
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: April 1, 2005

SUBJECT: **Refinance All Remaining Municipal Building Authority Bonds and Free Up Approximately \$6.4 Million of Debt Reserve Funds**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Department of Management Services
Dan Mulé

CC: Rocky Fluhart, Steve Fawcett, Dan Mulé

On March 17, 2005, the Council received a briefing on refinancing the remaining Municipal Building Authority debt. The refunding bonds are proposed to be issued as sales tax revenue bonds. Besides annual savings of over \$100,000 per year for the next 16 years, reserve funds of about \$6,400,000 will be freed up for other projects. The Council can determine the use of the freed-up funds in a budget amendment or during the annual budget adoption. There is no time limit for spending the funds, but the City is required to yield-restrict interest earnings on investment of the funds so that the interest rate on earnings doesn't exceed the bond yield for arbitrage purposes. The City Treasurer and City's financial advisor will be present at the Council Meeting to address any questions.

POTENTIAL MOTIONS:

If the Council desires to proceed with refinancing the bonds, the following motion would be appropriate. The proposed resolution specifies a maximum of \$55 million to provide for various issuance possibilities that may arise between now and when the bonds are sold. However, the actual bond proceeds will be approximately \$47 million. If the Council adopts this resolution indicating its intent to issue bonds, the Council will consider a second resolution in May to confirm the sale. A required public hearing has been scheduled for April 12th.

["I move that the City Council"] Adopt a resolution authorizing the issuance and sale of up to \$55,000 of sales tax revenue refunding bonds, series 2005 and ratify the date of April 12, 2005 at 7:00 p.m. to accept public comment.

The following information was provided previously. It is provided again for your reference.

The City Treasurer proposes to refinance three remaining Municipal Building Authority bond issues: (1) Series 1999A bonds that funded golf course improvements and the purchase of Plaza 349 – office space for Information Management Services, the Engineering Division, the Transportation Division, Prosecutor’s Office, etc.; (2) Series 1999B bonds that funded construction of the Ice Arena and acquisition, improvement of land and improvements for the Gateway Parks Block Project, and improvements to the fire training facility; (3) Series 2001 bonds that funded the construction of the Justice Court Building and improvements to the police precinct.

By refinancing the bonds, the City’s financial advisor is projecting that the City will save approximately \$112,000 per year over the next 16 years in reduced debt costs for a total of about \$1,800,000. Actual saving will vary because the savings won’t be locked in until the date of sale of the refunding bonds. The Council may wish to note that the debt service appropriations for this and other bonds comes from the City’s Capital Improvement Program (CIP). As such, it would be customary to reserve the annual bond savings for CIP projects. There is no legal requirement to do so, however. Council staff understands that there may be an option to recognize the savings upfront, but to do this on every bond refinancing may give the rating agencies the impression that the City is thinking of only the present and not the future.

In order to refund bonds before a call date, proceeds of the new refunding bonds are placed in an escrow account and invested in government securities. The government securities must earn interest at a rate great enough to pay the original bond holders until a call date. In analyzing whether there is a window of opportunity for refinancing bonds, the City’s financial advisor must consider the current interest rates of government securities, the current bond market for selling the refunding bonds, and the interest rates of the original bonds. Because interest rates on government securities are rising greater than the current bond market, there is a short window of opportunity for certain Salt Lake City bonds including the remaining Municipal Building Authority bonds.

A few years ago, the state legislature authorized local governments to issue bonds backed by sales tax revenue. The City’s financial advisor is recommending that the City refinance the bonds by issuing sales tax revenue bonds because they generally are sold at more favorable interest rates for the City. With the elimination of all remaining Municipal Building Authority debt, debt reserve funds of \$6.4 million will be freed up for other projects.

The original 1999A series and 1999B series bonds matured in 2019 (last debt payment). The 2001 series bonds mature in 2020. The proposed refunding bonds will also mature in 2020.

RESOLUTION NO. ___ OF 2005

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$55,000,000 AGGREGATE PRINCIPAL AMOUNT OF SALES TAX REVENUE REFUNDING BONDS OF SALT LAKE CITY, SALT LAKE COUNTY, UTAH, TO BE ISSUED IN ONE OR MORE SERIES; FIXING THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF THE BONDS, THE MAXIMUM NUMBER OF YEARS OVER WHICH THE BONDS MAY MATURE AND THE MAXIMUM INTEREST RATE THAT THE BONDS MAY BEAR; PROVIDING FOR THE PUBLICATION OF A NOTICE OF BONDS TO BE ISSUED; PROVIDING FOR THE RUNNING OF A CONTEST PERIOD; AUTHORIZING THE CIRCULATION OF THE PRELIMINARY OFFICIAL STATEMENT WITH RESPECT THERETO; AND PROVIDING FOR RELATED MATTERS.

*** *** ***

WHEREAS, the City Council (the "*Council*") of Salt Lake City, Salt Lake County, Utah (the "*City*") considers it desirable and necessary and for the benefit of the City to issue up to \$55,000,000 principal amount of sales tax revenue refunding bonds (the "*Bonds*"), in one or more series, for the purpose of paying all or part of the cost of (1) refinancing all or a portion of (a) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds (Municipal Improvements and Refunding Project), Series 1999A, (b) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds, Series 1999B, and (c) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds (Municipal Improvements Project), Series 2001 (collectively, the "*Refunded Bonds*"), (2) funding any necessary reserves and contingencies in connection with the Bonds, and (3) paying the costs incurred in connection with the issuance and sale of the Bonds and the refunding of the Refunded Bonds; and

WHEREAS, pursuant to the applicable provisions of Chapter 14 of Title 11 (the "*Utah Municipal Bond Act*") and Chapter 27 of Title 11 (the "*Utah Refunding Bond Act*") each of the

Utah Code Annotated 1953, as amended (the "Code"), the City has the authority to issue its sales tax revenue refunding bonds for the foregoing purposes; and

WHEREAS, Section 11-14-21 and Section 11-27-4 of the Utah Code each provide for the publication of a Notice of Bonds to be Issued (the "Notice") and the running of a 30-day contest period, and the City desires to cause the publication of such Notice at this time in compliance with said sections with respect to the Bonds; and

WHEREAS, Section 11-14-17.5(6) of the Utah Municipal Bond Act requires that a public hearing be held with respect to the issuance of the Bonds and that notice of such public hearing be given as provided by law; and

WHEREAS, on March 28, 2005 and April 4, 2005 the City published in *The Salt Lake Tribune* and the *Deseret Morning News* a Notice of Public Hearing and Intent to Issue Bonds (the "Notice of Public Hearing") pursuant to Section 11-14-17.5(6) of the Utah Code; and

WHEREAS, Section 11-14-17.5(7) of the Utah Municipal Bond Act requires the City to submit the question of whether or not to issue the Bonds to voters for their approval or rejection if, within 30 calendar days after the publication of the Notice of Public Hearing, a written petition requesting an election and signed by at least 20% of the registered voters in the City is filed with the City; and

WHEREAS, the City desires (a) to provide for the holding of a public hearing, (b) to ratify the publication of the Notice of Public Hearing and (c) to provide for the form of the written petition requesting an election, as required by law;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Salt Lake County, Utah, as follows:

Section 1. Bonds Authorized; Purpose. The Council hereby finds and determines that it is in the best interests of the residents of the City for the City to issue the Bonds in an aggregate principal amount not to exceed Fifty-Five Million (\$55,000,000), to bear interest at a rate or rates of not to exceed five and three-quarters percent (5.75%) per annum, to mature over a period not to exceed seventeen (17) years from their date or dates, and to be sold at a discount from par not to exceed two percent (2.00%) of the principal amount thereof, pursuant to a resolution to be adopted and approved by the City in substantially the form attached hereto as *Annex 1* (the "*Final Bond Resolution*"), the Master Trust Indenture, dated as of September 1, 2004, as heretofore amended and supplemented (the "*Master Indenture*"), between the City and Zions First National Bank, as trustee, a copy of which is attached hereto as *Annex 2*, and a Second Supplemental Trust Indenture to be entered into at the time of issuance of the Bonds in substantially the form attached hereto as *Annex 3* (collectively with the Master Indenture, the "*Indenture*"). The Bonds shall be subject to such optional and mandatory redemption and other provisions as are contained in the final form of the Bonds, the Master Indenture and the Second Supplemental Trust Indenture. Therefore, the City hereby declares its intention to issue the Bonds according to the provisions of this Resolution, the Final Bond Resolution and the Indenture for the purpose of paying all or part of the cost of (1) refinancing all or a portion of the Refunded Bonds, (2) funding any necessary reserves or contingencies in connection with the Bonds, and (3) paying the costs incurred in connection with the issuance and sale of the Bonds and the Refunding of the Refunded Bonds.

Section 2. Notice of Bonds to be Issued; Contest Period. In accordance with the provisions of Section 11-14-21 and Section 11-27-4 of the Utah Code, the City Recorder or any Deputy City Recorder shall cause the Notice, in substantially the form attached hereto as *Annex*

4, to be published one time in *The Salt Lake Tribune* and the *Deseret Morning News*, newspapers published and of general circulation within the City. *The Salt Lake Tribune* and the *Deseret Morning News* are hereby designated pursuant to Section 11-14-21 of the Utah Code as the "official newspapers" of the City for purposes of any notices to be published in accordance with the Utah Municipal Bond Act.

For a period of thirty (30) days from and after publication of the Notice, any person in interest shall have the right to contest the legality of this Resolution (including the Final Bond Resolution and the Second Supplemental Trust Indenture attached hereto) or the Bonds hereby authorized or any provisions made for the security and payment of the Bonds. After such time, no one shall have any cause of action to contest the regularity, formality or legality of this Resolution (including the Final Bond Resolution and the Second Supplemental Trust Indenture) or the Bonds or any provisions made for the security and payment of the Bonds for any cause.

Section 3. Public Hearing. In satisfaction of the requirements of Section 11-14-17.5(6) of the Utah Municipal Bond Act, a public hearing shall be held by the Council on Tuesday, April 12, 2005, during the regular Council meeting which begins at 7:00 p.m., at the regular meeting place of the Council in the Council Chambers, Room 315 in the City and County Building, 451 South State Street, in Salt Lake City, Utah, on the issuance by the City of the Bonds.

Section 4. Ratification of Publication of Notice of Public Hearing. The publication of the Notice of Public Hearing, a copy of which is attached hereto as *Annex 5*, in *The Salt Lake Tribune* and the *Deseret Morning News*, newspapers published in and of general circulation available to residents of the City and in which notices relative to the City are customarily published, on March 28, 2005 and April 4, 2005 and all actions previously taken by the City

Recorder and other officers, employees and agents of the City to cause such publications are hereby ratified, confirmed and approved.

Section 5. Form of Petition. The form of the petition to be used by registered voters in requesting that an election be called to authorize the Bonds shall be in substantially the form attached hereto as *Annex 6*.

Section 6. City Recorder to Perform Certain Acts. The City Recorder is hereby directed to maintain a copy of this Resolution (together with all annexes hereto), the form of the Final Bond Resolution, a copy of the Master Indenture and the form of the Second Supplemental Trust Indenture on file in his office during his regular business hours for public examination by registered voters of the City, and other interested persons, and upon request to supply copies of the form of petition specified in Section 5 hereof until at least thirty (30) days from and after the date of publication of the Notice.

Section 7. Issuance of Bonds After Thirty-Day Period. In accordance with the provisions of Section 11-14-17.5(7), Utah Municipal Bond Act, if within thirty days after the final publication on April 4, 2005, of the Notice of Public Hearing, a petition or petitions, in the form specified by Section 5 hereof, are filed with the City Recorder, signed by not less than twenty percent (20%) of the registered voters of the City (as certified by the County Clerk of Salt Lake County) requesting that an election be called to authorize the Bonds, then the Council shall proceed to call and hold an election on the Bonds. If such election is held and a majority of the registered voters of the City voting thereon approve the Bonds, then, in accordance with the provisions of the Utah Municipal Bond Act, the City shall thereupon be authorized to issue the Bonds. If no petition is filed within the thirty-day period after the date of the final publication of such notice, or if it is determined that the number of signatures on the petitions filed within the

thirty-day period after the date of the final publication of such notice is less than the required number, the City shall proceed to issue the Bonds.

Section 8. Preparation and Distribution of an Official Statement. The preparation and distribution of an Official Statement for the Bonds in connection with the sale thereof is hereby authorized.

Section 9. Severability. It is hereby declared that all parts of this Resolution are severable, and if any section, paragraph, clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect the remaining sections, paragraphs, clauses or provisions of this Resolution.

Section 10. Repealer. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

Section 11. Effective Immediately. This Resolution shall take effect immediately upon its adoption.

(Signature page follows.)

ADOPTED AND APPROVED this 5th day of April, 2005.

SALT LAKE CITY, SALT LAKE COUNTY, UTAH

Chair
Salt Lake City Council

[SEAL]

ATTEST:

Chief Deputy City Recorder

APPROVED:

By _____
Mayor

APPROVED AS TO FORM:

By _____
Senior City Attorney

ANNEX 1

[ATTACH FORM OF FINAL BOND RESOLUTION]

ANNEX 2

[ATTACH COPY OF MASTER TRUST INDENTURE]

ANNEX 3

[ATTACH FORM OF SECOND SUPPLEMENTAL TRUST INDENTURE]

ANNEX 4

NOTICE OF BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN pursuant to the provisions of Section 11-14-21 and Section 11-27-4, Utah Code Annotated 1953, as amended, that on April 5, 2005, the City Council (the "Council") of Salt Lake City, Utah (the "City"), adopted a resolution (the "Resolution") in which it authorized and approved the issuance of its sales tax revenue refunding bonds in one or more series (collectively, the "Bonds"), in an aggregate principal amount of not to exceed Fifty-five Million Dollars (\$55,000,000), to bear interest at a rate or rates of not to exceed five and three-quarters percent (5.75%) per annum and to mature not later than seventeen (17) years from their date or dates and to be sold at a discount from par not to exceed two percent (2.00%). The Bonds shall be subject to such optional and mandatory redemption and other provisions as are contained in the Master Trust Indenture, described below, and the final form of the Bonds and Second Supplemental Trust Indenture, described below.

Pursuant to the Resolution, the Bonds are to be issued for the purpose of paying all or part of the cost of (1) refinancing all or a portion of (a) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds (Municipal Improvements and Refunding Project), Series 1999A, (b) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds, Series 1999B, and (c) the Municipal Building Authority of Salt Lake City, Salt Lake County, Utah Lease Revenue Bonds (Municipal Improvements Project), Series 2001 (collectively, the "Refunded Bonds") (2) funding any necessary reserves and contingencies in connection with the Bonds, and (3) paying the costs incurred in connection with the issuance and sale of the Bonds and the refunding of the Refunded Bonds. The Bonds are to be issued and sold by the City pursuant to the Resolution, including as part of the Resolution a draft, in substantially final form, of a final bond resolution and a Second Supplemental Trust Indenture and a copy of the Master Trust Indenture, dated as of September 1, 2004, as heretofore amended and supplemented (the "Master Indenture"), between the City and Zions First National Bank, a trustee, that were before the Council and attached to the Resolution at the time of the adoption of the Resolution. The Council will adopt the final bond resolution and the City will cause the Second Supplemental Trust Indenture to be executed and delivered, in each case in such form and with such changes thereto as the Council shall approve upon the adoption of the final bond resolution, *provided* that the principal amount, interest rate or rates, maturity and discount, if any, will not exceed the respective maximums described above.

A copy of the Resolution (including the drafts of the final bond resolution and the Second Supplemental Trust Indenture and a copy of the Master Indenture attached to the Resolution) is on file in the office of the City Recorder, located in Room 415, City and County Building, 451 South State Street, in Salt Lake City, Utah, where the Resolution may be examined during regular business hours of the City Recorder from 8:00 a.m. to 5:00 p.m. The Resolution shall be so available for inspection for a period of at least thirty (30) days from and after the date of the publication of this notice.

NOTICE IS FURTHER GIVEN that pursuant to law for a period of thirty (30) days from and after the date of the publication of this notice, any person in interest shall have the right to

contest the legality of the Resolution (including the final bond resolution and the Second Supplemental Trust Indenture attached thereto) of the City or the Bonds authorized thereby or any provisions made for the security and payment of the Bonds. After such time, no one shall have any cause of action to contest the regularity, formality or legality of the Resolution, the Bonds or the provisions for their security or payment for any cause.

DATED this 5th day of April, 2005.

SALT LAKE CITY, UTAH

Chief Deputy City Recorder

[SEAL]

ANNEX 5

[ATTACH COPY OF NOTICE OF PUBLIC HEARING]

ANNEX 6

PETITION

To: City Recorder
Salt Lake City, Utah

We, the undersigned citizens and registered voters of Salt Lake City, Utah, respectfully request that an election be called by the City Council of Salt Lake City, Utah, pursuant to the provisions of Section 11-14-17.5(7), Utah Code Annotated 1953, as amended, to authorize the issuance by Salt Lake City, Utah, of its sales tax revenue bonds, in a maximum principal amount not exceeding \$55,000,000, as to which notice of intention to issue was published on March 28, 2005 and April 4, 2005, in *The Salt Lake Tribune* and the *Deseret Morning News*, and each for himself or herself says: I have personally signed this petition; I am a registered voter of Salt Lake City, Utah; my residence and post office address are correctly written after my name:

WARNING

It is a felony for any one to sign any initiative or referendum petition with any other name than one's own, or knowingly to sign one's name more than once for the same measure, or to sign such petition when one knows that he or she is not a registered voter.

REGISTERED VOTER'S PRINTED NAME (MUST BE LEGIBLE TO BE COUNTED)	SIGNATURE OF REGISTERED VOTER	STREET ADDRESS, CITY, STATE, ZIP CODE

[The following certification shall appear on the reverse side of each page attached to the Petition containing the signature of voters]

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

I, _____, of _____, hereby certify that I am a registered voter of Salt Lake City, Salt Lake County, Utah, that all the names which appear on this sheet were signed by persons who professed to be the persons whose names appear thereon, and each of them signed his or her name thereto in my presence, I believe that each has printed and signed his or her name, and written his or her post office address and residence correctly, and that each signer is a registered voter of Salt Lake City, Salt Lake County, Utah.

Subscribed and sworn to before me this ____ day of _____, 2004.

Notary Public (or other official title)