



MURRAY CITY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, October 1, 2019 in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

Council Members in Attendance:

Dave Nicponski - Chair	District #1
Dale Cox – Vice Chair	District #2
Diane Turner	District #4
Brett Hales	District #5

Excused: Jim Brass District #3

Others in Attendance:

Blair Camp	Mayor	Jan Lopez	Council Director
Doug Hill	Chief Administrative Officer	Kim Sorensen	Parks & Rec. Director
Pattie Johnson	Council	Danny Astill	Public Works Director
Jennifer Kennedy	City Recorder	Jon Harris	Fire Chief
Jennifer Heaps	Comm. & PR Director	Pepper Pehrson	Library Board
Brenda Moore	Finance Director	Vicki Matsumori	Library Board
Rob White	IT Director	Brent Gardner	Library Board
Melinda Greenwood	CED Director	Dustin Lewis	Library Board
Jeff Smart	SL County Health	Kim Fong	Library Director
Randy Larsen	Gilmore & Bell, Bond Counsel	Jake Pehrson	Resident/Candidate
Rosalba Dominguez	Resident/Candidate	Carl Burg	Security
Janice Strobell	Resident	Brent Barnett	Resident

Mr. Nicponski called the Committee of the Whole meeting to order at 5:00 p.m. and welcomed all.

Approval of Minutes - Mr. Nicponski asked for comments or a motion on the minutes from Committee of the Whole June 4, 2019. Ms. Turner moved approval. Mr. Hales seconded the motion. (Approved 4-0)

Discussion Items

Medical Cannabis Ordinance Discussion – G.L. Critchfield

The council approached Mr. Critchfield in April 2019 to look at creating a medical cannabis ordinance. Mr. Critchfield said a reasonable ordinance was initially created with regulatory authority; however, since that time, Utah State Legislature met and reduced the local authority. As a result, in an effort to follow Utah State law, the ordinance was greatly revised from the initial draft. Specifically amended was the Murray City Standard Land Use Code, related to the required distance medical cannabis production facilities and pharmacies can be located from communities and residential locations. He said Utah State law will also determine if there will be a waiver of those distance requirements, which is currently 1000 feet from a community property, and 600 feet from a residential area zone; the State can waive up to 20% of the distance.

Mr. Cox asked if distant requirements begin at the residential property line, or from cannabis buildings. Mr. Critchfield said the distance starts from the cannabis structure, and measured to community property line locations, which are also parks and schools.

He said distance is key because now the ordinance clearly defines what a residential area is, and all zoning districts Murray considers primary residential zones. Once approved, the ordinance would be in place should a developer challenge whether or not a mixed-use zone is a residential area. Therefore, the Standard Land Use Code is included in the amended draft ordinance, which is code that describes all land uses allowed in the city; and the revised ordinance includes which zones allow for cannabis production facilities, and cannabis pharmacies.

Mr. Critchfield reviewed one substantial change from the first draft that stated a cannabis production facility was a conditional use permit requirement; Utah State law now says if you have an industrial zone – cannabis production is permitted there. He explained as follows, Murray Code language kept in the ordinance, in terms of reasonable standards to be imposed.

- For production establishments: The ordinance now states, which is not dealt with in Utah State Law, that there shall be no emissions of dust, fumes, vapors, odors of waste into the environment. It also states that businesses must meet the requirements for the zone in which they are located, and a business license must be obtained.
- For pharmacies: The ordinance states that no cannabis products shall be visible from outside the pharmacy; companies must meet the underlying land use requirements, and a business license is required.

Mr. Hales anticipates additional changes legislatively after the new year. Mr. Critchfield confirmed City Code would be adjusted again later, however, if laws are not set now, production and pharmacy companies would move into Murray and become established according to the current standard. He said the intent was to have the ordinance in place before applications come in, and the city's desire was not limit access, but to ensure some local control over the location of these businesses.

A brief conversation occurred about what Utah State legislators were thinking when they reduced city authority, and instilled Utah State regulations. It was thought that the notion was to meet the upcoming deadline, which was set early on to have production companies up and operating by March 2020, and

some cities were not reacting in a timely manner. Ms. Turner appreciated clarifications. The council would consider the draft ordinance in the following council meeting.

Land Agreement for Current Library Site – G.L. Critchfield

Mr. Critchfield led a discussion regarding the library's location, current ownership of the property, and the 50-year Ground Lease Land Agreement the library has with the Murray School District; the lease expires in 2041 and the option to renew the lease for another 50 years was noted. He acknowledged the presence of Ms. Fong and Murray City Library Board Members and affirmed they would present options that exist for moving forward with a new facility and locate land.

Mr. Critchfield reviewed history in 1991 when the city initially wanted to build a library, so they approached the Murray City School District to request a long-term ground lease for the current parcel. Months after the agreement was made when bonding was underway, the city realized securing the bond for the library would be cost prohibitive without owning the land. So, the school district and the city entered into an agreement, whereby the district would sell the property to the city for the duration of the bond. The land would then be sold back to the district once the bond was paid, for a minimal cost (not market value). The school district agreed with minimal security requirements, in case of default.

In 2013 the city paid off all its bonds and the school district was notified that the land could now be repurchased; however, the deal was never completed. Mr. Critchfield thought it was delayed, partially due to uncertain plans for their State Street property, not knowing whether the library parcel would be included once they owned it again. He said assuming the parcel would be repurchased by the school district, the land will be subject to the original 50-year Ground Lease, with the 2041 expiration date.

Mr. Critchfield explained one option; either party can renew the lease - five years before the lease expires in 2041. If the school district does not want to renew, they are required to purchase the building. If the city does not renew, the city walks away without purchasing the building. He said once the library board attains clear directions about what to do, negotiations are expected to continue with the school district, and questions would be addressed about possibly altering the terms of the ground lease or leaving it as it is. In addition, a resolution was passed in 2013, depicting the property as surplus; that is when the library board gave notice that bonds were paid. Therefore, the school district would be notified again with documentation for the school districts title company to complete the agreement.

Land for the New Library – Kim Fong and Library Board Members

Ms. Fong introduced board members and invited them to join her conversation about the concerning situation. She confirmed the 50-year ground lease details, as presented by Mr. Critchfield, and agreed the library does not own the current land it is sitting on. She said the plan to construct a new library was a concept agreed to recently by the city council, and administration, to include the library in the MCCD (Murray City Center District), on a civic-type campus, near the new city hall. However, she realized those plans are cancelled, due to a lack of space.

She reviewed historical locations of all Murray libraries; the first was Carnegie Library on Vine Street, constructed on land donated to the city, by the school district; all others were constructed on city owned

property, except the current library. Ms. Fong thought as property is traded in the MCCD area for city hall planning, it would be nice if relocating the new library were again included, before decisions are made about the current library lease agreement. She said her intent was to make the council aware of the situation, seek guidance from council members, and discuss next steps for the future. Ms. Fong discussed three options:

1. Stay where they are. This is not the best option because even by expanding, space would be limited. There are issues with the site they do not own; and the school district could deny a lease renewal in 2036 so the library would have to vacate.
2. The library could purchase their own land. The recent property tax increase was initiated for a new library; at that time Ms. Fong was told the city would include land in the MCCD development, so this option is not favorable because the budget was built with only new construction in mind - not land purchases. She stressed the library does not have money to buy land, and there is no land available to purchase; board members had conversations with downtown property owners, and no one is interested in selling at an affordable price.
3. Have the city find a piece of land for the library – owned by the city. Ms. Fong said this was the best option because finding land to purchase would then not be necessary; and her hope is to see the school district buy back the current building.

Mr. Nicponski did not think it would be difficult to locate land for the library and noted once a new city hall is constructed, the existing city hall site would be vacant; he asked Mayor Camp if that land could be utilized. Mayor Camp said it would create an issue, because the RDA (Redevelopment Agency) owns the city hall property, and most vacant property in the downtown area. Therefore, he thought property would have to be sold or deeded to the library from the RDA. He said the situation was a challenge, due to a lack of city owned land - even for locating the new city hall. He thought the situation could be worked out moving forward, with either land owned by the city, or with land made available someday.

Ms. Turner thought it was a forgone conclusion a new library would be located in the downtown area, near the new city hall; she was confused as to when plans changed and wants to see the library located there. Mayor Camp confirmed plans did not change, although, the original plan included attaining the FOE (Fraternal Order of Eagles) parcel, which had not happened yet. In addition, he said the need for extra parking in the MCCD required more land use; so, once a parking structure was in place, the new library could possibly be placed somewhere near city hall, but those plans are three years out.

Mr. Hales asked why negotiations discontinued with FOE property owners. Mayor Camp said efforts were made to assist them in relocating, to no fruition; negotiations would continue, but demands were too high in finding a new location. He was not certain the FOE would be able to remain at their current location and thought the parcel would be an option for the library in the future. He said having the library at the MCCD campus was desirable, but an exact location was not identifiable at this time.

In response, the library board feared the vagueness, because the library provides service to a wide scope of people and is utilized by a vast number of citizens who are constantly feeling squished. Popular summer programs are challenged now, due to limited space; and other programs beloved by many residents would suffer; it is the library's desires to serve all patrons. They thought by saying "somewhere", or "in the future a place might be available" was disappointing. The board hoped for definite inclusion – especially after being

part of the master plan – which had now changed. Ms. Turner agreed.

Mr. Hales asked if the library board had a preferred location in mind - if they could choose. In response, the board stressed they wanted assurance, they liked the idea of being downtown, but noted a location in Murray City Park would be wonderful - on city owned land. In addition, they expressed a belief in utilizing RDA land as it is purposed to generate property tax revenue for the city; using land already owned by the city was best.

Ms. Turner asked where in the park a new library would be constructed. In response, the area east of the Park Center recreation building was noted; it would serve many people visiting the park, youth, and elderly; it would be a beautiful center matching intellectually, and structurally with the amphitheater.

Mr. Cox asked how many years before a decision was required. Ms. Fong said there was no compelling deadline to relocate because the school district is willing to let them remain at the current location until 2041; however, she feared vacant land would be more scarce by then. She said plans to include the library in the MCCD began a year and half ago, so the goal was to save money for 3-5 years for new construction. She reiterated because citizens were told at last year's Neighborhood Meetings reserves would be applied to a new library, they would continue to save for that. In response, the library board reiterated having council support and knowing there was a specific place to construct the library was huge for them.

Mr. Hales was not aware of the option to build in Murray Park, but was interested in looking at the area. Ms. Turner agreed. Ms. Fong said the idea was not formerly presented to the council. She agreed using RDA property was probably not ideal for the city, so they would continue looking; with no vacant property anywhere, it is difficult to resolve the problem. Ms. Lopez affirmed the library board was looking for support and assurance from council members.

A lengthy discussion occurred when Mr. Nicponski suggested a resolution regarding a land purchase be made for consideration in the future, if the council was inclined to help. He asked Mr. Critchfield if the RDA could act in finding property for future use. Mr. Critchfield said it was possible but there was no commitment the city could make to itself; the decision was up to Mayor Camp. Mr. Nicponski directed Ms. Fong to work with Mayor Camp, moving forward. Ms. Fong agreed, if a new library was going to be located on city owned land, or RDA property, it would be the Mayor's decision; but, she clarified it is the city council's decision and responsibility to approve or disapprove the sale or purchase of other land.

Mr. Critchfield directed Ms. Fong and the library board to consider what RDA property they might want to purchase, then bring that proposal to the Mayor at another time; if a decision could not be made together, and purchasing privately owned land was necessary, those discussions would continue. Mr. Nicponski affirmed Ms. Fong would identify two or three RDA properties, prioritize those options, and move forward with the Mayor. Ms. Fong confirmed.

Mayor Camp acknowledged the main purpose of the library board visiting the Committee of the Whole was to make the council aware of a challenging situation, which he did not think was insurmountable. Ms. Fong said she did not expect immediate answers, confirmed it was important the council knew about the dilemma, and stressed the importance of building a new library, because taxpayers were told it would happen. Mr. Nicponski was confident Ms. Fong had a new process in sight now. Ms. Fong agreed.

Ms. Turner said the library is a wonderful and important place for all of the community and expressed total support in finding a new home for the library. She thought the council should do whatever they could to ensure a new building would be constructed. The library board expressed appreciation to the council for listening and being on their side.

City Hall Bond Parameters Resolution – Brenda Moore

Ms. Moore reviewed city hall bond parameters, ground lease information between the city and the MBA (Municipal Building Authority), the building lease between the MBA and Murray City, and the MBA issuance of bonds to build the new city hall. The city would use Stifel Financial Corporation, (formerly known as, George K. Baum and Company), as financial advisors, and Gilmore and Bell, as bond counsel on this debt usance project.

Ms. Moore said the best way to finance a new city hall building would be using LRB (Lease Revenue Bonds). She reviewed details of other basic government bonding options, such as: the use of sales tax bonds, LRB, or enterprise revenue; and discussed Assessment Financing, versus Increment Financing. (Attachment #1)

She noted one disadvantage of utilizing LRB is the slightly higher interest rate; however, the advantage is the preservation of sales tax bonding capability. She explained the city had enough sales tax capability to fund the project, however, the problem lies with legislators who could change the distribution formula, or the sales tax base in the future. As a result, the city could lose a great deal of sales tax revenue and the city would not be able to borrow another dollar for up to 30 years. Ms. Moore said choosing the LRB option frees the city to bond for other things when necessary, like constructing new roads, or purchasing land. Mr. Larsen confirmed there are other projects that only sales tax bonds are utilized for, therefore, he also recommended preserving the city's sales tax bond capabilities.

Ms. Moore does not favor borrowing funds, however, in this case, the LRB is a necessary method of getting civil projects accomplished. She said the GOB (General Obligation Bond) option is not suggested for city hall facilities because citizens do not think nice buildings are a necessity for city employees.

Mr. Hales asked the interest rate difference between the LRB and the GOB. Ms. Moore stated .16%, which was miniscule. Mr. Larsen confirmed if a LRB was attained for an essential city project, investors will know the likelihood of not paying the annual lease purchase payment is very low, (which is the lease payment on the building) (because vacation of city hall would be imminent if a payment was missed.) Ms. Moore confirmed the city would pay the MBA, and the MBA would pay the bond payment. Mr. Larsen confirmed the MBA is a finance mechanism for the city.

Mrs. Moore reviewed LRB details and procedures regarding the land and lease agreement. She discussed the step by step process once the resolution is adopted and summarized details of the LRB parameters as follows:

- Maximum Principal Amount = \$37 million
- Maximum Term = 31 years

- Maximum Discount = 2%
- Maximum Interest Rate = 5.5%. Interest is capitalized until the building is occupied. Bond payments are not due until the building is occupied.
- Designated Officers: Mayor Camp and Finance Director, who would be authorized to execute the contracts, leases, and agreements necessary to issue the city hall bonds at any level below the bond parameters listed above.

Mr. Hales asked if interest rates were fixed. Ms. Moore confirmed once the bond was sold – rates were fixed and thought the actual principal amount would be closer to \$30 million. She explained bond parameters are flexible, allowing them to make the best financial decision at the time, due to fluctuating interest rates and construction costs that change every 30 days.

Ms. Turner asked once other property was sold, could revenue be put towards the loan. Ms. Moore confirmed, however, it could also be used for something else.

Mr. Hales wondered if bonding could happen sooner if rate increases were anticipated. Ms. Moore said the time frame for bonding was set; buying bonds in December was not suggested, and January and February were ideal times to buy bonds, due to supply and demand. In response to a question, Ms. Moore noted if the maximum amount of \$37 million is borrowed, with an interest rate of 5%, the total cost to finance the city hall would be \$72 million, with payments of \$2 million per year.

Ms. Moore estimated groundbreaking as late as February 2020. She said the draft resolution would come to both the MBA and the city council for consideration on October 15, 2019.

Announcements: Ms. Lopez made several announcements related to coming events for the council members.

Adjournment: 5:57 p.m.

**Pattie Johnson
Council Office Administrator II**

ATTACHMENT #1



MURRAY

Overview of Lease Revenue Financings

September 2019



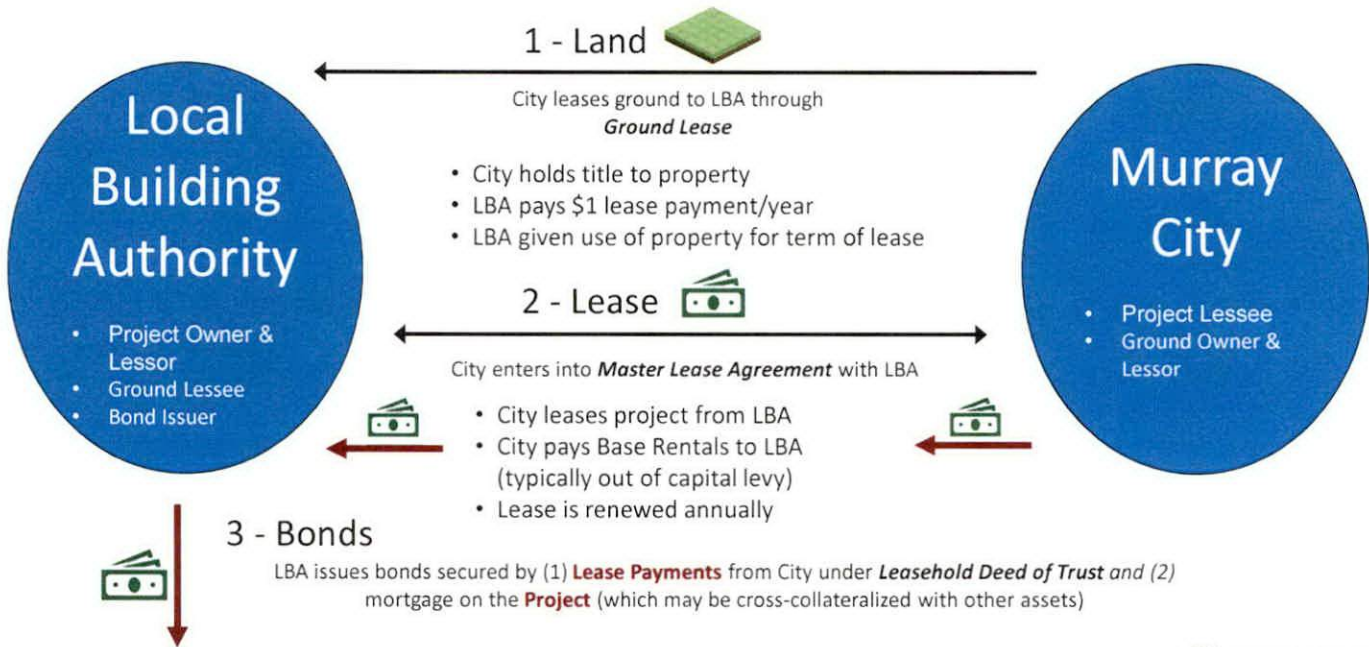
George K. Baum & Company
INVESTMENT BANKERS SINCE 1928

BASIC GOVERNMENTAL BONDS

GENERAL GOVERNMENT PROJECT FINANCING			
TYPE	USES	SECURITY	CONSIDERATIONS
General Obligation Bonds	Any capital improvement/project (G.O. pledge) <u>approved by voters.</u>	Full faith and credit (taxing power)	<ul style="list-style-type: none"> - Requires a majority vote - Subject to statutory limits - Lowest interest rates - No reserve fund required
Revenue Bonds			
Sales Tax (Excise Tax)	Any general governmental purpose project (new construction or upgrades). Very limited project restrictions.	Sales tax revenues, excise tax revenues, franchise tax revenues.	<ul style="list-style-type: none"> - No vote required - May require a reserve fund - Coverage considerations
Lease Revenue	<u>Essential purpose</u> governmental projects (new construction or upgrades).	Annual appropriations from the general fund budget to make lease payments.	<ul style="list-style-type: none"> - No vote required - Lien on financed property/project - May require a reserve fund - May require capitalized interest
Enterprise Revenue (Water/Sewer/Storm/Electric)	Revenue generating enterprise projects (new construction or upgrades). Typical enterprise fund projects (water, sewer, electric, storm drain, etc.).	Revenues generated from enterprise system.	<ul style="list-style-type: none"> - No vote required - Typically require a reserve fund - Coverage considerations
DEVELOPMENT FINANCING			
TYPE	USES	SECURITY	CONSIDERATIONS
Assessment Financing	Specific improvements within a designated improvement area (curb, gutter, streets, etc.).	Assessments levied on properties within the improvement area.	<ul style="list-style-type: none"> - Requires property owner approval - Requires assessment ordinance and notices - Requires annual billing/collection - Typically require a reserve fund - Coverage considerations (property value)
Increment Financing	Economic development projects (new construction or upgrades).	Incremental tax revenues.	<ul style="list-style-type: none"> - Requires creation of RDA - Requires determination of base values - Typically require reserve fund - Coverage considerations



WHAT IS A LEASE REVENUE BOND?



WHAT IS THE PROCESS?

1. City adopts resolution creating Local/Municipal Building Authority (already created)
2. City adopts and authorizes bond parameters resolution, Notice of Bonds to be Issues, and Notice of Public Hearing
3. City holds Public Hearing
4. City (via LBA) undertakes typical bonding activities:
 1. Drafting of Preliminary Official Statement
 2. Procuring bond ratings
 3. Selling and closing on bonds
5. City leases project from LBA (memorialized by closing documents)

BOND PARAMETERS

- **Maximum Par Amount:** \$37,000,000
This is the maximum par amount of bonds that can be issued. If construction costs rise, the City can accept market premium (additional proceeds) in addition to the par amount.
- **Maximum Interest Rate:** 5.50%
This is the maximum interest rate that the City would pay. The actual rate will be lower. The parameters resolution sets the maximum rate high in case there is major market movement.
- **Maximum Term:** 31 Years
This is the maximum term (years) over which the bonds would be amortized. Depending on the timing of the closing on the bonds, the term of the bonds may be slightly over 30 years (i.e. 30 years + 2 months).
- **Maximum Discount:** 2%
This City will not accept purchase offers that are less than 98% of the par amount.
- **Designated Officers:** Mayor
Mayor Pro Tem
Finance Director
These individuals will be authorized to approve the final bond sale results and ensure that the results fit within the parameters the Council has approved.