

TOWN MEETING
Tuesday, May 15, 2012 6:00 p.m.
Community Recreation Center
10640 N Club House Drive, Cedar Hills, Utah

Present: Mayor Eric Richardson, Presiding
Council Members: Gary Gygi, Jenney Rees, Scott Jackman, Trent Augustus
David Bunker, City Manager
Gretchen Gordon, Deputy City Recorder
Rebecca Tehero, Finance Director
Chandler Goodwin, Assistant Finance Director
Eric Johnson, City Counsel
Courtney Hammond, City Meeting Transcriber
Others: Catherine Bennett, Sarah Brimhall, Mark Edminster, Greg Gordon, Cliff
Chandler
Absent: Councilmember Stephanie Martinez

This town meeting of the City of Cedar Hills, having been properly noticed, was called to order at 6:09 p.m. by Mayor Richardson.

Refinancing City Bonds and Prepayment Options (6:09 p.m.)

Mayor Richardson stated that there have been decreases in the interest rates and the city's bond rating increased, which prompted the city into looking at the possibilities of refinancing.

Mark Edminster of Lewis Young, the city's financial advisor, explained the two viable candidates for refinancing. The PI bond was originally issued in 2009 for \$890,000 and carries a 5.99% interest rate. The bonds were purchased by Wells Fargo. The terms do not allow the city to call for early redemption. He has had success going to Wells Fargo and asking for refunding. They are under no obligation to do so, but are willing to restructure the bonds and lower the interest rate. One would fix the interest rate 3.08% for seven years or for five years at 2.9%. In this case, the risk may be worth considering because the new structure allows the bonds to be called at any time. With the 7-year option, the city saves about \$13,000 per year. The outstanding balance is \$845,000.

The general obligation bond was issued and sold in the public markets. They were sold with a call protection for 10 years. The call date for the bonds is in 2016. An advance refunding is possible. The bonds would be sold now with an escrow account to refund the bonds until the call date. The money in the escrow is only allowed to be invested in very narrow ways that make very little money. The negative arbitrage is significant. To do the bond refund, the city would have to sell over \$4 million in bonds. The savings would be under \$128,000. The negative arbitrage is \$423,000. Waiting just five months saves the city more money, assuming interest rates stay the same. He doesn't think the interest rates will change dramatically between now and election time, and perhaps a few months longer. He recommends waiting, though starting the process now doesn't hurt the city.

A parameters resolution is a starting point that allows the city to move forward with the refinance, but it does not obligate the city. There is no requirement for a public hearing, though the city can choose to do so. Once the parameters resolution is issued it triggers a 30-day public contest period during which the city cannot issue the bonds.

Eric Johnson stated that there is nothing specific in law that limits the timeframe of the parameters resolution. In his mind 18-24 months is the limit. There is no downside to acting and approving the parameters resolution. It simply notifies the public, but the decision will be made at a later date.

Mayor Richardson stated that there is a possibility of accelerating the PI payment. The city just finished a utility rate study, which recommended some gradual changes to keep up with inflation. He suggested a minor increase in the PI rate, increasing the debt payments and paying off the loan within the 7 years.

This meeting was adjourned 6:40 p.m. by Mayor Richardson.

Gretchen F. Gordon, Deputy City Recorder

Approved by Council: July 10, 2012