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# SALT LAKE CITY COUNCIL STAFF REPORT

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DATE: January 15, 2008

SUBJECT: Refund \$9.9 Million of Water and Sewer Series 1997 Bonds  
& Issue approximately \$7 million in Series 2008 Bonds

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

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## 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 15<sup>th</sup> Council meeting agenda. However, if the Council has questions, the consideration of the parameters resolution can be placed on the January 22<sup>nd</sup> 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 22<sup>nd</sup>.

**["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.**

## 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. MULE'  
CITY TREASURER

**SALT LAKE CITY CORPORATION**  
DEPARTMENT OF MANAGEMENT SERVICES  
TREASURER

ROSS C. "ROCKY" ANDERSON  
MAYOR

**COUNCIL TRANSMITTAL**

  
**TO:** Lyn Creswell, Chief Administrative Officer

**DATE:** December 24, 2007

**FROM:** Daniel A. Mulé, City Treasurer 

**SUBJECT:** Refund Approximately \$9,925,000 of Water and Sewer Refunding Revenue Bonds – Series 1997, and Issue Approximately \$7 million of Water and Sewer Revenue Bonds to Fund Water Line Improvements

**STAFF CONTACT:** Jim Lewis, Finance Administrator – 483-6773  
Daniel A. Mulé, City Treasurer – 535-6411

**RECOMMENDATION:** That the City Council hold a discussion and schedule appropriate actions in connection with transactions referenced above.

**DOCUMENT TYPE:** Briefing/Discussion

**BUDGET IMPACT:** Current estimates provided by the City's Financial Advisor indicate that the City could expect to receive approximately \$732,000 in savings over the next nine years (\$81,000 per year) in reduced debt service costs resulting from the refunding of all outstanding Series 1997 Water and Sewer Refunding Bonds. (See Attachment A.) It is currently contemplated that the debt service on the new money portion to fund water line improvements would defer amortizing principal until later years when other outstanding series of bonds mature. (See Attachment B.) These estimates are based on the current interest rate environment and are subject to change based on market conditions at the time of sale of the bonds.

**DISCUSSION:** In 1997, \$24,515,000 of Water and Sewer Improvement and Refunding Revenue Bonds were issued to refund the Series 1991 and 1994 Bonds, and to provide funding for the rebuilding of the Park Reservoir, upgrading water treatment facilities, providing water line improvements and replacements, and making other improvements to the City's water, sewer and storm water system. A portion of the proceeds from the Series 2005 Bonds were used to advance refund a portion of the Series 1997 Bonds. The remaining principal balance of \$10,035,000 for the Series 1997 will be refunded with the Series 2008 Bonds. The City's Financial Advisor believes that the strength of the current

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bond coverage numbers should result in the City receiving very favorable ratings from the rating agencies which translates into lower interest rates.

I would like to request that the Parameters Resolution for the Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008, be placed on the January 15, 2008 agenda for City Council adoption. This resolution sets forth the principal amount of bonds to be issued, the interest rate that the bonds may not exceed, and the maximum term that the bonds may be outstanding. These bonds would probably be sold within 30 to 45 days from the date of the adoption of the Parameters Resolution. The evening of the bond sale, the City Council will adopt the Bond Resolution and Bond Purchase Agreement.

#### Attachments

cc: Boyd Ferguson  
Steve Fawcett  
Gordon Hoskins  
Jim Lewis  
Randy Hillier  
Jim Lewis  
Jeff Niermeyer  
Marina Scott

## Salt Lake City, Utah

Water and Sewer Revenue Bonds, Series 2008  
(Current Refunding of Outstanding Series 1997)

### Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	OLD D/S	Savings
06/30/2008	-	-	-	-	-	-
06/30/2009	920,000.00	-	362,040.00	1,282,040.00	1,364,850.00	82,810.00
06/30/2010	950,000.00	-	329,840.00	1,279,840.00	1,362,955.00	83,115.00
06/30/2011	985,000.00	-	296,590.00	1,281,590.00	1,363,205.00	81,615.00
06/30/2012	1,020,000.00	-	262,115.00	1,282,115.00	1,361,205.00	79,090.00
06/30/2013	1,055,000.00	-	226,415.00	1,281,415.00	1,360,970.00	79,555.00
06/30/2014	1,210,000.00	-	188,435.00	1,398,435.00	1,478,185.00	79,750.00
06/30/2015	1,255,000.00	-	145,480.00	1,400,480.00	1,480,525.00	80,045.00
06/30/2016	1,295,000.00	-	99,672.50	1,394,672.50	1,478,850.00	84,177.50
06/30/2017	1,345,000.00	-	51,110.00	1,396,110.00	1,478,762.50	82,652.50
<b>Total</b>	<b>\$10,035,000.00</b>	<b>-</b>	<b>\$1,961,697.50</b>	<b>\$11,996,697.50</b>	<b>\$12,729,507.50</b>	<b>\$732,810.00</b>

### PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	863,608.69
Transfers from Prior Issue Debt Service Fund	(254,925.00)
Contingency or Rounding Amount	2,803.50
<b>Net Present Value Benefit (Bond Yield)</b>	<b>\$611,487.19</b>
Net PV Benefit / \$9,925,000 Refunded Principal	6.161%
Net PV Benefit / \$10,035,000 Refunding Principal	6.094%

### Refunding Bond Information

Refunding Dated Date	2/01/2008
Refunding Delivery Date	2/01/2008

FOR DISCUSSION PURPOSES ONLY

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# Salt Lake City, Utah

Water and Sewer Revenue Bonds, Series 2008

(Project Funding)

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Existing D/S	Net New D/S
06/30/2008	-	-	-	-	2,309,506.25	2,309,506.25
06/30/2009	-	-	308,295.00	308,295.00	5,171,302.50	5,479,597.50
06/30/2010	-	-	308,295.00	308,295.00	5,183,402.50	5,491,697.50
06/30/2011	-	-	308,295.00	308,295.00	5,189,727.50	5,498,022.50
06/30/2012	-	-	308,295.00	308,295.00	5,179,902.50	5,488,197.50
06/30/2013	-	-	308,295.00	308,295.00	5,168,452.50	5,476,747.50
06/30/2014	-	-	308,295.00	308,295.00	5,184,222.50	5,492,517.50
06/30/2015	-	-	308,295.00	308,295.00	5,233,767.50	5,542,062.50
06/30/2016	-	-	308,295.00	308,295.00	5,191,710.00	5,500,005.00
06/30/2017	-	-	308,295.00	308,295.00	5,191,897.50	5,500,192.50
06/30/2018	-	-	308,295.00	308,295.00	2,447,537.50	2,755,832.50
06/30/2019	-	-	308,295.00	308,295.00	2,444,287.50	2,752,582.50
06/30/2020	-	-	308,295.00	308,295.00	2,446,787.50	2,755,082.50
06/30/2021	-	-	308,295.00	308,295.00	2,444,537.50	2,752,832.50
06/30/2022	-	-	308,295.00	308,295.00	2,447,537.50	2,755,832.50
06/30/2023	-	-	308,295.00	308,295.00	2,445,287.50	2,753,582.50
06/30/2024	-	-	308,295.00	308,295.00	2,444,662.50	2,752,957.50
06/30/2025	2,265,000.00	4.300%	308,295.00	2,573,295.00	-	2,573,295.00
06/30/2026	2,360,000.00	4.350%	210,900.00	2,570,900.00	-	2,570,900.00
06/30/2027	2,460,000.00	4.400%	108,240.00	2,568,240.00	-	2,568,240.00
<b>Total</b>	<b>\$7,085,000.00</b>	<b>-</b>	<b>\$5,560,155.00</b>	<b>\$12,645,155.00</b>	<b>\$66,124,528.75</b>	<b>\$78,769,683.75</b>

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Wells Fargo Brokerage Services, LLC  
Public Finance



JAN 10 2007

DANIEL A. MULÉ  
CITY TREASURER

**SALT LAKE CITY CORPORATION**

DEPARTMENT OF MANAGEMENT SERVICES  
TREASURER'S DIVISION

RALPH BECKER  
MAYOR

  
TO: David Everitt, Chief of Staff  
DATE: January 9, 2008  
FROM: Daniel A. Mulé, City Treasurer   
RE: Parameters Resolution for Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008

Please find attached the draft Water and Sewer Improvement and Refunding Revenue Bonds, Series 2008 Parameters Resolution for inclusion into the City Council packets for consideration during the January 15, 2008 briefing and the January 15, 2008 meeting.

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.SLCGOV.COM](http://WWW.SLCGOV.COM)

RESOLUTION NO. \_\_ OF 2008

A RESOLUTION authorizing the issuance and sale of not more than \$20,000,000 aggregate principal amount of water and sewer revenue 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.

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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 (a) financing certain improvements, facilities and property that will be part of the System (the "*Project*"), (b) refunding, if desirable in the judgment of the City Council, in advance of their maturity all or a portion of its 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*"), (c) funding any necessary reserves, and (d) paying all related costs authorized by law;

WHEREAS, all or a portion of the expenditures relating to the Project (the "*Expenditures*") (a) have been paid from the water, sewer and storm water enterprise fund (the "*Fund*") within the sixty days prior to the passage of this Resolution or (b) will be paid from the Fund on or after the passage of this Resolution; and

WHEREAS, the City Council now desires to publish or cause to be published a Notice of Bonds to be Issued as provided under and in compliance with Section 11-14-316 and Section 11-27-4, as applicable, of the 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 (a) financing the Project, (b) refunding, if desirable in the judgment of the City Council, in advance of their maturity the Refunded Bonds, (c) funding any necessary reserves, and (d) paying all related costs authorized by law. The Bonds shall be issued in an initial aggregate principal amount not to exceed \$20,000,000, shall mature in not more than twenty-one (21) 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 two percent (2.00%), 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 (i) 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, (ii) 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 (iii) a Third 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 11-14-319 and Section 11-27-4, as applicable, of the Utah Code Annotated 1953, as amended, the City Recorder or any Deputy City Recorder shall cause a "Notice of Bonds to be Issued," in substantially the form attached hereto as *Annex 4* (the "*Notice*"), 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 (30) 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.

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 Supplemental 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 Supplemental Indenture) or the Bonds or any provisions made for the security and payment of the Bonds for any cause.

*Section 4. Preparation and Distribution of a Preliminary Official Statement.* The preparation and distribution of a Preliminary Official Statement for the Bonds in connection with the sale thereof is hereby authorized. The Finance Administrator of the Department of Public Utilities and the City Treasurer are hereby each, acting individually, authorized and empowered, on behalf of the City, to deem such Preliminary Official Statement final for purposes of enabling compliance with Rule 15c2-12 of the Securities and Exchange Commission.

*Section 5. Preparation and Distribution of a Notice of Redemption for the Refunded Bonds.* The preparation and distribution of a Notice of Redemption for the Refunded Bonds in connection with the refunding thereof is hereby authorized. Such Notice of Redemption shall be in the form necessary to comply with the requirements of Resolution No. 100 Providing for the Issuance of Water and Sewer Revenue Bonds, adopted by the City Council on November 3, 1981, as previously amended and supplemented and as further amended and supplemented by

Supplemental Resolution No. 64 Of 1997 Authorizing the Issuance and Sale of the Refunded Bonds, adopted by the City Council on November 4, 1997 (collectively, the "*Prior Resolution*"); *provided, however*, that such Notice of Redemption shall state, in accordance with the Prior Resolution, that the redemption of the Refunded Bonds is conditioned upon the receipt by the trustee under the Prior Resolution (the "*Prior Trustee*"), on or prior to the date fixed for such redemption (which is currently anticipated to be on Thursday, February 28, 2008) of moneys sufficient to pay the principal and interest on the Refunded Bonds and that if such moneys shall not have been so received, such Notice of Redemption will be of no force and effect and the City will not be required to redeem the Refunded Bonds. The Finance Administrator of the Department of Public Utilities and the City Treasurer are authorized and empowered, on behalf of the City, to cause the Notice of Redemption to be given as provided in the Prior Resolution.

*Section 6. Reimbursement of Expenditures.* The City reasonably expects to reimburse the Fund for the Expenditures from the proceeds of the Bonds.

*Section 7. Ratification.* All proceedings, resolutions and actions of the City and its officers taken in connection with the sale and issuance of the Bonds are hereby ratified, confirmed and approved.

*Section 8. 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 9. 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 10. 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 11. Effective Date.* This Resolution shall be in full force and effect immediately upon its adoption.

(Signature page follows.)

ADOPTED and APPROVED by the City Council and the Mayor, as applicable, of Salt Lake City, Salt Lake County, Utah, this 15th day of January, 2008.

SALT LAKE CITY, SALT LAKE COUNTY, UTAH

By \_\_\_\_\_  
Chair  
Salt Lake City Council

[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 BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN that Salt Lake City, Utah (the "City"), intends to issue its Water and Sewer Improvement and Refunding Revenue Bonds (the "Bonds") in the initial aggregate principal amount of not to exceed \$20,000,000, to mature in not more than twenty-one (21) 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 six percent (6.00%). The purchaser of the Bonds will not be required to make a good faith deposit in connection with its agreement to purchase the Bonds. Further notice is hereby given that on January 15, 2008, the City Council of the City adopted Resolution No. \_\_\_ of 2008 (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 Third 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 (i) financing certain improvements, facilities and property that will be a part of the City's water, sewer and storm water system, (ii) refunding, if desirable in the judgment of the City Council of the City, in advance of their maturity all or a portion 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, (iii) funding any necessary reserves, and (iv) paying 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 City Council of the City reserves the right to issue Bonds for the purpose described above in clause (i) without issuing the Bonds for the purpose described in clause (ii).

The Resolution and the Master Indenture and a draft of the Bond Resolution and 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 Master Indenture, the draft Bond Resolution, 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 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 11-14-316 and Section 11-27-4, as applicable, of the Utah Code Annotated 1953, as amended.

DATED this 15th day of January, 2008.

SALT LAKE CITY, UTAH

By \_\_\_\_\_  
Deputy City Recorder