MIDVALE CITY COUNCIL SPECIAL MEETING
AGENDA
November 28, 2017

PUBLIC NOTICE IS HEREBY GIVEN that the Midvale City Council will hold a special meeting on the 28th day of November 2017 at Midvale City Hall, 7505 South Holden Street, Midvale, Utah as follows:

7:00 PM
REGULAR MEETING

I. GENERAL BUSINESS
A. WELCOME AND PLEDGE OF ALLEGIANCE
B. ROLL CALL

II. ACTION ITEM
A. Consideration for Adoption of a Resolution of the City Council of Midvale City, Utah, Authorizing the Issuance and Sale of Not More than $6,000,000 Aggregate Principal Amount of Water and Sewer Revenue Refunding Bonds, Series 2017; and Related Matters [Laurie Harvey, Assist. City Manager/Administrative Services Director]

III. ADJOURN

In accordance with the Americans with Disabilities Act, Midvale City will make reasonable accommodations for participation in the meeting. Request assistance by contacting the City Recorder at 801-567-7207, providing at least three working days advance notice of the meeting. TTY 711

A copy of the foregoing agenda was provided to the news media by email and/or fax; the agenda was posted in the City Hall Lobby, the 2nd Floor City Hall Lobby, on the City’s website at www.midvalecity.org and the State Public Notice Website at http://pnn.utah.gov. Council Members may participate in the meeting via electronic communications. Council Members’ participation via electronic communication will be broadcast and amplified so other Council Members and all other persons present in the Council Chambers will be able to hear or see the communication.

PLEASE SILENCE CELL PHONES DURING THE MEETING

DATE POSTED:
NOVEMBER 22, 2017

RORI L. ANDREASON, MMC
H.R. DIRECTOR/CITY RECORDER
Mayor Seghini called the meeting to order at 7:26 p.m.

I. GENERAL BUSINESS
A. Welcome and Pledge of Allegiance

B. Roll Call – Council Members Paul Hunt, Wayne Sharp, and Paul Glover were present at roll call. Council Member Quinn Sperry attended electronically.

II. ACTION ITEM
A. CONSIDERATION FOR ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF MIDVALE CITY, UTAH, AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN $6,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2017; AND RELATED MATTERS

Laura Lewis stated on November 2nd the house proposed a tax reform bill that since has been passed. In that bill, it eliminates the ability for local governments to do advance refunding of municipal bonds. It is taking away the flexibility to act on refunds to receive some savings. Now cities are required to wait until the call date and are no longer able to do advance refunding.

In order to take have some flexibility to take advantage of the refunding it has to be done before December 31st. She asked that the Council adopt the parameter resolution that sets the interest rates and terms. If they can hit the savings targets, then they will proceed. If they go down this road, the reward would be a savings to the City, but the risk would be that they could get the rating and the market could move away so they couldn’t save the money and would not do the transaction,
but there would still be a fee that the City would have to pay. The challenge is not knowing what the market will do, and if the federal government continues debating and does not take any action, the bill is still live with the effective date. She said she was not able to get a legal opinion on this because it is still being debated.

Laura Lewis, Lewis Young said they would be doing this transaction publicly offer bond in a different way and the numbers will be different. It will be a direct purchase instead. The process puts a little less burden on the staff. They will go through a process to see what will benefit the City the best. If they see that it won’t benefit the City, they won’t do the transaction. The good news is that there is no risk because there will be no rating agency payment. The risk would be a tax rate deduction. They have heard that at least one bank will put in a provision and they will go through the process of the bidding. If there are no bidders they like, then they will wait until the bonds are callable.

Councilmember Quinn Sperry left the meeting at 7:30 p.m.

**MOTION:** Councilmember Paul Hunt MOVED to authorizing the issuance and sale of not more than 6,000,000 aggregate principal amount of water and sewer revenue refunding bonds series 2017 and other related matters. The motion was SECONDED by Councilmember Paul Glover. Mayor Seghini called for discussion on the motion. There being none she called for a roll call vote. The voting was as follows:

- Council member Stephen Brown: Aye
- Council member Paul Glover: Aye
- Council member Paul Hunt: Aye
- Councilmember Wayne Sharp: Aye
- Council member Quinn Sperry: Absent

The motion passed unanimously.

**III. ADJOURN**

**MOTION:** Councilmember Wayne Sharp MOVED to adjourn the meeting. Councilmember Paul Hunt SECONDED the motion. Mayor Seghini called for discussion on the motion. There being none, she called for a vote. The motion passed unanimously.

The meeting adjourned at 7:34 p.m.

**Rori L. Andreason, MMC**
**H.R. DIRECTOR/CITY RECORDER**

Approved this 5th day of December, 2017.
<table>
<thead>
<tr>
<th>NAME (PLEASE PRINT)</th>
<th>ADDRESS</th>
<th>CITY</th>
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<tbody>
<tr>
<td>Dustin G.</td>
<td>San Moritz</td>
<td>Midvale</td>
</tr>
<tr>
<td>Jackson W.</td>
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Information for Bond Refunding discussion - November 28, 2017

Explanation of terms:

Build America Bonds (BABs): The Series 2010B RDA and Water/Sewer bonds are BABs. These are taxable bonds and carry a higher interest rate than our non-taxable bonds. We receive a subsidy from the IRS which effectively reduces our interest rate. The subsidy was originally 35% of interest paid, but in 2013 the subsidy was reduced to 32.0%. The reduction changes each year. For FY 2018 the subsidy is 32.6%. While eliminating the BABs subsidy is not currently part of the federal tax reform proposal, the subsidy could be drastically reduced or eliminated at any time.

The cost of the subsidy reduction is approximately $33,000 per year for the RDA and $9,000 per year for the Water Fund.

Advanced Refunding: "Refinancing" a bond prior to the call date to maximize interest savings. Proceeds from the new bond are placed in escrow and used to pay debt service on the "old" debt until the original call date.

Cross-over Refunding: Similar to Advanced Refunding, except that proceeds from the new bond are placed in escrow and used to pay interest on the "new" debt until the original call date (the "crossover date"). The refunded bonds will pay regularly until the crossover date as if no refunding had taken place. Payment of principal on the new bonds will start after the crossover date. Additionally, escrow proceeds will pay the principal balance of the refunded bonds on the crossover date.

Negative Arbitrage: Proceeds placed in escrow from any refunding may NOT earn interest at a rate higher than the State and Local Government Securities rate (SLGS). When the interest rate payable on the outstanding bonds is higher than the SLGS rate, additional principal must be borrowed in the refunding transaction in order for the escrowed funds to generate enough interest to cover debt service.

Net Present Value (NPV) savings benchmark: According to general industry standards, if NPV savings of at least 3% can be achieved, an advanced refunding is generally recommended. Of course, if interest rates are moving in the right direction and the NPV savings could increase, waiting to pull the trigger may be advised. It's always a gamble. The NPV savings considers all costs of issuance (financial advisor, underwriter, bond counsel, etc).

Bond Rating: Public offerings require a bond rating from Standard & Poors, Moody's, or Fitch. The cost for the rating on the RDA bonds is estimated at $45,000. This is a sunk cost. If we end up NOT issuing the refunding bonds, we don't get our money back, and we can't use the rating at a later date.

Direct placement: Bond financing directly with a borrower (typically a financial institution) without going through a public offering. Advisable for smaller and shorter obligations, say less than $10 million and/or less than 15 years. We plan to "refinance" our Series 2010B Water/Sewer bonds as a direct placement.
Order period: Date that Underwriters market the bonds, or “take orders”. After the order period (typically 1-2 hours) ends, if desired NPV savings is not achieved, we can decide NOT to issue the bonds. Parameters Resolution: Adopted by the City Council/RDA to notify the public of our intent to issue bonds. States the parameters within which bonds can be issued, including maximum amount, interest rate, premium or discount, and term. Does NOT lock the City into issuing bonds.

Bonds being considered for Advanced/Crossover Refunding:

<table>
<thead>
<tr>
<th>Description</th>
<th>Outstanding Balance</th>
<th>Coupon Rate</th>
<th>Rating</th>
<th>Call date</th>
<th>Maturity date</th>
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</thead>
<tbody>
<tr>
<td>Series 2010B RDA</td>
<td>$21,925,000</td>
<td>2.75% – 6.25%</td>
<td>S&amp;P AA-</td>
<td>5/1/2020</td>
<td>5/1/2034</td>
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<tr>
<td>Series 2010B Water/Sewer</td>
<td>$5,895,000</td>
<td>2% - 6.09%</td>
<td>S&amp;P AA</td>
<td>10/1/2020</td>
<td>10/1/2030</td>
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<tr>
<td>Series 2015 RDA</td>
<td>$12,961,000</td>
<td>2.06% - 3.66% *</td>
<td>Private placement</td>
<td>Anytime</td>
<td>5/1/2034</td>
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*Subject to interest rate reset on 5/1/2020, 5/1/2025, and 5/1/2030.