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# SALT LAKE COUNTY

## Debt Review Committee

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### **Debt Review Committee Meeting – MINUTES (approved)**

Wednesday, January 25, 2017, 2pm

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:**

Scott Tingley (Auditor), member, chair  
Jon Bronson (Zion's Bank), ex-officio member  
Darrin Casper (Mayor's Finance), member  
Ralph Chamness (District Attorney), member  
K. Wayne Cushing (Treasurer), member  
David Delquadro (County Council), member  
Javaid Majid (Mayor's Finance), member

#### **Other Attendees:**

Mike Bailey (Information Services)  
Shanell Beecher (Mayor's Finance)  
Cory Hess (Information Services)  
Javaid Lal (Information Services)  
Phu Le (Information Services)  
Jana Ostler (Auditor)  
Beth Overhuls (Information Services)  
John Pectol (Mayor's Finance)  
Cherie Root (Information Services)  
Craig Wangsgard (District Attorney)

#### **Committee Members Absent:**

Cherylann Johnson (Auditor)  
Jason Rose (County Council)

### **AGENDA ITEMS**

The meeting was called to order by Chairman Tingley at 2:04pm.

#### **1. Public comment**

Scott Tingley read a comment submitted via email by Steve Van Maren. Mr. Van Maren requested that committee members disclose any stock ownership they may have in the companies involved in contracts being discussed. Ralph Chamness reminded the committee that this is a practice already prescribed by policy.

#### **2. Approval of minutes – October 26, 2016**

Dave Delquadro moved to approve the minutes of the October 26, 2016 meeting as written. The motion was seconded and the vote to approve was unanimous.

#### **3. Approval of minutes – January 11, 2017**

Jon Bronson submitted a few minor changes to the minutes of January 11, 2017. Wayne Cushing moved to approve the minutes of the January 11, 2017 meeting as written with the changes suggested by Jon Bronson. Dave Delquadro seconded the motion and the vote to approve was unanimous.

#### **4. Open Meetings Act Training with Craig Wangsgard**

This agenda item was moved to after the review of the Information Services financing contracts. Open Meetings Act Training was postponed until the February meeting due to unavailability of the

presentation materials. Craig Wangsgard reminded everyone that all are required to submit yearly disclosure forms disclosing any possible conflicts of interest.

#### **5. Review of Information Services financing contracts**

Darrin Casper presented the issue that Information Services, as well as other agencies in the county, have numerous tech service agreements which often extend for multiple years in duration. Normally these would not fall under the purview of the Debt Review Committee (DRC), but there is some ambiguity in policy about what should or should not come to the DRC. For example, People soft is a multiyear agreement, but it is not a debt. However, in some cases, particularly with the IS contract with Cisco in question today, the agreement changed from being a maintenance agreement to look more like a debt. Upon further examination, other contracts may have similar problems. Because of the debt-like nature of these contracts, they should have been brought to the DRC for review. It is suggested that until there is more clarification in policy regarding this type of agreement, all such multiyear agreements, especially if they involve interest rates or possible defaults in payment as a result of non-appropriation, should be brought before the DRC for review. According to Accounting Department, reviewing all such agreements and leases could be a major undertaking for the DRC.

Jon Bronson and Craig Wangsgard explained that a municipal debt instrument must have a non-funding clause in it, making it subject to annual appropriations, in order for the debt to be lawful in Utah. In the case of the Cisco/Key Bank contract, there was a non-funding clause in the original Cisco contract and then Cisco sold the contract to Key Bank. The non-funding clause is missing from the Key Bank contract. The 2016 payment has been made and the 2017 payment has been budgeted, but as it stands, the 2018 payment is unlawful at this point. Either the contract needs to be renegotiated or reworded to include a non-funding clause, or Dave Delquadro suggested the 2018 payment amount could be appropriated this year, then budgeted this year, and the payment made in 2018. We can appropriate this year for 2018 and bind the council if there is a legal basis for the money being set aside. The argument can also be made that there is an economic benefit to setting the money aside now, because we get a discount by honoring the 3-year contract. Jon Bronson stated that unlawful debt exists throughout the state due to mistakes in lending practices, and that if this contract were challenged, the County would not lose anything. There was agreement, however, that we would like to hold ourselves to a higher standard by fixing this contract situation.

Darrin Casper reiterated that we need to clarify the policy regarding what needs to come before the DRC to avoid future problems. Whether a contract has a non-funding clause is not the only issue. There are contracts containing non-funding clauses that clearly need to be reviewed by the DRC according to policy as it is written. What are the criteria that trigger a review by the DRC? Jon Bronson suggested that if a debt/contract requires a resolution by the council, it should come to the DRC first. Discussion regarding accounting standards acknowledged that there is a difference between accounting standards and bond counsel, and those differences can make it unclear which contracts meet the criteria needed to come before the DRC. Jon Bronson suggested that he and Craig Wangsgard talk with the bond attorneys to find out what needs to go before the Council.

Darrin Casper made a motion to have the District Attorney's Office review these loans and/or leases, at least the three that have been the topic of our discussion today, to determine what steps are necessary to rectify any problem that might have risen from them, understanding that we have entered into them in good faith with the County's best interest in mind, and that we probably want to honor the contracts, and that we value the maintenance in the principal subject of our discussion.

Dave Delquadro requested the addition of a friendly amendment to the motion indicating that the subject should be brought back to the DRC for next month's meeting. Darrin Casper agreed to the amendment. Javaid Majid seconded the motion and the motion passed unanimously.

#### **6. Review draft calendars for upcoming bond/note transactions**

Jon Bronson presented draft calendars for General Obligation Bonds, Series 2017; Sale Tax Revenue (TRCC) Bonds, series 2017; and Tax and Revenue Anticipation Notes, Series 2017. Both the General Obligation Bonds and the TRCC Bonds will be discussed at the next regularly scheduled DRC meeting on February 22, 2017. Underwriter Selection Committee for TRCC Bonds will be chosen from DRC membership at the next regularly scheduled meeting. Wayne Cushing requested that the calendar for the Tax and Revenue Anticipation Notes be moved up by one month. Darrin Casper indicated that the schedule change would work.

Jon Bronson gave a brief update on the progress of the Sales Tax Revenue Bonds. We are waiting for ratings. Final amounts, as affected by potential allocation from New Market Tax Credit, were discussed.

#### **7. Financial Advisor updates**

Jon Bronson presented Municipal Market Outlook (handout), Zion's Bank Economic Snapshot (handout), Piper Jaffray Capital Markets Update (handout), J.P. Morgan Market Update for Municipal Issuers (handout). Rates are heading up gradually. The Amazon deal with State of Utah is going to be beneficial, but numbers are still unclear. Trump administration policies are beginning to have some effect on markets. Campaign rhetoric and recent executive orders will impact regulation, infrastructure building, strength of the dollar, Public Private Partnerships, and the overall economy.

Jon Bronson reviewed legislation affecting the County. HB 26 amends the definition of locally assessed new growth and Darrin Casper says it will have a negative fiscal impact from the Council's legislative intent. HB 32 deals with assessment area for economic promotion. HB 45 would affect centrally assessed properties (watch this one). HB 55 expands the open meetings law (watch this one). HB 135 amends the time frame for making deposits. SB 16 gives a sales tax exemption to car washes. SB 23 gives a sales tax exemption for hunting guides or outfitting services. SB 43 deals with special purpose property that is not currently being used for its specialty use. SB 69 affects the timing of ballot propositions. SB 83 deals with online sales tax collection. SB 93 affects the Auditor's Notice of Valuation. Auditors are opposed to this bill. SB 94 affects certain districts (formerly "special districts") without all-elected boards. Deidre Henderson is also proposing a bill to mandate a language change to show the true cost of bonds. The State Auditor's audit of the League of Cities is probably going to generate more legislation focusing on oversight.

#### **8. Other**

No other business.

Javaid Majid moved to adjourn, the motion was seconded by Wayne Cushing, all were in favor, and the meeting adjourned at 4:00 pm.