

Debt Review Committee

April 24, 2019
Salt Lake County Government Center
2001 S State Street #N1-200, Salt Lake City, Utah 84190

Meeting Minutes

Attendees:

K Wayne Cushing (Chair), member	Jon Bronson (Zions Bank, ex-officio member)
Dave Delquadro (Council), member	Eric Pehrson (Zions Bank)
Darrin Casper (Mayor's Finance), member	Marcus Keller (Zions Bank)
Scott Tingley (Auditor), member	Zach Posner (IS)
Ralph Chamness (District Attorney), member	Cherie Root (IS)
Javaid Majid (Mayor's Finance), member	Andrew Dudley (IS)
Craig Wangsgard (District Attorney)	Melani Martinez (IS)
Brad Kendrick (Council)	Kimball Ball (IS)
Greg Folta (Mayor's Finance)	Corey Hess (IS)
Shanell Beecher (Mayor's Finance)	Lisa Daniels (Treasurer)
Ben Hokanson (Mayor's Finance)	Steve Van Maren (Public)
Ben Umeadi (Treasurer)	

Meeting was called to order by Chairman Cushing.

Approval of Minutes

A motion was made by Ralph and seconded by Javaid to approve the March 27, 2019 minutes. All were in favor.

Public Comment

Wayne asked if the public had any comments. Mr. Van Maren asked about the bond reserve fund on the recent MBA funding. Javaid explained that what Mr. Van Maren was seeing was the Interim Budget Adjustment that was approved by the County Council on April 23rd, 2019 for the issuance of Lease Revenue Bonds (LRB) 2019 and re-allocating of the Debt Service Reserve Funds from the LRB 2009 towards the eligible library projects. This unwinding of the LRB 2009 Reserve Fund reduced the size of the new LRB 2019. No actual bond reserve fund was required for the recent issuance of LRB 2019, this was largely due to the favorable bond rating for Salt Lake County.

IBM Mainframe Lease & Cisco Financing

Kimball Ball from IS presented the IBM Mainframe Lease 3-year agreement. This agreement will save the County \$53,367.00 over its 3-year term. If for some reason the Mainframe migration is not complete when the lease expires, the County will have the option to purchase the equipment at a fair market value. This is a capital lease which will trigger a material event under the new 15c2-12 Disclosure Rule. The County will need to adopt by policy as to what it thinks is material. These leases should be disclosed within 10 days of entering into. Darrin asked Shanell to make a request to Ray Bartholomew with Squire and Company asking their thoughts on materiality as it relates to disclosing these types of leases. Jon suggested that Craig talk to one of the bond attorneys regarding materiality.

Ralph recommended that we approve this request to enter into this agreement. Darrin seconded with the understanding that we disclose this until a policy is in place. All were in favor.

CISCO Maintenance Agreement. A 3-year maintenance agreement with CISCO, financed by Key Bank Government Finance, has been negotiated in the amount of \$1.1M (\$374,234/year). This 3-year term will save the County roughly \$95,100 and protect the County against any maintenance price increase which can be between 6% and 8% annually. The 3-year agreement also includes a service which the County uses that would cost an additional \$494,372.13 if this was an annual agreement. Ralph made a motion to proceed with this contract with the understanding that Darrin made on the IBM issue that we disclose this due to lack of a policy in place. Javaid seconded with the same remarks. All were in favor.

New Market Tax Credit Status

Darrin presented the NMTC on the Kearns Library. The savings are much greater with the NMTC instead of including in the current bond. Cash flows were reviewed. Greg made a model of the flow of funds which Darrin explained. Four loans and a private equity investment are involved with this: Ally Bank and the Community Development Finance Alliance (CDFA) will make the loans, and the NMTC equity investor will be US Bank. Greg added the nominal savings is not as high as other projects we've had of similar size as we do not have any upfront proceeds or interest revenue. Jon added that although the savings are not as good as in past projects we know why that is and there are still significant savings with the NMTC and that's great. This will be closing in late May. Javaid made a positive recommendation to the County Council and Darrin seconded. All were in favor. Greg mentioned that CDFA would like to get as much info as possible about the bond in year 7 we would use to refinance. Darrin said he would provide the official statement and supplemental indenture.

Financial Advisor Updates

Marcus reported that interest rates are staying flat. The Fed is being patient with rate increases. Global growth has dropped from 3.5% to 3.3%, the lowest level since the financial crisis. Market is not changing much due to low supply. JP Morgan is projecting the short term rate going down in the fourth quarter and as the rates increase the yield curve will straighten and stabilize. The inverted yield curve has some thinking a recession is coming.

Remarks from Eric Pehrson - Continuing disclosures are due in July. Zions will send to Wayne for review and then send it out to the Committee. A schedule of the Debt Service on the 2017 Bonds was distributed to keep the County on task with recreation bonds. Payment in December 2020 and forward is down from \$9.5M to \$3.6M. Eric reminded the committee it is the intent of the County to issue the second tranche of GO Bonds (about 49m) at that time to keep the debt service around \$9.5M. It is not necessary to issue the whole \$49M at that time.

Next month's meeting will be May 29th so that Shanell can have the projected numbers for the TRANS. The due diligence for the TRANS will also be held at that meeting

Javaid made a motion to close the meeting and Scott seconded. Meeting was adjourned at 3:15 pm.