 10 year MMD forecast showed 2.23% as of the 26th of January. They are forecasting that the 10 year rate goes down in the first quarter and go back up the second, third and fourth quarters.

Mr. Bronson indicated there are broad implications of the Federal Tax Reform Bill. They eliminated advanced refunding; it was good the refunding was done at the time it was done due to the inability to do so until the call date, so by then the rates may have been higher, providing no savings. Private activity bonds were saved and are still allowable as are tax exempt stadiums. The drop in the corporate tax rate to 21% is going to make municipal bonds less attractive to corporate entities with the lower tax rate due to there being less benefit to have tax exemption on the 21% than the 35%. There will be some that are still in the higher tax rates and one would think that they would continue to be attracted to the municipal credit who typically own the lion's share of the municipal bonds. Mr. Bronson indicated someone needs to figure out a way to unify the high net worth buyers in a cost effective way so those that are still in the 35% tax bracket can effectively look at the investment. Many entities have stepped to the sidelines or increased their rates to reflect that they are less beneficial because of the lower tax rate.

Mr. Bronson indicated that in January we see what is called the January effect where from Thanksgiving through New Year's people are not focused in putting together bond deals for the market, as a result in January you usually see a dearth of municipal bonds coming onto the market. January 1 and January 15 are usually big days for bond payments. Investors are looking for ways to invest money and usually creates a good market to sell into in January; there is a low supply, a lot of cash with little supply, which drives up the prices and drives down the yield. This usually is a good time to enter the market. We have not seen that this year probably due to tax reform and buyers benefit less. Rates have been increasing. Mr. Bronson indicated that the County was smart when it refunded the bonds on an advanced refunding basis early. Others that waited and rushed to meet the deadline so there was a record volume of municipal bonds in December, \$62 billion.

The Federal Reserve met this week with no rate increase. Janet Yellen was succeeded by Jerome Powell who follows the same mold as Janet Yellen, so there is not an expected change in direction. The future market projects there is a 95% chance for a rate increase in March from the Fed. JP Morgan is projecting four rate increases in 2018 and they are also projecting 3% increase in GDP nationwide for the year in 2018.

Mr. Bronson will provide information regarding the Trump Infrastructure Initiative. The plan seems to increase funding for federal revolving loan programs like the Water Infrastructure Finance Innovation Act (WIFIA) or (TIFIA), transportation, or the rail revolving loan funds they have on the Federal level. The program will provide more grants and low interest loans at the federal level which have dried up in recent years. Mr. Bronson indicated this is why one sees larger water districts and transportation funds looking for alternative ways to finance large projects which includes more Federal involvement. There has also been some emphasis going into private activity bonds which were almost eliminated with the tax reform. Much of the Trump initiative is to try to bolster private activity bonds and bring in private parties into the financing as well.

Mr. Bronson touched briefly on Utah State legislative bills:

S.B. 122, Bond Election Amendments - the bill restricts the premium an issuer can keep on a bond issue to 2%. Senator Stevenson was concerned because he was seeing issuers keeping a lot more than 2%. Mr. Bronson indicated that usually what has been done in the past is downsize the bond issue so that the debt services is exactly the same. Mr. Wangsgard asked if the bill would allow them to downsize as the County does. Mr. Bronson responded that the bill does not dictate that, the bill states there is a 2% premium. If the issue is small, 2% can cover the cost of issuance. Mr. Wangsgard also questioned whether the County could offer the bonds at a higher coupon and downsize because the higher interest rates on the coupons are more marketable and the County's net interest costs goes down. Mr. Bronson stated one would not want to eliminate the ability to take premium due to that affecting one's ability to market bonds. Mr. Bronson further stated that the County has always downsized the issue so that the debt service is the same. Mr. Tingley indicated that one can have as high a premium as the market drives to deliver your lowest true interest cost. It just means one would downsize them so as not to receive more than 2% above your voter authorization.

S.B. 110, Bond Authorization Amendments – this bill does not pertain to the County, however speaks to State bonding authorization for State projects. It adds in language so that we can bond for the cost of issuance for the debt services reserve funds and Cap I capitalized interest if necessary.

H.B. 142, Impact Fee Amendments – this bill changes impact fee law and allows for the collection of impact fees for natural gas.

H.B. 168, Political Subdivision Lien Authority - the bill pertains to county treasurers that have been certifying unpaid bills to the tax roll in a lot of cases and this bill states that one could not do that unless it is legislatively authorized.

S.B. 120, Local Government Fees and Taxes Amendments – this bill would prohibit a municipality from imposing a transportation utility fee on a legal subdivision.

S.B. 28, Local Government and Limited Purpose Entity Registry – this is coming out of the State Auditor's audit of local districts and interlocal entities. The State would create a registry. This bill will impose some burdens on the County to help create the registry.

S.B. 36, Local Option Sales and Use Tax Distribution Formula Amendments – Mr. Bronson has not studied this bill in depth. The bill may pertain to a July 1, 2016 date. The bill cleans up a lot of language, from the reference's prior dates and makes things applicable.

H.B. 54, Individual Income Tax Addition and Deduction Amendments – the bill adds in tax exempt municipal bonds and what one can deduct on State taxes.

H.B. 111, Community Reinvestment Agency Modifications - this bill removes the housing allocation requirement for the community reinvestment project areas.

Mr. Bronson discussed the Prop 1 Tax not passing in Salt Lake and Utah County and that it did not pass due to it going to UTA. Therefore legislators feel that UTA needs to be reformed and we need the tax and light rail expansions.

Mr. Bronson clarified that he is not the municipal advisor to Salt Lake County for any conduit issues, which is specifically exempted from his contract.

2. The Committee moved onto Agenda No. 7, **Waterford School Bond Rate Change.**

Mr. Aaron Wade, covered for Blake Wade who was out of town for this meeting. Mr. Wade stated that in 2010 there were bonds done on behalf of the Waterford School wherein Zions Bank was the purchaser of those bonds. As part of the purchase agreement the interest rate would increase if the Federal tax rate would decrease. Mr. Wade indicated that the corporate tax decreased with the Tax Bill that was passed in December. Mr. Wade stated that the interest rate should have gone up on the bonds, however both the school and Zions Bank agreed that they did not want the school to have that increased rate. The indenture of trust was amended so that the interest rate would only increase if there are additional modifications in the tax code. Zions Bank, as the 100% bond holder, has consented to that change. That will constitute a technical reissuance of the bonds under Federal tax law. Mr. Wade further stated that the documents will have to be approved by the County. Mr. Wangsgard stated that the only documents he has seen are the Resolution and the Indenture. Mr. Wade indicated that there will be an amendment to the Indenture of Trust and will also be offering an opinion stating the changes will not have an impact of the tax exempt status of the bonds. Mr. Wade will be filing tax form 8038 since it is a technical reissuance. He will also be issuing a tax certificate. Mr. Wangsgard stated he does not see the tax form 8038 however, normally sees the tax certificate. Mr. Wade will email the tax form to Mr. Wangsgard. Mr. Wade stated that there are two bonds, a Series A which matures in 2019 and Series B which matures 2023.

Mr. Wangsgard stated the matter had already been set for Tuesday's Council agenda. A motion was made to approve the scheduling of the matter on Council agenda per Debt Committee's review. All voted in favor of approval.

3. The Committee moved onto Agenda No. 8, **Summit County Conduit Financing for Olympic Legacy Foundation.**

Mr. Larsen stated that the Olympic Legacy Foundation is a 501(c)(3) corporation that has taken over the management and administering several of the winter sports facilities. They are seeking to finance approximately \$16 million as a conduit bond similar to the Waterford School District structure. The project has approximately \$14 million that will be in Summit County and approximately \$2 million of projects that will be in Salt Lake

County. There are two options for financing: seek independent issuance of bonds by both Salt Lake County for the \$2 million and Summit County for the \$14 million. There are inefficiencies in doing so what the Foundation is seeking is to have Summit County be the issuer of the bonds and to hold a TEFRA hearing with the consent of the County Council. Under tax law one has to hold a TEFRA hearing to do a private activity bond for the benefit of a private party. Under tax law, due to Salt Lake County being within 100 miles of Summit County, Summit County can hold that hearing on behalf of both jurisdictions. One could also elect to hold a TEFRA hearing. Summit County will need to have the consent of Salt Lake County to hold the TEFRA hearing. Olympic Legacy proposes that there be a Resolution before the County Council to approve the TEFRA hearing being held in Summit County and also approve an interlocal agreement to authorize Summit County to issue bonds for projects located in both Summit and Salt Lake County with all the qualifications of a conduit bond. IHC Financing utilized this process.

Mr. Rose asked about the timeline; Laura Lewis anticipated to close on or before April 12th. Ms. Lewis mentioned their time constraints in terms of required public notices and asked for direction from the County on when they can get their matter before the County Council. Mr. Chamness suggested the 27th.

Ms. Lewis summarized the project regarding revenue stream at the Olympic Legacy Park and the Zip Tour and stated that when the bonds are completed they would be able to generate revenue right away; build and capitalize on the housing component -- athlete housing, training and employee housing at Olympic Park. Three facilities are being financed. The preliminary numbers indicate the debt can be covered. A housing study is being completed. Ms. Lewis verified there would not be any direct financial responsibility from Salt Lake County for the extra \$2 million.

Mr. Larsen stated he acts as bond counsel on a rotation basis with the County. Mr. Larsen was present at the meeting as bond counsel for Summit County. Mr. Larson indicated it would be helpful to do a motion that the matter was reviewed and approved by Debt Review Committee. Mr. Chamness indicated that the usual practice is that a recommendation is submitted to the Council Chair stating that the matter will be added to the agenda, that Debt Review Committee considered the matter and voted on it. The motion was called, was seconded, and all voted in favor of approval.

4. The Committee moved onto Agenda Item No. 3, **Discussion of Meeting Time.**

Mr. Chamness clarified that the current meeting was not held at the end of January due to the number of Debt Review Committee Members being on the Total Compensation Advisory Committee which was a conflict on the schedule. Mr. Chamness asked the members if there would be a better time to hold the Debt Committee meeting. Mr. Rose and others indicated difficulty in changing the meeting date as already set due to other meeting conflicts. The next meeting was set for February 28. Mr. Chamness stated he would send out a recurring meeting invite for the remainder of the year's schedule. The

meetings will continue to be held in the Auditor's Office conference room. A meeting may be held at the new D.A.'s office after the move.

5. The Committee moved onto Agenda No. 3, **Future Agenda items.**

Mr. Chamness stated as agenda items come up for the members to circulate the items.

6. The Committee moved onto Agenda No. 4, **Annual Open and Public Meetings Act Training.**

Mr. Barnes presented the Annual Open and Public Meetings Act Training by Power Point. Discussion was had regarding proper notice of meetings, agenda content, closed meetings and meetings that pertain to one's character. Citizen Mr. Van Mauren opined that minutes to the meetings need to be detailed.

7. The Committee moved onto Agenda No. 5, **Approval of November 29, 2017, Minutes.**

A motion was made to approve the minutes, the motion was seconded; all voted in favor of approval.

8. The Committee moved onto Agenda No. 10, **Adjourn.**

A motion was made to adjourn, all voted for adjournment. Meeting adjourned at 3:10 p.m.

Debt Review Committee Handouts

February 1, 2018

Municipal Market Outlook

January 25, 2018

RATE DATA

	Today	Week Prior	Month Prior	Year Prior
MMD AAA GO				
3 Year	1.59	1.57	1.61	1.29
5 Year	1.72	1.69	1.73	1.68
10 Year	2.20	2.10	2.07	2.34
15 Year	2.52	2.43	2.35	2.75
20 Year	2.68	2.58	2.52	2.99
30 Year	2.78	2.69	2.63	3.09
US Treasury				
2 Year	2.08	2.05	1.92	1.23
5 Year	2.41	2.39	2.25	1.99
10 Year	2.63	2.57	2.47	2.53
30 Year	2.89	2.84	2.82	3.10
Federal Funds	1.42	1.42	1.42	0.66
Prime Rate	4.50	4.50	4.50	3.75
SIFMA 7 Day	1.16	1.23	1.71	0.66

BOND BUYER AND SHORT TERM INDEXES

20 Bond GO ¹	3.59	3.52	3.56	3.87
25 Bond REV ²	4.08	4.01	4.04	4.02
Jefferies ST	1.17	1.20	1.75	0.65

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 – 01/31/2018 EOD

		General Obligations					"AAA" Coupon Range			
		"AAA"	PRE-RE	INSURED	"AA"	"A"	"BAA"	"LOW"	"HIGH"	
1	2019	1.36	1.38	1.47	1.39	1.57	1.84	5.00	5.00	
2	2020	1.55	1.57	1.73	1.60	1.82	2.12	5.00	5.00	
3	2021	1.63	1.65	1.82	1.70	1.95	2.27	5.00	5.00	
4	2022	1.73	1.75	1.99	1.83	2.11	2.43	5.00	5.00	
5	2023	1.83	1.85	2.15	1.96	2.27	2.58	5.00	5.00	
6	2024	1.94	1.96	2.28	2.09	2.41	2.75	5.00	5.00	
7	2025	2.07	2.09	2.44	2.24	2.57	2.89	5.00	5.00	
8	2026	2.19	2.21	2.57	2.38	2.70	3.04	5.00	5.00	
9	2027	2.28		2.66	2.49	2.79	3.13	5.00	5.00	
10	2028	2.35		2.74	2.58	2.87	3.22	5.00	5.00	
11	2029	2.42		2.82	2.66	2.95	3.31	5.00	5.00	
12	2030	2.48		2.88	2.72	3.01	3.37	5.00	5.00	
13	2031	2.54		2.94	2.78	3.07	3.43	5.00	5.00	
14	2032	2.60		3.00	2.84	3.13	3.49	5.00	5.00	
15	2033	2.65		3.05	2.89	3.18	3.54	5.00	5.00	
16	2034	2.69		3.09	2.93	3.22	3.58	5.00	5.00	
17	2035	2.72		3.11	2.96	3.25	3.60	5.00	5.00	
18	2036	2.75		3.13	2.99	3.28	3.62	5.00	5.00	
19	2037	2.78		3.16	3.02	3.31	3.65	5.00	5.00	
20	2038	2.81		3.19	3.05	3.34	3.68	5.00	5.00	
21	2039	2.82		3.21	3.07	3.36	3.69	5.00	5.00	
22	2040	2.83		3.22	3.08	3.37	3.69	5.00	5.00	
23	2041	2.84		3.23	3.09	3.38	3.70	5.00	5.00	
24	2042	2.85		3.24	3.10	3.39	3.71	5.00	5.00	
25	2043	2.86		3.25	3.11	3.40	3.72	5.00	5.00	
26	2044	2.87		3.26	3.12	3.41	3.73	5.00	5.00	
27	2045	2.88		3.27	3.13	3.42	3.74	5.00	5.00	
28	2046	2.89		3.28	3.14	3.43	3.75	5.00	5.00	
29	2047	2.90		3.29	3.15	3.44	3.76	5.00	5.00	
30	2048	2.91		3.30	3.16	3.45	3.77	5.00	5.00	

Interpolated AAA Yields

YR	MAT	12 Mo JAN	13 Mo FEB	14 Mo MAR	15 Mo APR	16 Mo MAY	17 Mo JUN	18 Mo JUL	19 Mo AUG	20 Mo SEP	21 Mo OCT	22 Mo NOV	23 Mo DEC
1	2019	1.36	1.37	1.38	1.40	1.41	1.42	1.43	1.45	1.46	1.47	1.49	1.50
2	2020	1.55	1.55	1.56	1.56	1.57	1.57	1.58	1.58	1.59	1.59	1.60	1.60
3	2021	1.63	1.63	1.64	1.64	1.65	1.65	1.66	1.66	1.67	1.68	1.68	1.69
4	2022	1.73	1.73	1.74	1.74	1.75	1.75	1.76	1.76	1.77	1.78	1.78	1.79
5	2023	1.83	1.84	1.84	1.85	1.85	1.86	1.87	1.88	1.89	1.89	1.90	1.91
6	2024	1.94	1.95	1.95	1.96	1.96	1.97	1.98	1.99	2.00	2.00	2.01	2.02
7	2025	2.07	2.08	2.08	2.09	2.09	2.10	2.11	2.12	2.13	2.13	2.14	2.15
8	2026	2.19	2.20	2.20	2.21	2.21	2.22	2.23	2.23	2.24	2.25	2.25	2.26
9	2027	2.28	2.29	2.29	2.30	2.30	2.31	2.32	2.32	2.33	2.34	2.34	2.35
10	2028	2.35	2.36	2.36	2.37	2.37	2.38	2.39	2.39	2.40	2.40	2.41	2.41
11	2029	2.42	2.43	2.43	2.44	2.44	2.45	2.45	2.46	2.46	2.46	2.47	2.47
12	2030	2.48	2.49	2.49	2.50	2.50	2.51	2.51	2.52	2.52	2.52	2.53	2.53
13	2031	2.54	2.54	2.55	2.55	2.56	2.56	2.56	2.56	2.57	2.57	2.57	2.57

"AAA" Muni Yields as percent of US Treas Yields

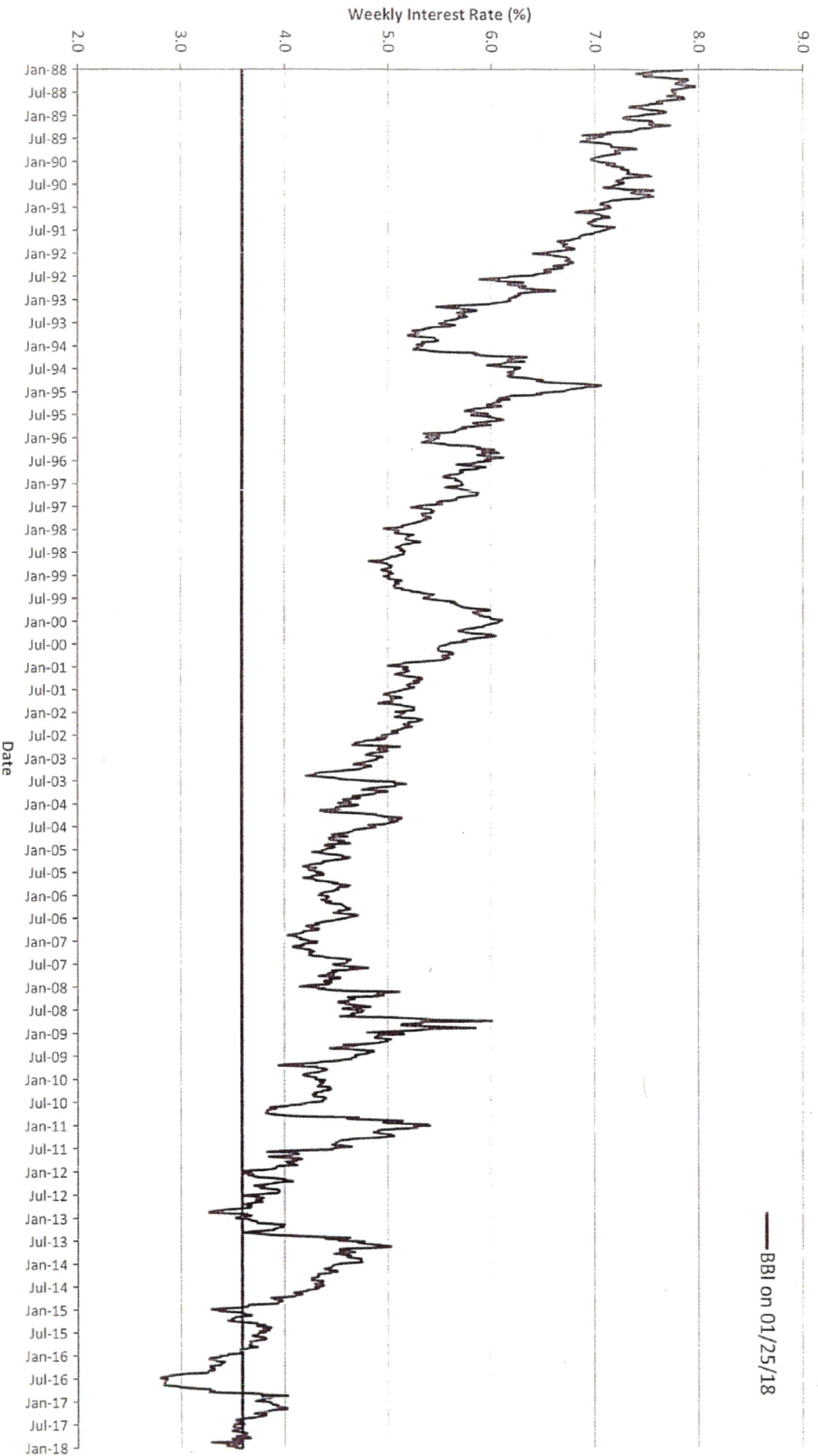
Muni/Treas	CURR %	11/07/2017 to 01/31/2018				02/06/2017 to 01/31/2018			
		AVG %	# SD	MAX %	MIN %	AVG %	# SD	MAX %	MIN %
1 yr/1 yr	73.7	78.4	-1.37	83.9	70.0	76.9	-0.30	115.4	60.4
2 yr/2 yr	72.3	78.1	-1.28	89.1	69.5	73.9	-0.23	91.6	61.7
3 yr/3 yr	71.3	76.5	-1.28	87.7	69.3	72.6	-0.22	87.7	62.0
5 yr/5 yr	72.6	75.1	-0.68	85.6	69.7	73.1	-0.10	85.6	63.3
7 yr/7 yr	77.9	77.2	0.24	86.4	72.7	77.4	0.09	90.8	69.7
10yr/10yr	86.5	84.2	0.81	93.1	79.3	87.8	-0.28	98.5	79.3
15yr/10yr	97.6	97.1	0.15	106.1	91.5	105.0	-1.20	116.2	91.5
20yr/10yr	103.5	104.7	-0.29	115.5	98.9	114.9	-1.55	127.0	98.9
30yr/10yr	107.1	109.3	-0.46	120.7	103.0	121.0	-1.80	133.6	103.0
15yr/30yr	90.2	84.5	2.20	90.2	78.3	85.1	1.55	92.6	78.3
20yr/30yr	95.6	91.1	1.71	97.5	85.9	93.0	0.77	100.3	85.9
30yr/30yr	99	95.1	1.47	101.9	89.8	98.0	0.36	103.5	89.8

Interest Rate Forecast

MMD Yields	1/26/2018	1Q18	2Q18	3Q18	4Q18
2-Year	1.52%	1.60%	1.80%	1.90%	1.90%
5-Year	1.73%	1.85%	1.90%	2.00%	1.95%
10-Year	2.23%	2.10%	2.20%	2.30%	2.35%
30-Year	2.81%	2.60%	2.65%	2.75%	2.80%
Taxable Yields	1/26/2018	1Q18	2Q18	3Q18	4Q18
Fed Funds	1.42%	1.65%	1.90%	2.15%	2.40%
3-Month LIBOR	1.77%	1.90%	2.15%	2.40%	2.65%
2-Year T Note	2.12%	2.15%	2.40%	2.55%	2.70%
5-Year T Note	2.47%	2.50%	2.55%	2.65%	2.75%
10-Year T Note	2.66%	2.65%	2.70%	2.75%	2.85%
30-Year T Bond	2.91%	2.90%	2.90%	2.90%	3.00%

Source: J.P. Morgan Research, *US Fixed Income Markets Weekly - Municipals*, 1/26/2018, jpmm.com; J.P. Morgan Research, *US Fixed Income Markets: Weekly - US Interest Rate Forecast*, 1/26/2018, jpmm.com; Thomson Reuters Municipal Market Data

Interest Rate Trend 20 Year 20 Bond Buyer Index January 1988 to January 2018



Since January 1988:
Interest rates have been higher than the current BBI 93.81% of the time.
Interest rates have been lower than the current BBI 6.19% of the time.