

# Tab 7

## NOTICE OF PUBLIC HEARING

### METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY

PUBLIC NOTICE IS HEREBY GIVEN that, pursuant to Section 11-14-318, Utah Code Annotated 1953, as amended, the Board of Trustees (the “*Board*”) of Metropolitan Water District of Salt Lake & Sandy (the “*Issuer*”) will hold a public hearing on February 26, 2024 during the Board meeting that begins at 4:30 p.m., to receive input from the public with respect to the issuance, in one or more series, of up to \$56,000,000 aggregate principal amount of the Issuer’s Water Revenue Bonds, Series 2024A (the “*Series 2024A Bonds*”) and Water Revenue Bonds, Series 2024B (the “*Series 2024B Bonds*” and, collectively with the Series 2024A Bonds, the “*Bonds*”) and the potential economic impact that the improvements, facilities, or properties to be financed in whole or in part by the Bonds will have on the private sector.

The Issuer intends to issue the Bonds for the purpose of financing a portion of the costs of certain improvements to its water system, including the acquisition and installation of pipe, improvements to the Little Cottonwood Treatment Plant, and related facilities (the “*Series 2024 Project*”), funding a debt service reserve, if necessary, and paying costs of issuance of the Bonds. The Issuer intends to sell the Series 2024A Bonds to the State of Utah, the Department of Natural Resources, Board of Water Resources (the “*Board of Water Resources*”).

The Issuer will not pledge any taxes of the Issuer for the payment of the Bonds. Instead, the Issuer will pledge, pursuant to a master bond resolution and supplemental resolutions (collectively, the “*Resolution*”), the revenues attributable to the Issuer’s water system, for the payment of the Bonds, as set forth in the Resolution.

The Series 2024A Bonds will bear interest at a rate of 1.0% per annum. The following is an estimated repayment schedule for the principal of the Series 2024A Bonds:

JULY 1 OF THE YEAR**	PRINCIPAL AMOUNT**
2025	\$ 465,000
2026	470,000
2027	474,000
2028	479,000
2029	484,000
2030	489,000
2031	494,000
2032	499,000
2033	504,000
2034	509,000
2035	714,000
2036	721,000
2037	728,000
2038	735,000
2039	743,000
2040	750,000
2041	758,000
2042	765,000
2043	773,000
2044	781,000
2045	1,895,000
2046	1,914,000
2047	1,933,000
2048	1,952,000
2049*	1,971,000

\* Stated maturity.

•• Preliminary; subject to change.

The Series 2024B Bonds will mature in the amounts and on the dates, will bear interest, and will be sold to one or more purchasers, as set forth in a bond purchase agreement to be entered into at a future date.

The issuance of the Bonds will not directly impact the rates charged by the Issuer to its members, although the Issuer annually adjusts such rates in order to, among other things, provide for payment of debt service and fund operation and maintenance expenses.

The Board will hold a public hearing at the regular Board meeting that begins at 4:30 p.m. on February 26, 2024. The public hearing will be held at the regular meeting place of the Board, located at 3430 East Danish Road, Cottonwood Heights, Utah. All members of the public are invited to attend and participate in the public hearing. Prior to the public hearing, written comments may be submitted to the Issuer, to the attention of the Clerk of the Issuer, at 3430 East Danish Road, Cottonwood Heights, Utah, or to the Board of Water Resources at P.O. Box 146201, Salt Lake City, Utah 84114-6201.

DATED February 9, 2024.

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY



### Bond Resolution and Process

The legal bonding process begins with the Metropolitan Water District of Salt Lake & Sandy (“District”) Board of Trustees (“Board”) authorizing the sale of bonds subject to maximum parameters such as par amount, interest rate or coupon, and final term. They do so by resolution which supplements a Master Resolution. Bonds sold under this supplemental resolution will be added to and on parity with other bonds outstanding. The supplemental resolution calls for a public hearing and ratifies the Notice of Public Hearing.

**Key Dates in Bonding Process:**

- Notice of Public Hearing: By February 11
- Board Consideration of Supplemental Resolution: February 26
- Public Hearing: February 26

To fund a portion of the various projects including the Cottonwood Connect projects, an early phase of the Salt Lake Aqueduct Replacement, Little Cottonwood treatment site work and others, the District will need approximately \$50 million. Of that amount, up to \$22 million will be coming from the Board of Water Resources (“BWR”). They have authorized terms of 25 years at a single interest rate of 1% (“2024A Bonds”).

The balance of the project, or about \$28 million, will be funded with another series of bonds (“2024B Bonds”), sold either as a “direct purchase” to a single investor or publicly to many investors.

The intent of the funding bifurcation is to blend the effective borrowing cost of the District to 3%. The BWR does not have sufficient funds to do the whole project. If they did, they’d be doing so at an interest rate of 3%.

### Bond Sale Methodology

#### 2023A Bonds

The 2023A Bonds will be sold via direct purchase to the BWR. We don’t have any choice in the matter.

#### 2023B Bonds

The 2023B Bonds can be sold via direct purchase or public markets, whichever provides the best value to the District. Current interest rate is one measure of value or benefit to the District, however, there are others such as call or prepayment flexibility.

The table below provides a comparison of the two methods and the cost of each.

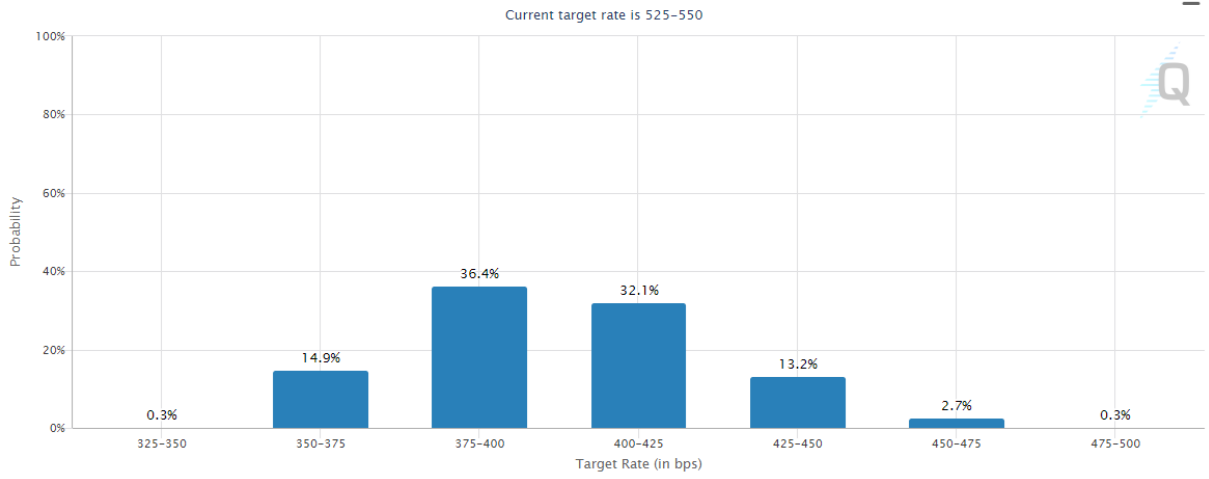
### Metropolitan Water District of Salt Lake & Sandy Market vs Direct Purchase

	Term	Par	AIC	Average D/S	Difference per	
					Year	Total D/S
Market	2044	\$ 24,925,000	3.60%	\$ 2,002,000	\$ -	\$ 40,306,139
DP	2044	\$ 28,248,000	4.51%	\$ 2,188,000	\$ 186,000	\$ 43,772,089

Points for Consideration:

- The Market option provides cheaper financing under the current market conditions but prevents calling or pre-paying (including refinancing) bonds for the next 10 years.
- Interest rate targets controlled by the Federal Open Market Committee are projected to decrease up to 7 times in 2024 with a more than 93% chance of reduction between 1.00% and 1.75%.
- The tension at this point is whether to be content with market financing versus preserving the option to save more later when and if interest rates drop.

TARGET RATE PROBABILITIES FOR 18 DEC 2024 FED MEETING



## Interest Rate Trends

### Revenue Bond Index

January 1988 to January 2024

