

NORTH SALT LAKE CITY
CITY COUNCIL MEETING – SPECIAL SESSION
DECEMBER 9, 2010

Mayor Len Arave called the meeting to order at 5:41 p.m.

PRESENT: Mayor Len Arave
Council Member Stewart Harman
Council Member Brian Horrocks
Council Member Conrad Jacobson
Council Member Matt Jensen
Council Member Stan Porter

STAFF PRESENT: Barry Edwards, City Manager; Brian Passey, Assistant City Manager and Finance Director; Dave Church, City Attorney; LaRae Dillingham, City Recorder; Linda Horrocks, Minutes Secretary.

OTHERS PRESENT: Jonathan Ward, Zions Bank; Brandon Johnson, Chapman and Cutler.

1. CONSIDERATION AND POSSIBLE ADOPTION OF RESOLUTION NO. 2010-20R AUTHORIZING THE ISSUANCE AND CONFIRMING THE SALE OF WATER REVENUE BONDS OF THE CITY; AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS RELATING TO SUCH BONDS; AND PROVIDING FOR RELATED MATTERS

Barry Edwards referred to the water revenue bond bid summary distributed to the Council. There were four bidders, the lowest being M & I Bank at 3.8703%, with whom he recommended utilizing. He added that this is the first time competitive bidding has been done on a water revenue bond in Utah.

The Council asked about costs involved with the issuance. Mr. Edwards stated that costs include a reserve account paid up front, which ends up being the City's last year's payment. He stated that staff will be recommending to the Council small increases to the annual water fund, as the City needs to have \$2 million in reserves to effectively operate the system. Because it took so long to get the new rates adopted, the City was out of compliance for two years. Those covenants need to be kept, as it is important to maintain that credit rating. If modest increases are continued, the City should reach the \$2 million in reserve within five years. Brian Passey noted that interest on the reserve fund can be used to make the payments.

Sources and Uses of funds – Jonathan stated that this is a different type of fund. The sales tax rating was a double A minus (AA-), and this utility bond was one was one step lower, which is a huge factor in this type of lending market. This reserve fund is a big factor, which adds about \$44,000 of costs to the transaction that were not on the City's earlier sales tax bonds. Insurance premiums were almost doubled compared to the '06 transaction.

Underwriters, in order to feel comfortable bidding, asked for two ratings. This is why the City sought a rating with Fitch and S & P. The underwriter's discount is high, but they wanted to buy the bonds, and if you compare the underwriters side by side, we found the lowest combination of upfront fees and interest rates.

Mayor Arave asked about amendments to these bonds and how that can be approached. Jonathan stated that the City would go through the trustee, and through the legal covenants, which would probably be through the bond counsel.

Council Member Jacobson moved to adopt Resolution 2010-20R authorizing the issuance and confirming the sale of the water revenue bonds of the City; authorizing the execution and delivery of certain documents relating to such bonds; and providing for related matters. Council Member Porter seconded the motion. The motion was approved by Council Members Jacobson, Harman, Porter, Horrocks and Jensen.

2. ADJOURN

Mayor Arave adjourned the meeting at 6:15 p.m.

Mayor

Secretary