



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Austin Kimmel
Public Policy Analyst

DATE: November 12, 2024

RE: RESOLUTION: SALT LAKE CITY PUBLIC UTILITIES REVENUE BONDS, SERIES 2025

Item Schedule:

Briefing: Nov. 12, 2024

Consent and Action: Nov. 19, 2024

Public Hearing: Dec. 3, 2024

ISSUE AT-A-GLANCE

The Department of Public Utilities intends to issue another round of bonds of up to \$225,000,000 to finance capital improvements for the water and sewer utilities. Those capital improvements are mainly related to the planned repair and replacement of aging infrastructure and to meet regulatory requirements. Portions of the bond proceeds would also serve as matching funds for federal funding for two major utility infrastructure projects: the City's new Water Reclamation Facility in Rose Park and the City Creek Water Treatment Plant upgrades project in City Creek Canyon.

The proposed bond funding is divided between two primary components:

1. Sewer Utility - The sewer utility component will be exclusively dedicated to the planned match for the \$348 million low-interest federal WIFIA (Water Infrastructure Finance and Innovation Act) loan for the ongoing Wastewater Reclamation Facility construction project.

Based on the adopted FY25 budget, \$99,000,000 of the issuance would be dedicated to the sewer utility to be used exclusively for the Wastewater Reclamation Facility.

2. Water Utility - The water utility component has a broader scope. It will fund multiple infrastructure needs across the system, with the planned match for the \$36.7 million FEMA BRIC (Federal Emergency Management Agency Building Resilient Infrastructure and Communities) grant for the City Creek Water Treatment Plant serving as a primary focus. Additional water funding will be allocated to address other critical water infrastructure projects throughout the system.

\$100,000,000 of the issuance would be dedicated to the water utility.

CITY COUNCIL OF SALT LAKE CITY

451 SOUTH STATE STREET, ROOM 304
P.O. BOX 145476, SALT LAKE CITY, UTAH 84114-5476

SLCCOUNCIL.COM

TEL 801-535-7600 FAX 801-535-7651



The Council's potential action during the formal meeting on November 19, 2024, would be to consider adopting the bond parameters resolution. This resolution begins a public protest period during which residents can provide feedback about the proposed bond series.

Goal of the briefing: *to learn about a parameters resolution that would authorize the Department of Public Utilities to proceed with the issuance and sale of up to \$225,000,000 principal amount of revenue bonds.*

KEY POINTS

- Public Utilities anticipates the associated cost of bond issuance to be \$553,000.
- Because the bond proceeds were anticipated in its current FY25 Council-adopted budget, a later budget amendment to accept the funds is not required.
- Public Utilities has ratings from two bond rating agencies: AAA from Standard & Poor's and AA1 from Moody's rating protocol.
- Bonds are proposed to be issued to generate revenue for the water and sewer funds in Public Utilities. The total amount is proposed at up to \$225,000,000 principal amount of bonds at a rate not to exceed 6% per annum. The bonds are secured entirely and only by revenue to the utility as defined in the agreement.
- Based on a current estimate of interest rates, the total principal and interest cost is estimated to equal \$356,846,119 if the bond is held to maturity until 2055 (thirty years amortization).
- Aside from the funds proposed by this bond, Public Utilities has \$899,910,000, including the \$348,635,000 WIFIA Loan, in outstanding bonds, which are secured by department revenues.
- In its FY25 budget, Public Utilities anticipated a \$5,000,000 bond issuance for stormwater utilities. However, the department later determined that its stormwater priorities could be funded through existing resources, including a \$4 million ARPA grant. There is no planned issuance to the Stormwater Utility from the Series 2025 bond.

POLICY QUESTIONS

1. The Council may wish to ask the department to provide an overview of the financing plan for existing bonds, bonds to be issued and carrying the debt service payments. More information about this can be found in the *Long-Term Financing Strategy* section below.
2. With the current planned projects, the Council may ask how the department determined the proposed bonding amounts and split between the water and sewer utilities.
3. The Council may ask the department if it anticipates needing additional staff to support the planned capital projects. More information about this can be found in the *Project Delivery Capacity and Operational Efficiency* section below.
4. The Council may wish to request an overall update on the two major infrastructure projects associated with this bond series, including the specific requirements and timelines associated with the WIFIA loan and FEMA BRIC grant, and when the Administration anticipates having fully met its financial obligation to match the loan and grant.

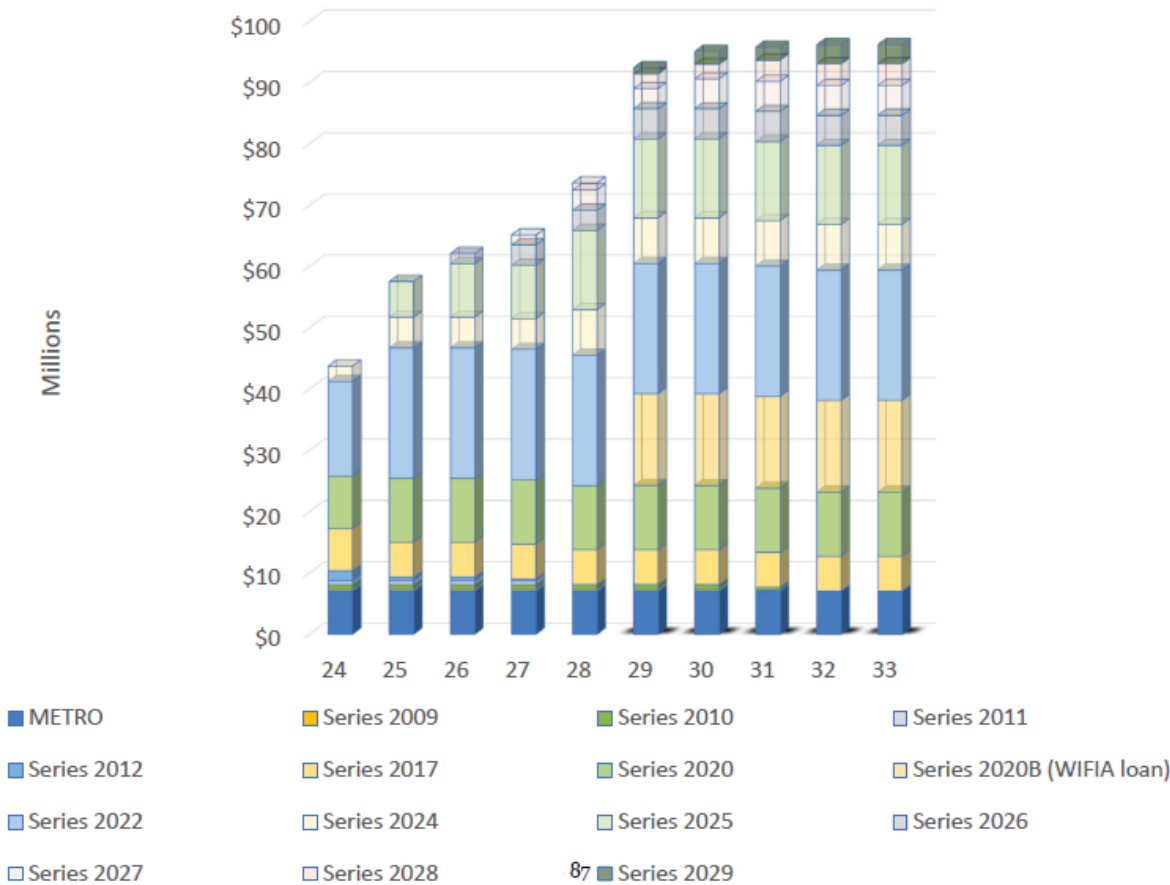
5. The Council may wish to ask about the Department’s public engagement plans for these large projects, and the necessity of the Bonds to help fund the improvements.

ADDITIONAL AND BACKGROUND INFORMATION

A. **Long-Term Financing Strategy:** The Department of Public Utilities uses revenue bonds as a planned financing mechanism for its largest, multi-year infrastructure projects. A significant portion of those projects are necessitated by regulatory requirements from state and federal governments. The current proposed bond issuance is part of the department’s broader, long-term financing strategy.

In addition to this proposed round of bonding, Public Utilities anticipates issuing approximately \$304 million in additional bonds over the next five years to fund its capital improvement program. A chart detailing the department’s proposed debt service schedule can be found below. This continued bonding strategy is essential for the rehabilitation and replacement of aging infrastructure, as the scope and scale of these projects cannot be sufficiently funded through revenue through rate increases alone. Revenue bonds allow the department to feasibly finance significant costs of major infrastructure improvement projects across multiple years while maintaining reasonable utility rates for its customers.

PUBLIC UTILITIES PROPOSED DEBT SERVICE SCHEDULE AND METROPOLITAN WATER ASSESSMENT



Public Utilities proposed debt service schedule and Metropolitan Water Assessment, from page 87 of the department's FY25 Budget Book, Attachment B

- B. Utility Rate Study and Debt Service:** As discussed during the annual budget briefing, Public Utilities has been undergoing a comprehensive water, sewer, and stormwater rate study, which the Council will learn more about soon. This bond and the department's future anticipated bonds are factored into the rate study to ensure target revenues are adequate to cover planned debt service payments.

The table below shows the expected outstanding debt issued as of the closing date of the 2025 series bond.

Water and Sewer Revenue Bonds	Amount of Original Issue	Final Maturity Date	Principal Outstanding
Series 2009 (Federally Taxable)	\$6,300,000	2/1/2031	\$1,890,000
Series 2010 Revenue Bonds	\$12,000,000	2/1/2031	\$4,135,000
Series 2011 Revenue Bonds	\$8,000,000	2/1/2027	\$1,150,000
Series 2012 Improvement and Refunding Bonds	\$28,565,000	2/1/2027	\$1,170,000
Series 2017 Improvement and Refunding Bonds	\$72,185,000	2/1/2037	\$51,255,000
Series 2020 Improvement Bonds	\$157,390,000	2/1/2050	\$154,215,000
Series 2020B Improvement Bonds (WIFIA loan)	\$348,635,000	8/1/2058	\$13,112,999
Series 2022A Improvement Bonds	\$329,025,000	2/1/2052	\$323,195,000
Series 2024A Improvement Bonds	\$39,525,000	2/1/2064	\$39,525,000
Series 2025 Improvement Bonds	\$180,315,000	2/1/2052	\$180,315,000
Total			\$769,962,999

- C. Project Delivery Capacity and Operational Efficiency:** As part of its annual budgeting process, Public Utilities analyzes its workload and staffing capacity to manage routine maintenance of existing infrastructure and its ongoing and future bond-funded projects. The department makes decisions between expanding internal staffing or contracting out for outside staffing to ensure efficient project delivery. The department maintains an approximate 80% delivery efficiency on its capital projects, which is considered highly efficient within the utility sector.

ATTACHMENTS

- A. [Administrative Transmittal](#)
 B. [Public Utilities Fiscal Year 2024-2025 Budget](#)