

DATE Tuesday February 16th, 2016

Board Meeting
UNIFIED FIRE SERVICE AREA

Meeting ~ MINUTES ~

Midvale Fire Station 126
607 East 7200 South
Midvale, UT 84047

February 16, 2016

8:30 a.m.

(or Immediately Following Unified Fire Authority Board Meeting)

PRESENT: JOANN SEGhini (CHAIR)
LARRY JOHNSON
CORALEE WESSMAN-MOSER
CHRISTOPHER PENGRA
SHELDON STEWART

ABSENT: SAM GRANATO
BEN MCADAMS
RICHARD SNELGROVE

ALSO PRESENT: MICHAEL JENSEN, CHIEF; GAYLORD SCOTT, DEPUTY CHIEF; KARL HENDRICKSON, CHIEF LEGAL OFFICER; TONY HILL, CHIEF FINANCIAL OFFICER; BRETT WOOD, HERRIMAN CITY MANAGER; KANE LOADER, MIDVALE CITY MANAGER; DAMA BARBOUR, TAYLORSVILLE CITY COUNCIL; KRISTIE OVERSON, TAYLORSVILLE CITY COUNCIL; MARTY SLACK, ASSISTANT CHIEF; STEPHEN HIGGS, ASSISTANT CHIEF; MIKE KELSEY, ASSISTANT CHIEF; RAND ANDRUS, ASSISTANT CHIEF; ERIK SANDSTROM, ASSISTANT CHIEF; MARLON JONES, ASSISTANT CHIEF; MIKE GREENSIDES, BATTALION CHIEF; CLINT SMITH, BATTALION CHIEF; CLIFF BURNINGHAM, LOCAL 1696; JAY ZIOLKOWSKI, BATTALION CHIEF; BRIAN ANDERTON, BATTALION CHIEF; MIKE ULIBARRI, BATTALION CHIEF; DAVE ULIBARRI, BATTALION CHIEF; BRAD LYNN, BATTALION CHIEF; JOEL RICHARDS; JOHNATHAN WARD, ZION'S BANK; MICAYLA DINKEL; RYAN PERRY, CLERK.



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Public Comment:

Quarterly Financial Report:

Trustee Stewart stated that we talked about increasing our contribution to fund balance. One of our goals is to build it up to help our bond rating. We should continue to look at ways to increase the amount we contribute to fund balance.

Chair Seghini asked if we had a fund balance cap?

Chief Jensen stated that we have a property tax rate cap, but we do not have a cap for fund balance as a percentage. A little while back, the Board passed a resolution that set a goal of a 15% fund balance. With this update, we will be right around 17% fund balance. Because we are 100% property tax, we do not have a cap on the amount we are allowed to keep in fund balance. We could have 100% fund balance if we wanted to. The question is how much money do you want to warehouse?

Consideration of a Resolution Approving a Plan of Financing; Authorizing the Issuance and Sale of up to \$23,500,000 Tax and Revenue Anticipation Notes;

Authorizing Certain Officers to Approve the Final Terms and Confirm the Sale of the Notes; and Providing for Related Matters:

Chief Jensen stated that this is our Tax Anticipation Note (TAN) that we do every year. Tony has done a cash flow analysis and we are looking for \$23.5 million. We do feel comfortable with this amount. We have been working with Zion's bank as our Financial Advisor and Chapman and Cutler as our Bond Council.

Karl Hendrickson stated that this is similar to what we have done in prior years. A lot of entities bring this back to the City Council or County Council for final approval. This resolution delegates the authority and authorizes the Chief Executive Officer and the Chief Financial Officer to execute and negotiate the sale. There are parameters that they must meet. The interest rate can't be above 3%, the discount rate can't be more than 2%, and the bond amount cannot be above the \$23.5 million amount. This does streamline the process, but it is important to note that you are delegating the authority.

Chief Jensen stated that talking to Zion's Bank, we do have some competitive rates.

Trustee Stewart stated that he knows that SLVESA is having this same conversation of how do we get off needing this bond? Can we have Tony come back for the conversation?

Chief Jensen stated that we do need to have the conversation. We did look at it a few years ago. It does make it difficult for fiscal year entities to make the switch. We don't really have another revenue stream for us to lean on for cash flow.

Trustee Stewart stated that he understands that it would be difficult, but it would be helpful to know what it would take to not need to issue the TAN's.

Trustee Pengra, seconded by Trustee Stewart, moved to approve the bond parameters resolution of an issuance of up to \$23.5 million in Tax Anticipation Notes and authorize the officers to approve the final terms. The vote was unanimous in favor of the motion.

Update on 2008 Bond Refinance

Chief Jensen stated that originally, we were talking about a direct purchase for the refinance. With us coming in at 17% of fund balance, we are now talking about going to the market. I think it is a good time for us to go the market. Johnathan will walk us through the timeline and details.

Johnathan Ward stated that for the timeline, we could go to a direct purchase, where we go to one investor and ask them to buy all the refinancing bonds and for the extra \$6 million for the Taylorsville station. We were talking to one bank who we have used before and has the capacity to purchase \$34 million in bonds and will

use the land as collateral. This investor was working with us to a point. As the markets have dropped, they were working with us to reduce their rate. We have gotten to a point to where they can't compete with the market place. There is some risk that those rates will change. Right now the markets have been dropping and this helps us in the refinancing stage. There doesn't seem to be any positive economic news to suggest any further rate changes. If they raise the interest rate, it could work to our advantage. This is because we are looking at long-term bonds. The savings have gone from \$1.7 million on a direct purchase route, to around \$3.4 million on a market route. Clearly there are a lot of savings on the market route. Timeline, we do need to work on writing an official statement to allow us to go to market over the next couple of weeks. The first part of April, we would obtain a market rating. We are currently at an Aa2, which is a good rating. If they do change it, it would be Aa3. Even if the rating drops, it is still a good rating. With the 17% fund balance, I don't see a lot of pressure to decrease the bond rating. There is also a question of whether we get one rating or two. This means that we would close the end of April and have funds delivered.

Chief Jensen stated that we did want to make sure that we had enough money for the Taylorsville station on the cash flow analysis. Doubling of the savings is just too much money not to look at the market route.

Johnathan Ward stated that if our fund balance were to go down, it would have been a little bit of a different conversation. It sounds like we have a good story to tell.

Trustee Wessman-Moser asked how confident we are in the 17% fund balance? It sounded like it hadn't been fully determined. The second question is what is the extension of time needed to get a rating from Fitch? Will this prolong us past the timeline needed to obtain the funds?

Tony Hill stated that the Auditors would come in and look at our books in April. Once we go through the Audit, we will have the final number. I am fairly confident in the 17% fund balance. They may want us to classify some fund balances that are listed as unrestricted to restricted, but it won't be much different than what we are showing. It will stay in the 15% to 17% range.

Johnathan Ward stated that timing on the extra rating would be made before we meet with them. If we meet with the second rating agency, we would meet with them on the same trip, with the same presentation.

Trustee Wessman-Moser asked what the recommendation is for getting a second rating?

Johnathan Ward stated that we have never really been able to quantify the second rating. It really depends on the investor base and the interest cost. You can justify

the savings, by the cost of the rating. If you are saving 1 basis point, it probably doesn't justify the fee. If you are saving 10 basis points, it is worth the cost.

Trustee Pengra asked what is the cost of us having our credit rating reduced?

Johnathan Ward stated that it would be around 10 basis points in our world today.

Trustee Pengra asked with our last go around with Moody's, would you expect a rate reduction?

Johnathan Ward stated that he doesn't expect it to change with the current news. Even if we dipped for a short time below the 15%. Moody's would be looking at long-term outlooks. They look at trends, capital commitments, and whether things are expected to get worse. That is part of their discussion. If they did anything, they would likely drop us a notch and put us on a negative watch. I really don't expect them to take us below a notch without some sort of warning and indicator.

Trustee Pengra stated that it was Moody's who asked us to approve the resolution on our fund balance. I would recommend that we not get a second rating.

Trustee Stewart stated that he agreed with the approach. I believe this is long-term vs. short-term.

Re-Authorization for Consulting Contract of Joel Richards:

Chief Jensen stated that we have had Joel Richards with us since before the UFA and District was created. Joel was the one who helped create the UFA and District models. He negotiated with the other entities and helped institute the policies and procedures. He does help us out on an administrative level and oversees much of the construction work. He has been a great asset to us. We would like to continue our relationship with Joel. He would help with the MOU with the UFA. We wanted to make sure both UFA and UFSA had contracts with Joel.

Trustee Pengra asked if we have a contract that will come back to us?

Chief Jensen stated that we do have a contract with Joel. We are looking for a reaffirmation of that contract.

Karl Hendrickson stated that we do have a contract that is old and we cannot find it. I wanted to bring this back to the board and formalize this as an agreement. Joel does have a copy of the contract.

Chair Seghini asked if this was a contract that the Board needed to approve today?

Karl Hendrickson stated that this is a contract that the Chief Executive Officer

would normally sign. I wanted to make sure you knew about the arrangement and authorize it.

Trustee Johnson asked if the agreement would be the same as the current contract?

Karl Hendrickson stated that it would be similar.

Trustee Pengra stated Joel does a good job and that he is ready to say to draft a contract. I don't want to approve it unless I see it.

Karl Hendrickson stated that I was looking for approval to move forward to an authorization. The contract was a narrow amount. I think we would want to include a small equipment provision. He does a lot of construction management and would need a cell phone and that would be the scope of it. It was really just needing something in a formal document.

Chief Jensen stated that what we will put in the contract is the current hourly rate, the small equipment provisions and then we will have it back to you. I will send it out so that you are all in the loop and make sure everyone is comfortable. This did pre-date Karl.

Karl Hendrickson stated that he is sure that the contract was for a term of years with a renewal period.

Chief Jensen stated that we would forward it to you.

Trustee Wessman-Moser asked if we could get the old contract and the new contract as well?

Chief Jensen stated that we would send both of them out.

Construction Update:

Ryan Perry stated that for station 117 in Taylorsville, it has been a challenging month. We did run into another contamination issue. We were not as lucky as the last issue that we found in that, we were not able to just clean it up and take it to the landfill. This has set us back around 2 weeks and \$25,000.

Chair Seghini asked what they found?

Joel Richards stated that it was a grease trap. It had a steel lid on it and other contaminants were collected. This didn't show up in environmental assessments. When we had it tested, it had benzene in it. This made it hazardous waste. It took about a week to two weeks to get it out of there. No one wanted to put it in their

equipment because it was hazardous. It is now taken care of. It didn't show up on any of the surveys. It seems like every time we dig a hole, we find something.

Trustee Johnson asked if it was buried when you found it?

Joel Richards stated that it was buried around 3 feet down.

Trustee Pengra stated that he knows it is a good location for a fire station, but we should try and avoid old gas stations.

Joel Richards stated that we are concerned that none of this came up on our environmental assessment that was done. We are looking into it. We did have the property drilled and x-rayed, and the items were just missed.

Ryan Perry stated that the footings in the living quarters have now been poured. The footings for the bays are expected to be poured this week. Station 251 in Eagle Mountain is still going well. We are just waiting now for the building to be delivered. We are still on schedule for the on or before April 13th move in.

Trustee Stewart asked if the structure would be connected to the bays?

Ryan Perry stated that it would be. We put the structure up to the building and connect it. We actually brick it to match and have it functioning like it is one building.

Chair Seghini asked if this is a permanent building?

Trustee Pengra stated that we will grow out of it and it will need to be replaced at some point.

Internal Items:

Trustee Moser, seconded by Trustee Johnson, moved to approve the minutes. The motion was unanimous in favor of the motion.

Ryan Perry stated that we are having issues with our website. I expect it to be back online in the next couple of days.

Trustee Stewart moved to adjourn.

Adjourned at 8:56 a.m.