
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: April 1, 2005
SUBJECT: **Refund Various Series of Water and Sewer Revenue Bonds**
AFFECTED COUNCIL DISTRICTS: Citywide
STAFF REPORT BY: Gary Mumford
ADMINISTRATIVE DEPT. AND CONTACT PERSON: Department of Public Utilities
Jim Lewis
CC: Rocky Fluhart, LeRoy Hooton, Jim Lewis, Steve Fawcett, Dan Mulé

On March 17, 2005, the Council received a briefing on refinancing some of the outstanding water and sewer bonds. The savings on the refinancing will be used for water and sewer capital improvement projects.

The Department of Public Utilities originally planned to replace \$2.1 million of bond reserve funds with surety bonds and use the freed-up money to help finance the water line replacement program. However, bond counsel has now determined that the trust indenture requires any money freed up from reserve funds be used to pay off bond debt. Therefore, the Department of Public Utilities is now proposing that the bond also include issuing new debt in order to maintain the \$2.1 million for water line replacement. A representative of the department and the City's financial advisor will be present at the Council Meeting to address any questions.

POTENTIAL MOTIONS:

If the Council desires to proceed with issuing the revenue and refunding bonds, the following motion would be appropriate. The proposed resolution specifies a maximum of \$13 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 \$11.5 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.

["I move that the City Council"] **Adopt a resolution to authorize the issuance and sale of up to \$13 million of Water and Sewer Revenue and Refunding Bonds, Series 2005.**

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

The Department of Public Utilities proposes refinancing \$9.1 million outstanding bonds to take advantage of favorable interest rates. By refinancing these bonds, the City's financial advisor is projecting that the Department of Public Utilities will save approximately \$90,000 per year over the next 12 years in reduced debt costs. Actual savings will vary because the interest rates won't be locked in until the date of sale of the refunding bonds.

In 1993, bonds were issued to finance water line replacement projects and the seismic upgrade to the Big Cottonwood Treatment Plant. There are approximately \$1.3 million outstanding from the Series 1993 bonds. In 1997, bonds were issued to finance the upgrade to the Park Reservoir and other system improvements. Approximately \$7.8 million of the Series 1997 bonds are proposed to be refunded.

The Department of Public Utilities has several bonds outstanding, but only some of the bonds can be refinanced for a savings at this time. 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 bonds are eligible for refinancing, 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.

The original 1993 series bonds mature in 2013 (last debt payment). The 1997 series bonds mature in 2017. The proposed refunding bonds will mature in 2017.

NO. ___ OF 2005

A RESOLUTION authorizing the issuance and confirming the sale of not more than \$13,000,000 aggregate principal amount of water and sewer revenue refunding bonds of Salt Lake City, Utah; fixing the maximum aggregate principal amount of the bonds, the maximum number of years over which the bonds may mature, the maximum interest rate which the bonds may bear and the maximum discount from par at which the bonds may be sold; authorizing publication of a notice of bonds to be issued; and related matters.

*** *** ***

WHEREAS, the City Council (the "*City Council*") of Salt Lake City, Salt Lake County, Utah (the "*City*") considers it desirable and necessary and for the benefit of the City and the users of the water, sewer and storm water system of the City (the "*System*") to issue its Water and Sewer Revenue Bonds (the "*Bonds*") for the purpose of refunding in advance of their maturity all or a portion of its currently outstanding (i) Water and Sewer Revenue Bonds, Series 1993, originally issued in the aggregate principal amount of \$13,500,000, and (ii) Water and Sewer Improvement and Refunding Revenue Bonds, Series 1997, originally issued in the aggregate principal amount of \$24,515,000 (collectively, the "*Refunded Bonds*"), the funding of any necessary reserves, and the payment of all related costs authorized by law; and

WHEREAS, the City Council now desires to publish a Notice of Refunding Bonds to be Issued as provided under and in compliance with Section 11-27-4, Utah Code Annotated 1953, as amended;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SALT LAKE CITY, SALT LAKE COUNTY, UTAH, AS FOLLOWS:

Section 1. Bonds to be Issued. The City Council hereby finds and determines that it is desirable and necessary and for the benefit of the City and the users of the System for it to issue the Bonds for the purpose of refunding in advance of their maturity the Refunded Bonds, the funding of any necessary reserves, and the payment of all related costs authorized by law. The Bonds shall be issued in an initial aggregate principal amount not to exceed \$13,000,000, shall mature in not more than thirteen (13) years from their date or dates, shall be sold at a discount from par, expressed as a percentage of principal amount, of not to exceed five and three-quarters (5.75%), and shall bear interest at a rate or rates not to exceed six percent (6.00%) per annum, all in accordance with and pursuant to the provisions of (a) a final bond resolution, in substantially the form attached hereto as *Annex 1* (the "*Final Bond Resolution*"), authorizing the issuance and confirming the sale of the Bonds, to be adopted by the City Council at a future date, (b) the Master Trust Indenture, dated as of January 1, 2004, as heretofore amended and supplemented (the "*Master Indenture*"), between the City and U.S. Bank National Association, as trustee (the "*Trustee*"), a copy of which is attached hereto as *Annex 2*, and (c) a Second Supplemental Trust Indenture between the City and the Trustee in substantially the form attached hereto as *Annex 3*

(the "*Supplemental Indenture*"), and the City Council hereby declares its intention to issue the Bonds according to the provisions of this Section.

Section 2. Authorization. The City Council hereby authorizes and approves the issuance of the Bonds for the purposes as set forth in Section 1 hereof pursuant to the provisions of this Resolution, the Final Bond Resolution, the Master Indenture and the Supplemental Indenture; *provided* that the principal amount, interest rate or rates, maturity or maturities, and discount shall not exceed the maximums set forth in Section 1 hereof.

Section 3. Publication of Notice of Bonds to be Issued. In accordance with the provisions of Section 11-27-4, Utah Code Annotated 1953, as amended, the City Recorder or Deputy City Recorder shall cause a "Notice of Refunding Bonds to be Issued," in substantially the form attached hereto as *Annex 4*, to be published one time in *The Salt Lake Tribune* and the *Deseret Morning News*, each a newspaper having general circulation in the City, and shall cause a copy of this Resolution, together with the annexes hereto, to be kept on file in the City Recorder's office for public examination during the regular business hours of the City Recorder for at least thirty days after the date of such publication set forth below. All actions previously taken by the City Recorder and other officers, employees and agents of the City to cause such publication are hereby ratified, confirmed and approved.

Section 4. 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 5. Ratification. All proceedings, resolutions and actions of the City and its officers taken in connection with the sale and issuance of the Refunding Bonds are hereby ratified, confirmed and approved.

Section 6. 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 provisions, paragraphs, clauses or provisions of this resolution.

Section 7. Conflict. All resolutions, orders and regulations or parts thereof heretofore adopted or passed that are in conflict with any of the provisions of this resolution are, to the extent of such conflict, hereby repealed.

Section 8. Captions. The captions or headings herein are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or sections of this resolution.

Section 9. Effective Date. This Resolution shall be in full force and effect immediately upon its adoption.

ADOPTED and APPROVED by the City Council and the Mayor of Salt Lake City, Salt Lake County, Utah, this 5th day of April, 2005.

SALT LAKE CITY, SALT LAKE COUNTY, UTAH

By _____
Chair

[SEAL]

ATTEST:

By _____
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 INDENTURE]

ANNEX 3

[ATTACH FORM OF SUPPLEMENTAL INDENTURE]

ANNEX 4

NOTICE OF REFUNDING BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN that Salt Lake City, Utah (the "City"), intends to issue its Water and Sewer Revenue Refunding Bonds (the "Bonds") in the initial aggregate principal amount of not to exceed \$13,000,000, to mature in not more than thirteen (13) years from their date or dates, to be sold at a discount from par, expressed as a percentage of principal amount, of not to exceed two percent (2.00%), and to bear interest at a rate or rates not to exceed five and three-quarters percent (5.75%). Further notice is hereby given that on April 5, 2005, the City Council of the City adopted Resolution No. ___ of 2005 (the "Resolution") authorizing the issuance of the Bonds as described above.

The Bonds are to be issued and sold by the City pursuant to (1) the Resolution, (2) a final bond resolution to be adopted by the City Council of the City at a future date (the "Bond Resolution"), (3) the Master Trust Indenture, dated as of January 1, 2004, as heretofore amended and supplemented (the "Master Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee"), and (4) a Second Supplemental Trust Indenture between the City and the Trustee (the "Supplemental Indenture"); provided that the principal amount, interest rate or rates, maturity or maturities and discount will not exceed the maximums set forth above. The Supplemental Indenture will be entered into by the City at a future date prior to the issuance of the Bonds.

The Bonds are to be issued for the purpose of refunding in advance of their maturity all or a portion of the City's currently outstanding (i) Water and Sewer Revenue Bonds, Series 1993, originally issued in the aggregate principal amount of \$13,500,000, and (ii) Water and Sewer Improvement and Refunding Revenue Bonds, Series 1997, originally issued in the aggregate principal amount of \$24,515,000, the funding of any necessary reserves, and the payment of all related costs authorized by law, all as set forth in the Master Indenture and the Supplemental Indenture. The Bonds are payable from the water, sewer, storm water and other revenues, and funds pledged therefore pursuant to the Master Indenture.

The Resolution and a draft of (i) the Bond Resolution, (ii) the Master Indenture and (iii) the Supplemental Indenture are 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 they may be examined during regular business hours of the City Recorder from 8:00 a.m. to 5:00 p.m. The Resolution, the draft Bond Resolution, the draft Master Indenture and the draft Supplemental Indenture shall be so available for inspection for a period of at least thirty 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 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 Bond Resolution, the Master Indenture and the Supplemental Indenture) of the City Council of the City or the Bonds or any provisions made for the security and payment of the Bonds, and that after such time, no one shall have any cause of action to contest the regularity, formality or legality thereof for any cause. This notice is given pursuant to Section 11-14-21, Utah Code Annotated 1953, as amended.

DATED this 5th day of April, 2005.

SALT LAKE CITY, UTAH

By _____
Deputy City Recorder