
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: February 12, 2008

SUBJECT: **Authorize the issuance and confirm the sale of Water and Sewer Improvement and Refunding Bonds, Series 2008**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Lehua Weaver

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Department of Public Utilities
Jim Lewis

CC: David Everitt, Dan Mulé, Jeff Niermeyer, Jim Lewis

KEY ELEMENTS:

In January, the Council received a briefing and approved a resolution to authorize the issuance of bonds to refinance a portion of existing water and sewer bonds and to issue approximately \$7 million of water and sewer revenue bonds for planned projects. The Council will now confirm the sale and authorize the issuance of the bonds. The final bond amount will be available by the February 12 meeting time, after the sale takes place and the final numbers are determined.

In the Council's briefing staff report, it was reported that the repayment of the bonds was planned toward the end of the payment term. The Department of Public Utilities has restructured the payment to payoff the bond amount earlier. It is anticipated that this may be through year 2024, instead of 2027 as originally thought.

OPTIONS:

["I move that the City Council"] **Adopt a resolution authorizing the issuance and confirming the sale of Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008, in accordance with the parameters set forth in the Resolution.**

BACKGROUND INFORMATION – the following information was provided for your January 15th briefing, and is included again for your reference.

KEY ELEMENTS:

The Department of Public Utilities proposes refunding (refinancing) \$9.9 million outstanding bonds to take advantage of estimated savings of \$732,810. The City's financial advisor, Kelly Murdock, and Jim Lewis from Public Utilities will be available at the briefing to respond to questions regarding the proposed refunding.

OPTIONS:

If the Council concurs with the proposed refunding, this item is currently listed both as a briefing and as “Tentative” for consideration of adopting a parameters resolution on the January 15th Council meeting agenda. However, if the Council has questions, the consideration of the parameters resolution can be placed on the January 22nd agenda instead. Since there is only a short window of opportunity for refinancing the bonds, if there are questions that can’t be answered at the briefing, the Council may wish to request additional written information to be provided prior to January 22nd.

["I move that the City Council"] **Adopt a resolution authorizing the issuance and sale of Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008, in accordance with the parameters set forth in the Resolution.**

MATTERS AT ISSUE/QUESTIONS FOR THE ADMINISTRATION:

By refunding these bonds, the City’s financial advisor is projecting that the Department of Public Utilities will save approximately \$81,000 per year over the next nine years in reduced debt costs. Actual savings will vary because the savings won’t be locked in until the date of sale of the refunding bonds. The net present value savings for this refunding is estimated to be between 4% and 6%.

The Council may wish to ask representatives of the Department of Public Utilities what the intended use will be for the savings.

These Series 1997 Bonds were originally issued in the amount of \$24.5 million to refund Series 1991 and 1994 Bonds, and provided funding for rebuilding the Park Reservoir, upgrading water treatment facilities, and water line maintenance. There is approximately \$10 million outstanding from the Series 1997 bonds. The City’s financial advisor is optimistic that the City will be able obtain a lower interest rate.

According to Attachment B in the Council Transmittal, the debt payment on the Series 2008 Bonds (issuance of \$7 million) would include interest only until 2025. The principal amount of the bond is scheduled to be paid in the last three years; 2025-2027. The Department of Public Utilities has scheduled it this way because of the debt service obligations on other outstanding bonds (see ‘existing D/S’ column on Attachment B). Delaying the principal payment until 2025 keeps the net debt service payment at approximately \$5.5 million between 2009 and 2017, at which point it reduces to approximately \$2.8 million from 2018 through the repayment of the Series 2008 bond in 2027. *The Council may wish to ask whether the Department is considering any options which may result in interest savings.*

DANIEL A. MULÉ
CITY TREASURER

SALT LAKE CITY CORPORATION

RALPH BECKER
MAYOR

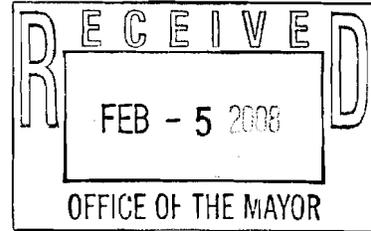
DEPARTMENT OF MANAGEMENT SERVICES
TREASURER'S DIVISION

TO: David Everitt, Chief of Staff 

DATE: February 5, 2008

FROM: Daniel A. Mulé, City Treasurer 

RE: Bond Resolution for Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008



Please find attached a copy of the "bond resolution" authorizing the issuance and confirming the sale of the City's Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008, for inclusion into the City Council packets for its consideration at the February 12, 2008 meeting.

If you have any questions, please feel free to call me at 535-6411.



LOCATION: 451 SOUTH STATE STREET, ROOM 228, SALT LAKE CITY, UTAH 84111

MAILING ADDRESS: PO BOX 145462, SALT LAKE CITY, UTAH 84114-5462

TELEPHONE: 801-535-7946 FAX: 801-535-6018

WWW.SLCCOV.COM

RESOLUTION NO. __ OF 2008

A RESOLUTION AUTHORIZING THE ISSUANCE AND CONFIRMING THE SALE OF \$ _____ SALT LAKE CITY, UTAH WATER AND SEWER IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2008, FOR THE PURPOSE OF REFUNDING A PORTION OF THE CITY'S CURRENTLY OUTSTANDING WATER AND SEWER REVENUE BONDS AND FINANCING CERTAIN IMPROVEMENTS TO THE CITY'S WATER, SEWER AND STORMWATER SYSTEM; AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL TRUST INDENTURE TO SECURE SAID BONDS; AUTHORIZING A BOND PURCHASE CONTRACT WITH GEORGE K. BAUM & COMPANY; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY FOR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

*** *** ***

WHEREAS, Salt Lake City, Salt Lake County, Utah (the "City") is a duly organized and existing city of the first class, operating under the general laws of the State of Utah;

WHEREAS, the City considers it necessary and desirable and for the benefit of the City and the users of the City's water, sewer and storm water system (the "System") to issue its water and sewer revenue bonds as hereinafter provided for the purpose of (a) refinancing all of the City's currently outstanding Water and Sewer Improvement and Refunding Revenue Bonds, Series 1997, originally issued in the aggregate principal amount of \$24,515,000 (the "Refunded Bonds"); (b) financing the costs associated with the acquisition, improvement or extension of improvements, facilities and property that will be a part of the System and will consist of water and sewer line improvements and making other improvements to the System (collectively, the "Project"); (c) funding any necessary reserves in connection with the Series 2008 Bonds (as defined below); and (d) paying all related costs authorized by law pursuant to authority contained

in the Local Government Bonding Act, Chapter 14 of Title 11, and the Utah Refunding Bond Act, Chapter 27 of Title 11 (collectively the "Act"), each of the Utah Code Annotated 1953, as amended (the "Utah Code") and other applicable provisions of law;

WHEREAS, for the purposes set forth above, the City has determined (a) to issue its Water and Sewer Improvement and Refunding Bonds, Series 2008, in the aggregate principal amount of \$_____ (the "Series 2008 Bonds") pursuant to a Master Trust Indenture, dated as of January 1, 2004, as amended and supplemented to the date hereof (the "Master Indenture"), and a Third Supplemental Trust Indenture, dated as of February 1, 2008 (the "Third Supplemental Indenture"), each between the City and U.S. Bank National Association, as trustee (the "Trustee") (the Master Indenture and Third Supplemental Indenture are sometimes collectively referred to hereinafter as the "Indenture") and (b) to cause the proceeds of the sale of the Series 2008 Bonds to be applied in accordance with the Indenture;

WHEREAS, the City is authorized by the Utah Code to refund the Refunded Bonds; to acquire, construct, expand and improve the Project; to enter into the Third Supplemental Indenture; and to issue the Series 2008 Bonds to finance all or a portion of the costs of refunding the Refunded Bonds, to finance all or a portion of the costs of the Project, to fund any necessary reserves and to pay all related costs authorized by law;

WHEREAS, the City has made arrangements for the purchase of the Series 2008 Bonds, the refunding of the Refunded Bonds and the financing of the Project at favorable interest rates;

WHEREAS, the City Council of the City adopted a resolution on January 15, 2008 (the "Parameters Resolution"), approving the issuance of the Series 2008 Bonds, calling for the

publication of a "*Notice of Bonds to be Issued*" and setting certain parameters for the Series 2008 Bonds;

WHEREAS, the *Notice of Bonds to be Issued* was published pursuant to the Parameters Resolution on January 9, 2008, in *The Salt Lake Tribune* and the *Deseret Morning News*, newspapers having general circulation in the City; and

WHEREAS, no action contesting the legality of the Series 2008 Bonds has been filed as permitted by Section 11-14-316 and Section 11-27-4 of the Utah Code;

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

Section 1. Issuance of Bonds. (a) For the purposes set forth above, there is hereby authorized and directed the execution, issuance, sale and delivery of the Series 2008 Bonds in the aggregate principal amount of \$_____. The Series 2008 Bonds shall be dated as of the date of delivery thereof, and shall mature on the dates and in the principal amounts and shall bear interest from the date of delivery thereof, payable on February 1 and August 1 in each year, commencing August 1, 2008, at the interest rates per annum, as shown below:

FEBRUARY 1
OF THE YEAR

AMOUNT
MATURING

INTEREST
RATE

\$

%

The Series 2008 Bonds shall be in authorized denominations, executed and payable all as provided in the Indenture. The Series 2008 Bonds shall be subject to redemption prior to maturity as provided in the Indenture.

(b) The form of the Series 2008 Bonds set forth in the Third Supplemental Indenture, subject to appropriate insertion and revision in order to comply with the provisions of the Indenture, is hereby approved.

(c) The Series 2008 Bonds shall be special obligations of the City, payable from and secured by a pledge and assignment of the Revenues (as defined in the Indenture) received by the City and of certain other moneys held under the Indenture. The Series 2008 Bonds shall not be obligations of the State of Utah or any other political subdivision thereof, other than the City, and neither the faith and credit nor the taxing or appropriation power of the State of Utah or any political subdivision thereof, including the City, is pledged to the payment of the Series 2008 Bonds. The Series 2008 Bonds shall not constitute general obligations of the City or any other entity or body, municipal, state or otherwise.

Section 2. Approval and Execution of the Third Supplemental Indenture. The Third Supplemental Indenture, in substantially the form attached hereto as *Exhibit A*, is hereby authorized and approved, and the Mayor or the Deputy Mayor is hereby authorized, empowered and directed to execute and deliver the Third Supplemental Indenture on behalf of the City, and the City Recorder or any Deputy City Recorder is hereby authorized, empowered and directed to affix the seal of the City, to attest such seal and to countersign the Third Supplemental Indenture, with such changes to the Third Supplemental Indenture from the form attached hereto as are approved by the Mayor or the Deputy Mayor, his execution thereof to constitute conclusive evidence of such approval. The provisions of the Third Supplemental Indenture, as executed and delivered, are hereby incorporated in and made a part of this resolution. The Master Indenture and the Third Supplemental Indenture shall constitute a “system of registration” for all purposes of the Registered Public Obligations Act of Utah.

Section 3. Sale of the Series 2008 Bonds; Purchase Contract. The Series 2008 Bonds authorized to be issued herein are hereby sold and delivered to George K. Baum & Company, as underwriter (the “*Underwriter*”), upon the terms and conditions set forth in the Purchase Contract. The Mayor or the Deputy Mayor is hereby authorized, empowered and directed to execute and deliver the Purchase Contract on behalf of the City in substantially the form attached hereto as *Exhibit B*, with such changes therein from the form hereto as are approved by the Mayor or the Deputy Mayor, his execution thereof to constitute conclusive evidence of such approval. The City Recorder or any Deputy City Recorder is hereby authorized, empowered and directed to affix the seal of the City, to attest such seal and to countersign the Purchase Contract.

Section 4. Approval of Official Statement. The final Official Statement of the City for the sale of the Series 2008 Bonds, in substantially the form attached hereto as *Exhibit C*, with such changes, omissions, insertions and revisions as the Mayor or the Deputy Mayor shall approve is hereby authorized, and the Mayor or the Deputy Mayor shall sign and deliver such final Official Statement to the Underwriter for distribution to the purchasers of the Series 2008 Bonds and other interested persons, his execution thereof to constitute conclusive evidence of such approval. The use of the Preliminary Official Statement, dated February 5, 2008, by the Underwriter in connection with the offering of the Series 2008 Bonds is hereby acknowledged, approved and ratified.

Section 5. Other Certificates and Documents Required to Evidence Compliance with Federal Tax and Securities Laws. Each of the Mayor, the Deputy Mayor, the City Recorder or any Deputy City Recorder, the City Treasurer and the Director of Public Utilities of the City is hereby authorized and directed to execute (a) such other certificates and documents as are required to evidence compliance with the federal laws relating to the tax-exempt status of interest on the Series 2008 Bonds and (b) a Continuing Disclosure Undertaking, in substantially the form attached hereto as *Exhibit D*, and such other certificates and documents as shall be necessary to comply with the requirements of Rule 15c-2-12 of the Securities and Exchanges Commission and other applicable federal securities laws.

Section 6. Other Actions With Respect to the Series 2008 Bonds. The officers and employees of the City shall take all action necessary or reasonably required to carry out, give effect to, and consummate the transactions contemplated hereby and shall take all action necessary in conformity with the Act to carry out the issuance of the Series 2008 Bonds, the

refunding of the Refunded Bonds and the financing of the Project, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the sale and delivery of the Series 2008 Bonds, the refunding of the Refunded Bonds and the financing of the Project. If (a) the Mayor or (b) the City Recorder shall be unavailable to execute or attest and countersign, respectively, the Series 2008 Bonds or the other documents that they are hereby authorized to execute, attest and countersign the same may be executed, or attested and countersigned, respectively, (i) by the Deputy Mayor or (ii) by any Deputy City Recorder. Without limiting the generality of the foregoing, the officers and employees of the City are authorized and directed to take such action as shall be necessary and appropriate to issue the Series 2008 Bonds.

Section 7. Prior Acts Ratified, Approved and Confirmed. All acts of the officers and employees of the City in connection with the issuance of the Series 2008 Bonds are hereby ratified, approved and confirmed.

Section 8. Resolution Irrepealable. Following the execution and delivery of the Third Supplemental Indenture, this resolution shall be and remain irrepealable until the Series 2008 Bonds and the interest thereon shall have been fully paid, cancelled, and discharged.

Section 9. Severability. 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 such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this resolution.

Section 10. Effective Date. This resolution shall be effective immediately upon its approval and adoption.

ADOPTED AND APPROVED by the City Council and the Mayor, as applicable of Salt Lake City, Salt Lake County, Utah, this 12th day of February, 2008.

SALT LAKE CITY, SALT LAKE COUNTY, UTAH

Chair
Salt Lake City Council

ATTEST:

Deputy City Recorder

[SEAL]

APPROVED:

By _____
Mayor

APPROVED AS TO FORM:

By _____
Senior City Attorney

EXHIBIT A

[ATTACH FORM OF THIRD SUPPLEMENTAL TRUST INDENTURE]

EXHIBIT B

[ATTACH FORM OF PURCHASE CONTRACT]

EXHIBIT C

[ATTACH FORM OF FINAL OFFICIAL STATEMENT]

EXHIBIT D

[ATTACH FORM OF CONTINUING DISCLOSURE UNDERTAKING]