

Tab 2

Metropolitan Water District of Salt Lake & Sandy
Board Meeting Information
Last Update: December 4, 2023

Agenda Item: Consider approval of Financial Advisor Services agreement

Background: The financial advisor consulting services, currently provided by Zions Public Finance (Johnathan Ward), expires on December 21, 2023. Zions Public Finance has provided these services since 2016 (seven years).

The Finance Committee approved an RFP process for financial advisor consulting services by requesting proposals from interested consultants. The RFP was advertised on October 12, 2023 using the State of Utah's Purchasing website. Two responses were received on November 2, 2023. The selection committee, consisting of Annalee Munsey, Wayne Winsor and John Kirkham, reviewed the proposals and recommend awarding the Financial Advisor Services agreement to Zions Public Finance.

Committee Activity: During the May 23, 2023 meeting, the RFP process and schedule was approved by the Finance Committee.

Recommendation: Recommend approval by the full board for a 5-year financial services agreement with Zions Public Finance.

Attachment: Agreement

**AGREEMENT FOR FINANCIAL ADVISOR SERVICES FOR
THE METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY**

This Agreement for Financial Advisor Services for the METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY (“District”) is entered into between District and ZIONS PUBLIC FINANCE, INC. a wholly-owned subsidiary of ZB, National Association (“Advisor”) with its Utah offices located at One South Main Street, 18th Floor, Salt Lake City, UT 84133-1109.

AGREEMENT PURPOSE

District advertised for and requested proposals from qualified consulting firms to serve the District as financial advisor. A copy of the District’s Request for Proposal is attached as Exhibit A and is incorporated herein by reference. Advisor submitted a Proposal which the District considered and accepted. A copy of the Advisor’s proposal is attached to this Agreement as Exhibit B and is incorporated herein by this reference. District has selected Advisor to provide such services in an experienced, professional, competent and cooperative manner, as an independent contractor of District in accordance with the terms contained in this Agreement. To the extent reasonable the terms of this Agreement will be interpreted as consistent with the District’s Request for Proposal (Exhibit A) and the Advisor’s Proposal (Exhibit B), but in the event of conflict the terms of this Agreement will control.

AGREEMENT TERMS

In consideration of the mutual benefits described in this Agreement, the parties agree as follows:

1. **SERVICES OF ADVISOR**
 - a. Maintain all mandatory and appropriate registrations in good standing with the Utah State Division of Corporations and Commercial Code, etc.
 - b. Maintain in good standing all state, federal, local and professional licenses, permits, certifications and qualifications as mandatory or appropriate to perform the services outlined.
 - c. Advise and assist regarding current methods available for financing new facilities and improvements.
 - d. Analyze cost savings, credit enhancement, risk mitigation, or other benefits resulting from refinancing or restructuring outstanding debt obligations.
 - e. Advise and assist regarding fiscal matters that are preliminary to the incurring of debt.
 - f. Provide sophisticated cash flow, bond schedule and sizing analyses.
 - g. Advise and assist on the structuring, issuance and method of sale of bonds, notes, contracts or other forms of indebtedness.
 - h. Research and provide information about bond market conditions, interest rates, tax levies, revenues available or other bond market or financial information.
 - i. Advise and assist regarding the private placement of bonds, notes, contracts or other forms of indebtedness, including acting as information agent for the

District in communications with prospective purchasers of the District's debt instruments.

- j. Advise and assist regarding interest rate swaps and other risk mitigation strategies and arrangements.
 - k. Advise and assist in the analysis and negotiation of instruments relating to debt, interest rate swaps and similar or related transactions.
 - l. Periodically review and advise regarding fiscal, budget, investment and debt policies.
 - m. Assist with ratings requests or other interactions with rating agencies.
 - n. Advise and assist regarding proposed or pending legislation as the same may impact past or future debt obligations, investment, interest rate swaps, risk mitigation or ratings.
 - o. Perform such other functions generally contemplated to be within the scope of duties of a fully qualified financial advisor.
2. SCOPE OF SERVICES.
- a. Advise and assist regarding the size, structure and other specifications of each particular debt or bond issue.
 - b. Research and provide information concerning current market conditions relevant to the particular type of debt obligation to be incurred.
 - c. Assist in the formulation of a coordinated plan and schedule for the authorization, issuance, placement of, and sale of bonds, notes, contracts, or other forms of indebtedness related to each debt obligation.
 - d. Prepare detailed quantitative analysis of each debt obligation.
 - e. Advise and assist in the compilation of relevant and necessary information to be included in the offering documents relating to each debt obligation.
 - f. Participate in or direct the preparation of preliminary official statements and official statements for bond issues describing financial and other information.
 - g. Advise and assist in retaining other professionals to prepare proceedings and otherwise provide services required for the issuance of bonds, notes, contracts or other forms of indebtedness related to each debt obligation, including bond counsel, disclosure counsel, underwriter, remarketing agent, trustee, paying agent, liquidity bank, credit ratings, bond insurance, interest rate swap providers, financial printing, feasibility consultant, certified public accountant verification, title services, and other related services. Assist with the development of requests for proposal (RFPs) for the selection of such professionals and provide advice and counsel during the negotiation and selection process.
 - h. Coordinate and work with professionals and organizations as appropriate to complete the transaction.
 - i. Attend and participate in "due diligence" meetings with District officials and others and advise and assist in the compilation of financial and demographic information related to each particular debt obligation.
 - j. Mail or distribute the offering information prepared in connection with the issuance, placement or sale of the bonds, notes, contracts or other forms of indebtedness related to each debt obligation. The actual costs to be paid from bond proceeds or by the District.
 - k. Advise and assist regarding the method of placement or sale of the bonds, notes, contracts or other forms of indebtedness related to each debt obligation, and

advise and assist in identifying potential purchasers including appropriate advice on pricing and terms of the sale on all potential and planned financing.

- l. Attend board meetings and other meetings including the closing of each particular debt obligation.
- m. Advise and assist District officials regarding presentations to be made for the purpose of obtaining credit rating, bond insurance, or other credit enhancement services for the debt obligation, and advise and assist in compiling the required information and financial data for the presentation and accompany District representatives to participate in making the presentations. The actual costs to be paid from bond proceeds or by the District.
- n. Advise and assist regarding the potential availability of private, state, and federal funding and credit enhancements for projects being financed and advise and assist in applying for such funding.
- o. Advise and assist regarding appropriate investments for bond proceeds and other District funds including review and compliance with the Utah Money Management Act and any applicable federal statutes and regulations. Advise and assist with development of investment reports for the State of Utah and the District's board.
- p. Advisor will not be allowed to purchase securities as an underwriter in a negotiated bond issuance where Advisor assisted as Financial Advisor to the District. At the sole discretion of the District, Advisor may be allowed to purchase securities as an underwriter in a competitively bid bond issuance or private placement of bonds where Advisor assisted as financial advisor to the District. Any District approval to allow such participation in a competitively bid bond issuance or private placement of bonds will be in writing.
- q. Provide ongoing continuing disclosure services as it relates to the Securities and Exchange Commission rule 15c-212, including annual filings and material events notices pertaining to the District's outstanding bonds.
- r. Provide continuing disclosure training of District's management staff.
- s. Assist with any continuing disclosure investigation or enforcement proceeding.
- t. Assist the District in understanding future legislation and proposed legislation that may impact the services of the Advisor or other financial professionals serving the District, or that may impact the District's financial planning.
- u. Provide advice on District policies and procedures relating to debt, investments and reserves.
- v. Assist with any audit of any bond issue.

3. RESPONSIBLE STAFF MEMBERS. The individual staff members of Advisor's staff named in the Proposal will be committed to the Agreement for its duration and will perform the services described. Any responsible staff member of Advisor who is unwilling or unable to serve will be replaced by an individual who is equally qualified and will be subject to District's reasonable approval. Failure to comply with the requirements of this provision will be grounds for terminating this Agreement in whole or in part, at the option of District.

4. SCHEDULE OF PAYMENTS. Advisor will receive payment based on the fees and hourly rates as described in the Proposal (Exhibit B). Payment for services will be made within thirty (30) days of receipt of a billing in proper form. Any payment owed which is not made within thirty (30) days will earn interest at a rate of 8% per annum.

5. PERIOD OF SERVICE - DELAYS. Advisor will commence work upon the signing of this Agreement and will complete its services in a timely and diligent manner. Advisor will notify the District in writing within ten (10) days of an act of God or other unforeseeable event beyond the control of Advisor that might result in a delay in performance. Time is of the essence. Advisor agrees to provide for the District the financial advisor services for a period of five (5) years commencing as of the date of execution of this Agreement. District may extend this Agreement for two (2) additional 1-year time periods, renewable on an annual basis, under the same terms and conditions. Notice of time extensions will be in writing served upon the Advisor by regular mail at least thirty (30) days prior to the expiration of the original term of this Agreement, or any current extension, in order for such extension to be effective. All financial commitments by the District will be subject to the availability of funds approved by the District and the limitations on future budget commitments provided under applicable Utah law, including the Utah Constitution.

6. DISTRICT RESPONSIBILITIES. District will cooperate with Consultant. District will provide Advisor with such information relating to the Agreement as is available to District and reasonably requested by Consultant. District will examine documents submitted by Consultant, and if requested, will render decisions relative thereto in a timely manner to avoid unreasonable delay. District will provide access to facilities as reasonably required by Consultant.

7. OWNERSHIP OF DOCUMENTS. All documents prepared in the performance of this Agreement are the property of District, including, but not limited to, draft or final documents of any nature, memoranda, estimates, reports, investigations, and studies. Advisor may retain and utilize copies of all such documents.

8. COMPLETENESS AND ACCURACY. Advisor represents and agrees that the description of services are adequate and include a reasonably detailed description of all professional services necessary and incidental to timely, successful, professional and workmanlike completion. Advisor agrees to perform services in a reasonably careful, competent and professional manner, consistent with its represented experience and expertise. Advisor agrees to cooperate and communicate with District as necessary. Advisor agrees that upon becoming aware of any error, fault, defect or deficiency in any work or work product, prompt written notice will be given to District. Without waiver of any other remedy available to District, any error, fault, defect or deficiency of Consultant, or any employee, subcontractor or supplier of Consultant, will be promptly corrected at Advisor's expense. Advisor will be responsible for the completeness and accuracy of any electronic or written documents and any other tangible work product prepared by Advisor or prepared by any employee, subcontractor or supplier of Advisor as part of the Agreement. This does not preclude Advisor from seeking reimbursement from any employee, subcontractor or supplier of Consultant. Advisor agrees to cooperatively provide professionally acceptable finished products to District.

9. RIGHT OF TERMINATION. District reserves the right, at its discretion, to terminate this Agreement. In the event District terminates this Agreement, District will notify Advisor in writing. Immediately after receiving such notice, Advisor will discontinue or alter their respective services under this Agreement as may be specified by

District. Upon such termination or abandonment, Advisor will deliver to District all documents, whether entirely or partially completed, together with all materials supplied by District, as may be directed by District. Advisor will document its services to the date of termination or abandonment and submit a summary to District. Advisor will be entitled to compensation for services performed up to the date of such termination or abandonment in accordance with this Agreement.

10. INSURANCE. Consultant, at its own cost and expense, will secure and maintain those policies of insurance described on Exhibit C attached. Concurrent herewith, Advisor will provide to District certificates of insurance verifying that such coverage exists. Each certificate of insurance will also confirm that the required liability coverages are all written on an occurrence basis, and not a claims made basis, with the sole exception of any required professional liability coverage which may be written on a claims made basis. Advisor warrants that the any claims made professional liability coverage will remain in place and effect for at least four (4) years following completion of the Agreement.

11. WAIVER OF CLAIMS. Prior to acceptance of final payment, Advisor will submit to District in writing any claim against District of which Advisor is aware, or of which Advisor should be aware in the exercise of reasonable diligence. The acceptance of final payment will constitute a waiver of any claim other than those claims so made in writing and submitted to District. The tendering of final payment by District will not constitute waiver of any claim which District might have against Consultant.

12. INSPECTION OF ADVISOR'S RECORDS. Advisor will maintain accounting records in accordance with generally accepted accounting principles and practices to substantiate all costs incurred by Advisor and billed to District. Such records will be available to District during normal business hours for a period of one-year following the date of final payment under this Agreement.

13. ADDITIONAL SERVICES. Advisor will notify District in writing within ten (10) days of discovery of any change in services which Advisor believes should result in any additional payment under this Agreement. Advisor will notify District in writing within ten (10) days of discovery of any significant change in the Project as may be recommended by Advisor. An increase in fees will be provided only through prior written authorization by District.

14. SUCCESSORS AND ASSIGNS. The services to be provided by Advisor under this Agreement will not be subcontracted or assigned without the prior written consent of District. Any subcontract must be by written agreement, approved as to form by District. This Agreement will extend to and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

15. NOTICES. Any notice required by this Agreement will be deemed given when mailed or delivered to:

Metropolitan Water District of Salt Lake & Sandy
Attn: General Manager
3430 East Danish Road
Cottonwood Heights, Utah 84093-2139

Zions Public Finance, Inc.
Attn: Johnathan Ward, Senior Vice President
One South Main Street, 18th Floor
Salt Lake City, UT 84133-1109

Each party may change the designation of the addressee or the address for that party to receive notice by sending written notice of the change.

16. GOVERNING LAW AND JURISDICTION. This Agreement will be enforced under and governed by the laws of the State of Utah, and jurisdiction for any action based on this Agreement will be with District Court of Salt Lake County, State of Utah.

17. ATTORNEYS' FEES AND COSTS. In the event of legal action, arbitration, or other proceeding brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

18. SPECIAL PROVISIONS. Advisor will comply with all applicable federal, state and local laws, regulations and ordinances, and will not discriminate against any person on the basis of age, gender, race, color, national origin or religion in the performance of this Agreement. Any terms mandated by statute or regulation as being applicable to District as a governmental entity, including any terms mandated by applicable provisions of the Utah Procurement Code, will be considered a part of this Agreement.

19. PARTIAL INVALIDITY. If any portion of this Agreement is determined to be invalid, any remaining portions will nevertheless remain valid and enforceable.

20. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement between the parties and cannot be altered except through a written instrument signed by the parties.

21. NO THIRD PARTY BENEFITS INTENDED. This Agreement is not intended to create rights in any person or entity who is not a party to this Agreement.

22. REPRESENTATION OF AUTHORITY. Those persons signing as representatives of the parties warrant and represent that they have been duly authorized to sign on behalf of the party they represent.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the ___ day of _____, 2023.

DISTRICT:

CONSULTANT:

METROPOLITAN WATER DISTRICT OF
SALT LAKE & SANDY

ZIONS PUBLIC FINANCE, INC.

By: _____
Annalee Munsey, General Manager

By: _____
Its: _____

**Request for Proposal
Metropolitan Water District of Salt Lake & Sandy
Financial Advisor Services**

Last Update: October 3, 2023

INTRODUCTION

The Metropolitan Water District of Salt Lake & Sandy (“District”) was established in 1935 to order to create a supplemental treated water supply for its member cites. The District also provides water to others on a surplus basis. The District operates pursuant to the Metropolitan Water District Act (see Utah Code Ann. Title 17B, Chap. 2a, Part 6) of the state of Utah, other Utah statutes pertaining to Utah Special Districts (see, e.g., Utah Code Ann. Title 17B, Chap. 1), and the District’s Policies and Procedures (“P&P”).

The District is soliciting proposals from qualified firms with significant, high level investment banking and financial advisor experience to serve as the District’s financial advisor. The District desires to enter into a multi-year agreement with an experienced and capable firm (“Consultant”) to provide financial advisor services as specified in this request for proposal (RFP).

REQUIREMENTS

The District requires professional services for financial advisor services. The successful Consultant will provide these services as generally described in this RFP and the P&P. Responsible Consultant will familiarize themselves with the appropriate portions of the P&P before submitting a proposal and fee estimate. Copies of the P&P are available upon request and can be found at the following link: <http://www.mwdsls.org/policyprocedure.html>. By submitting a proposal, the Consultant signifies to the District it has read and understands the requirements.

SCOPE OF SERVICES

The scope of services is outlined in Section 1 and Section 2 of the attached agreement.

PROPOSAL REQUIREMENTS

Proposal will not exceed ten (10) 8 ½ x 11-inch pages in length. Resumes of key staff members may be included in an appendix. The proposal format shall be in an electronic format and signed by an individual authorized to bind the Consultant to the proposal. The Consultant’s proposal will address the following items:

Section 1: Qualifications and Expertise of Firm: The proposal document will include information related to the following:

Exhibit A

- Provide a brief description of firm including ownership, volume of business, number of employees and number of years in business.
- Provide information such as organizational structure, number of employees, operational extent (e.g., local, regional, national, international), location of office(s) where the actual work will be performed.
- Describe firm's overall business philosophy.
- Describe firm's strength in the marketplace.
- Describe firm's experience in the water sector and non-profit sector.
- What distinguishes your firm and the services you offer from other firms?
- Identify any other personnel or services that may be available to the District (e.g. any computer resources, programs, personnel, as well as capabilities and location of these services).

Support team:

- What is your firm's target size client, and how would the addition of the District affect your staffing requirements?
- Describe the team that would service the relationship with the District, specifying the individual who would be the lead person.
- Provide a percentage of time each key staff member of the consultant, subconsultants, or special consultants will be available to the District. The District recognizes the value of a financial advisor who is readily available on short notice, therefore, all other things being equal, the District will give greater consideration to a financial advisor doing substantial financial advisor business within the State of Utah.
- Describe the responsibilities, expertise, experience, and education of each team member.
- A list of past financings completed by the proposed manager. Provide project title, date of completion, description of work performed, project name, address, phone number, and contact person.
- Please include a representative example of a recent Official Statement in which you acted as financial advisor and for which you were directly responsible for preparation, printing, etc.

Section 2: Work Plan. Include a complete narrative of assessment of the work to be performed, the firm's ability and approach, and the resources necessary to fulfill the requirements. Include discussion of the following, and any other role of a financial advisor.

- Bond structure strategy, and risk/reward. Provide any suggestions, creative ideas and/or cost-effective measures that might be of benefit to the District and should be taken into consideration.

Exhibit A

- A summary of the District's existing debt schedule has been made available for review. Please comment regarding the debt schedule and identify any opportunities for enhancements that you may feel are appropriate.
- Target savings and recommended point at which bonds should be refunded.
- A financial advisor's role in maintaining/improving credit ratings, including presentations to Rating Agencies. Outline firm's experience during the last three (3) years with the major rating agencies.
- The advantages and disadvantages of marketing bonds on a competitive basis versus a negotiated basis.
- Describe the characteristics of an optimum finance team (Financial Advisor, Underwriter, Bond Counsel, etc.) and the District's role with the team.
- Willingness and availability to make presentations to the Districts Finance Committee and/or Board of Trustees, when requested.
- Ability to assist the District with the state legislature and state agencies, if such needs arise.

Section 3: Past Performance

- Provide a list of three (3) public sector clients who would provide references for Consultant's work as a financial advisor, and who can render an opinion regarding the ability of the responder to provide those services.
- Describe any work performed for water districts, or other similar local or special districts in the past five (5) years.
- Describe your performance marketing bonds on a competitive basis, and provide information demonstrating how this method benefited the issuing agency over the term of the bonds.
- Describe your performance marketing bonds on a negotiated basis, and provide information demonstrating how this method benefited the issuing agency over the term of the bonds.
- Describe experience with, and any innovations developed, in the following areas: revenue bonds, variable rate debt, interest rate swaps, refunding bonds, General Obligation bonds, short term financing, Federal or state funding sources (e.g., State Board of Water Resources, WIFIA)

Section 4: Cost Proposal. The consultant will submit a fee proposal that summarizes the cost of services as described in the proposal without exceptions or exclusions.

- Cost of financial advisor services regarding bond and bond refunding issuances, if different. The District anticipates paying a fee computed based on a rate per \$1000 of the amount of bonds issued.
- Cost of financial advisor services and method of billing, including hourly rates of employees (please estimate the number of consulting hours anticipated). For

Exhibit A

services rendered in connection with investment advice and assistance, the District anticipates paying an hourly rate.

- For services rendered in connection with continuing disclosure efforts, the District anticipates paying an annual lump sum fee.
- A list of other anticipated costs that will require reimbursement, either on an actual basis, or any other basis, if any.
- Any other information relevant to cost.

Section 5: Insurance. Consultant will state the level of professional liability insurance coverage that their firm maintains. If selected the Consultant will provide, at the Consultant's expense, insurance as described in Exhibit "C" as attached to the (draft) Agreement for Consulting Services.

PROPOSAL EVALUATION CRITERIA

The following criteria will be considered when making an evaluation of the proposals:

- 1) Demonstrated qualifications and ability to provide financial advisor services:
 1. Qualification and expertise: Relative weight given to score 26%;
 2. Support team: Relative weight given to score 29%;
- 2) Responsiveness of work plan.
 1. Clearly written proposal which indicates an understanding of the key issues, clearly defines deliverables, and the responder's ability to meet the demands of financial advisor services, as they arise. Relative weight given to score 17%;
- 3) Past performance:
 1. Past performance with similar clients, and past performance on District efforts (if applicable). Positive references indicating successful past performance for water entities and/or non-profit organizations. Relative weight given to score 16%;
- 4) Cost. Relative weight given to score 8%; and
- 5) Contract.
 1. The extent to which the Consultant proposes contract terms which are consistent with District interests and expectations. Relative weight given to score 4%.

The evaluation criteria will be rated on a scale of 1 to 9, with 9 being the highest score possible.

SCHEDULE

A schedule of key dates for the proposal process is as follows:

- 1) Proposals due: November 2, 2023

Exhibit A

- 2) Interviews: November 14, 2023
- 3) Board action: December 11, 2023
- 4) Effective Date (Notice to Proceed): December 22, 2023

Electronic Submittal Instructions: Proposals will be electronically submitted through SciQuest (Utah Supplier Portal) by 3:00 PM Mountain Time (MT) on the date given above. Only Adobe PDF and MS Word types of documents are to be submitted through SciQuest.

The District's RFP does not obligate the District to award any contract or to pay any costs incurred in the preparation of a proposal, interview or associated materials.

CONTRACT AWARD

The District may award a contract resulting from this RFP to the responsible Consultant who is most advantageous to the District based on the evaluation criteria.

The District may reject the proposal and/or waive informalities and minor irregularities in the proposal received.

The District may award a contract on the basis of the initial proposal received, without discussions. Therefore, the initial proposal should contain the Consultant's best terms from a technical and cost standpoint. Discussions may be conducted with responders who submit proposals determined to be reasonably susceptible of being selected for award, followed by an opportunity to make best and final offers, but proposals may be accepted without discussions.

The District is subject to the Utah Government Records Access and Management Act, Utah Code Ann. § 63G-2-101, et. seq. ("GRAMA"). All proposals are ordinarily public documents once an award is made. A responder who desires to request protected status of any information submitted in the response must specifically identify the information that the responder desires to protect and the reasons that the information should be afforded protection under Utah State law. In making this request, the responder will comply with the requirements of Utah Code Ann. § 63G-2-305, Utah Code Ann. § 63G-2-309, and all other applicable requirements of law. The District will not be bound by any instructions, etc. contained in a proposal, but rather, will only be governed by GRAMA and District GRAMA regulations. All materials become the property of the District and may be returned at the District's option.

A copy of the proposed agreement for services is attached to this RFP (see attachment A). The agreement includes the expected terms and conditions for contracting with the District. The District may, in its discretion, make changes to the required Agreement below. An executed agreement by both parties will act as the consultant's Notice to Proceed. Any suggested changes to the proposed agreement should be identified in the proposal documents.

Exhibit A

MISCELLANEOUS

Consultant will work with the District's General Manager, Annalee Munsey, during the execution of this work. All questions regarding this RFP will be directed to:

Annalee Munsey, General Manager
MWDSL
(801) 942-9623
munsey@mwds.org

EXHIBIT B



Zions Public Finance, Inc.

Financial Advisor Services Proposal to

Metropolitan Water District of Salt Lake & Sandy

**One South Main Street, 18th Fl
Salt Lake City UT 84133-1109**

**Johnathan Ward, Senior Vice President
801 844 7379 | Johnathan.Ward@zionsbancorp.com**



November 2, 2023
 Metropolitan Water District of Salt Lake & Sandy
 Attn: Annalee Munsey, General Manager

Dear Selection Committee Members:

Zions Public Finance, Inc. (“ZPFI” or “Zions”) is pleased to present our qualifications to serve as municipal advisor to the Metropolitan Water District of Salt Lake & Sandy (the “District”). At Zions, our commitment to you is to provide the District financial advice based on sound financial management principles that promote competition and transparency, reduce costs to the District, minimize risks, and seamlessly fit with the District’s goals and priorities. Zions takes a long-term collaborative approach with each of our clients and with its predecessor firms has been a part of Utah municipal finance since 1899. Our approach to public finance has been formed by that longevity. We offer the following insights into Zions’ qualifications:

Experience with the District. We know the Metropolitan Water District of Salt Lake & Sandy! Johnathan Ward has served as the advisor to the District since 2010. In that time we have helped the District issue \$450 million in bonds. Several of those transactions refinanced existing debt producing in excess of \$40 million in interest cost savings. Zions also worked closely with the District to modify and ultimately eliminate cumbersome, risky, and costly variable rate bonds and related interest rate swaps (more on that below) fixing that debt at historic low rates. Johnathan and Alyson Cook have recently worked with the District on modeling for upcoming capital programs and understand the District’s extensive repair and replacement program. We are proud of the work we have performed for the District since becoming the District’s advisor in 2010 and hope the District feels we have served it well!

Frequent Advisory Experience and Expertise.

Since 2018, the Zions team in Utah assisted municipal clients on **398** transactions sold both publicly (market) and privately, totaling **\$8.5 billion in par amount**. That work in both the private and public markets helps us bring both innovative and proven solutions to the District. We believe that our work with water and sewer districts of all sizes gives us a depth of knowledge that other advisors do not have. From small districts like the Skyline Mountain Special Service District in Sanpete County to large districts with extensive capital needs like the Washington County Water Conservancy District and Timpanogos Special Service District, our current frequent experience helps us serve you better.

Utah Top Advisors: Market Issues 2018-2022			
Firm	Volume (US \$ MM)	# of Issues	
Zions Public Finance	\$ 5,766.30	150	
Stifel Nicolaus	5,289.40	79	
LRB Public Finance Advisors	2,988.80	100	
PFM	1,755.20	4	
Hilltop Securities	222.50	2	
RoundTable Funding	26.40	9	
Specialized Public Finance	28.80	2	

Source: Refinitiv

Full-Service Advisor. Zions advisory capabilities go far beyond traditional bonding needs. We can provide advisory services before, during, and after the bond issuance process. Our Municipal Consulting Group has recently updated the property tax analysis originally performed in 2015 to help the District understand the impacts of losing taxing authority. We have performed some of the most sophisticated consulting work in the State of Utah and stand ready to help when and if needed.

Johnathan Ward, Senior Vice President
 801.844.7379
 Johnathan.Ward@zionsbank.com

Japheth McGee, Vice President
 801.844.742
 Japheth.McGee@zionsbank.com

1. QUALIFICATIONS AND EXPERTISE OF FIRM

• Firm description

Zions Public Finance, Inc., is a wholly owned subsidiary of Zions Bancorporation, National Association. ZPFI is an independent financial advisory firm providing both municipal advisor services and municipal consulting services and with its predecessor firms has been involved in Utah municipal finance since 1899! The ownership and structure of our firm have enabled us to consistently advise on more transactions than all other competitors in this market area. We have the largest advisory staff in the State of Utah. 14 of the 20 Utah employees of Zions carry Series 50 Municipal Advisor Representative licenses.

Since 2018, Zions has been the number one advisor based both on the number and on the par amount of market transactions we advised clients on in Utah. In addition to our work as a financial advisor we work on municipal transactions as an underwriter and direct purchaser. **Since 2018, the team at Zions Bank in Utah has worked on 633 municipal transactions totaling \$11.4 billion in par as an advisor, underwriter, or purchaser.**

• Organizational structure, number of employees, location of office

Johnathan Ward manages the Utah and Idaho offices of Zions Public Finance, Inc. and reports to Todd Harris who oversees Zions municipal lending nationwide, ZPFI in Nevada and Boston, Zions Corporate Trust, and certain commercial divisions. Johnathan and the entire team assigned to work with the District are based out of the Zions Public Finance office in downtown Salt Lake City. Zions Bancorporation is a large financial institution with sophisticated banking divisions serving municipal and commercial needs that often overlap. As such Zions has experts available who can provide rich insight into commercial development, real estate, regional economic trends, and more. No other firm has the same depth of resources in Utah. The Zions Public Finance team based in Salt Lake City has twenty employees working as advisors, municipal bond disclosure experts, analysts, or consultants.

• Describe firm's overall business philosophy

Zions' guiding principles are integrity and competition. We take our fiduciary responsibility seriously. We create value for our clients by decreasing costs to them while making the financing process as seamless as possible. We don't see

drawbacks to a bond issuance process that is based on transparency and competition. We bring our clients the best ideas from across the municipal market and work together to find what makes the most sense. In most cases, we think that answer will involve some degree of competition. Competition can come in the form of an open transparent process for selecting underwriters or by utilizing a competitive bond sale. Regardless of how the District's bonds are sold, we believe firmly that the best way to guarantee best execution is to introduce competition.

• Describe firm's strength in the marketplace

Experience. Zions advises on more revenue bonds, more general obligation bonds, more taxable bonds, more negotiated sales, more competitive sales, more short-term financings, and more bank-qualified bonds than any other firm. Our strength is our experience which is both broad and deep. We not only lead in overall experience, but we have more experience with revenue bonds like those the District plans to issue over the next 5 years. Some firms may tout their "experienced" team by claiming the experience of national team members they never come in contact with or the experience of team members that are no longer actively advising. From managing straightforward net revenue pledge water and sewer bonds for the Kearns Improvement District to complex senior/subordinate sales tax revenue bonds for the Utah Transit Authority ("UTA"), Zions is the market leader in revenue bond issuance.

Simplicity. We typically advise our clients to utilize the most straightforward financing possible. Doing so saves time and money for the District. In 2019, we worked with the Kearns Improvement District ("KID") on a large water sewer expansion into growing parts of KID. KID planned to finance the project through funding applications to the Water Quality Board and the Division of Drinking Water ("DDW") as well as a small direct placement bond with a local bank for KID's matching portion. After attending the first meeting with DDW, KID learned the rate they would receive was higher than expected and would come with onerous Buy-American provisions. We quickly helped KID analyze options and determined that despite a slightly higher rate the overall costs of the projects would be reduced by eliminating the DDW loan and upsizing the private financing. Doing so decreased the number of transactions KID was managing, eliminated Buy-American provisions, and saved KID money.

Expertise. While we try to keep the process as simple as possible, you can rest assured that we have the expertise to handle any financing. For example, UTA recently completed

Utah's first refunding transaction utilizing a tender option. The tender is an offer to buy back outstanding bonds for a premium above the current secondary market valuation. While the tender price represents a premium over the current market it is a discount to the par at maturity. Tax exempt bonds are sold to provide cash for the repurchase of outstanding bonds. The difference between the discounted value of outstanding bonds and the cost to raise the tax-exempt capital is the savings to UTA and allows a government entity to advance refund call-protected bonds, a practice that has been disallowed since January 2018. Our experience with a broad array of financing types allows us to present new and unique opportunities to the District.

- **Firm experience in the water and non-profit sectors**

The District would be hard pressed to find any firm with more hands-on experience evaluating large scale water projects in Utah. Zions was appointed to sit on the Governor's Executive Water Finance Board to study and make recommendations for financing large water projects in the State. Johnathan Ward, Alyson Cook, and our former colleague Jon Bronson were all involved in that process.

Our role was to help procure and work with professionals to study the financial aspects and economics of large water projects, including the elasticity of water, and develop a financing plan for these projects. Zions worked extensively with the Washington County Water Conservancy District ("WCWCD"), the Board of Water Resources ("BWR"), and Ernst and Young on the development of the financial model used to evaluate source and uses of funding and the timing and amounts needed based on WCWCD demands for water. The model evaluated the impacts to expenses, revenues, cashflow and debt ratios, as well as repayment requirements of the Lake Powell Pipeline. This work resulted in a detailed analysis Zions presented to BWR.

In 2022, Johnathan worked with the Provo River Water Users Association ("PRWUA") to secure \$65 million dollars to finance the Deer Creek Intake Tower Project from BWR. PRWUA operates and maintains the Deer Creek Reservoir and Dam project originally completed in 1941 as part of the Bureau of Reclamation's Provo River Project. During the process, Zions evaluated WIFIA, BWR, DDW, and market options as potential funding sources. Prior to securing the BWR funding, Zions successfully refunded approximately \$38.8 million dollars of Provo Reservoir Water Users Company and Provo River Water Users Association bonds held by BWR that generated a combined NPV savings of approximately \$4.8 million dollars. The refunding of these two bonds made funds available to support the new PRWUA Intake Tower

Project funding request. We are proud of these projects and the positive impact they have on Metro as a majority owner in PRWUA.

We are also heavily involved with several water and sewer districts in the State who are going through generational repair and replacement plans including the Central Valley Water Reclamation Facility, Washington County Water Conservancy District, and the Timpanogos Special Service District. We are working with several entities, including the District, to evaluate WIFIA funding and methods for financing these generational projects.

- **Distinguishing Features**

We know our competitors offer many of the same services we offer. We believe that our philosophies produce better results as proven over decades of successful transactions and better align with the District's philosophical approach to manage in an open and transparent manner. Our focus on competition and gathering unique ideas from around the market sets Zions apart.

Central Valley Water Reclamation Facility ("Central Valley") recently engaged Zions as advisor after years of working with our competitors. We work with several of Central Valley's member entities, like the Taylorsville-Bennion Improvement District ("TBID"), who can choose to bond on a standalone basis or with Central Valley. We helped TBID through a standalone project using a direct placement bond when we discovered that the typically higher interest rates found with direct placement bonds were comparable with a market transaction. Even though TBID had started down the path to a market sale we quickly changed methods and saved TBID time and money while providing them with more flexible call provisions on the debt. Central Valley was impressed with that work as relayed by TBID. Central Valley felt that in the past it had not been provided with all options. At Zions we work to provide all possible solutions. We do not believe in a one size fits all approach and will actively look for solutions that best fit your needs.

- **Other personnel or services available to the District**

Active Participation. We believe the best way to monitor municipal markets is to be in them. Not only does our Utah team advise on more market bonds in Utah but they are also actively engaged on more direct placement bonds sold in the State than any other firm.

Data and Analysis Services. Zions subscribes to Munex and DBC (structuring software), TM3, Bloomberg Financial Network, the Bond Buyer, the Electronic Municipal Market

Access (“EMMA”), Microsoft Access/Excel, and several major news wires and pricing services. We have a staff of 5 employees dedicated to quantitative analytics and municipal research. We utilize our long-term database of deals as well as pricing services like Bloomberg, TM3, and the Bond Buyer to pull pricing comps for each transaction we work on. We look for deals through these methods that meet comparability criteria for bonds we are looking to price and build a model to determine the proper spread given the pricing on these comparable transactions. Zions Bancorporation maintains a \$2.7 billion portfolio of municipal bonds, loans, and leases. Any information our competitors can tout from open market underwritings are readily available to any advisory firm. The pricing information built from the maintenance of the Zions Bancorporation direct placement portfolio is invaluable to the team at ZPFI and can’t be replicated by any public data source. It provides us with insight into the rates and risk appetites of the largest direct purchasers of bonds across the country.

Market Updates from Top Broker-Dealers. Because of our active participation in the Utah market, most of the top 10 underwriting firms in the nation send us their market updates on a daily or weekly basis. Their publications contain analysis on market trends and movements, investor appetite for various structures, specific bond pricings, analysis of the US Treasury and equity markets, and rate forecasts. We also regularly receive invitations to webinars and internet events that address specific cutting-edge topics and receive similar updates from top bond counsel firms with whom we frequently work. Our own inhouse economist also provides market updates at our request and on a routine basis to keep us well informed.

Regulators. We receive regular communications and publications regarding potential changes in securities rules and regulations, potential legislative changes, and regulatory enforcement actions. Jon Bronson, an employee of our firm until recently, served as a member of the MSRB’s Compliance Advisory Group where he advised the MSRB regarding interpretation of existing federal securities rules that govern municipal bond issues. As a result, we believe we are more plugged in to the regulatory environment than any other firm in Utah.

Government Loan Programs. Johnathan recently evaluated WIFIA as a funding source for the PRWUA intake tower project and determined that better financing options were available from BWR and DDW. Similarly, he has explored WIFIA for the first phase of the Cottonwood Connect project and found similar results with the state revolving funds.

What could be of value would be a fixed line of credit type solution that enables WIFIA to approve a master line that can be fixed up front and drawn over a decade or so of capital needs. Our recent conversations with the WIFIA team at the EPA suggest this could be valuable when/if interest rates drop and for future District projects.

Zions knows the state revolving loan funds. Zions serves as the advisor to the State of Utah and routinely provides advice to revolving loan fund boards. Part of the benefit of providing advice to all segments of the market is that we understand state revolving loan funds and can help our larger clients utilize the systems that are often viewed as only available to smaller entities. This was exactly the case when we assisted Provo City in 2020 as they borrowed \$75.8M from the Water Quality Board.

Support Team

- **Firm target size client and need for additional resources**

By intention, we serve districts of all sizes. Zions is proud to be the municipal advisor to some of the smallest districts in Utah, like the Skyline Mountain Special Service District, as well as some of the largest and fastest growing districts such as the Timpanogos SSD and the Washington County Water Conservancy District.

Instead of dissipating our resources in a negative way, working with smaller districts has produced a very important part of Zions’ experience and abilities. Often, smaller districts must become very creative when finding financing solutions since their capital costs tend to take a larger portion of their overall budgets. Our large staff is the reason we can service more districts across the State. Other firms may claim they don’t service all clients by intention, but the reality is they simply lack the personnel. At Zions we gladly acknowledge the expertise we have developed by working with all shapes and sizes of districts. Zions will not need any additional staff to continue to handle the work for the District. Each team member assigned to the District is based in Salt Lake City.

- **Describe the team and specify the lead person**
- **Percent of time team members will be available**
- **Responsibilities, expertise, experience, and education of team members**

Johnathan Ward – Senior Vice President

Role: Lead Financial Advisor - Responsible for day-to-day management, analyses and reviewing financing alternatives, bond structuring, monitoring for refunding opportunities, scheduling, consulting with bond counsel, rating presentations, investor relations, recommendation of the

method of sale, police the costs of issuance, and post-issuance disclosure. Johnathan joined Zions in 2001 after completing a Master of Public Administration degree at Brigham Young University. He has been the lead advisor on over **250 transactions with a total par amount over \$3.1 billion**. Johnathan serves the following clients: the State of Utah, Salt Lake County, Washington County Water Conservancy District, Timpanogos Special Service District, and many more across the State. Johnathan is a member of the Executive Board of the Utah Association of Special Districts.

Johnathan intends to be available for 100% of meetings where advisory related services are provided. Johnathan will direct 100% of advisory related discussions with Zions staff and be hands on with each of the District's bonds.

Japheth McGee – Vice President

Role: Back-up Financial Advisor – Assist the lead advisor as needed (25%). Japheth is a graduate of Indiana University's School of Public and Environmental Affairs (MPA). Japheth serves as lead financial advisor to the Granger-Hunter Improvement District, backup advisor to the State of Utah, as well as districts, cities, counties, universities, and school districts throughout the State of Utah. Japheth has served as the lead advisor on 71 transaction totaling over \$1 billion in par amount since joining Zions in 2018.

Alyson Cook – Vice President

Role: Quantitative Analysis Team Manager – Alyson provides bond structuring, sizing analysis, cost benefit analysis, and tax impact analysis for bond elections, as well as monitoring for refunding opportunities (50%). Alyson has 16 years of quantitative analysis in bond finance. Alyson graduated with a Master of Public Administration from Brigham Young University. She was a recipient of the Karl N. Snow Award presented annually to the graduating MPA student with the highest academic record.

Susan Becker – Vice President

Role: Consulting Team Manager - Prepare studies, as requested by the District, including but not limited to; capital facility plans, impact fees, utility rates, feasibility studies, grants, etc. Susie has been an economic development and planning consultant for the past 29 years, working on some of the largest projects in the intermountain region. Susie has provided consulting services for a wide variety of government entities in Utah including; Draper City, West Jordan City, Lehi City, Syracuse City, Salt Lake County, UDOT, and more. Susan received her bachelor's degree from Brigham Young University and her Master of Business Administration from the University of Utah. Susie will be involved in 100%

of discussions involving rate and consulting service work. She will be utilized for other work on an as-needed basis.

Jeanette Harris – Vice President

Role: Municipal Research and Disclosure Team - Preparing and disseminating preliminary official statements and final official statements; municipal research projects; continuing disclosure and organizing public bond sales. Jeanette has been with Zions for 12 years. She will be responsible for 100% of the disclosure work done by Zions.

Resumes for team members can be found in Appendix A.

- **Past financings completed by the proposed manager**

Please see the attached **Appendix B**.

- **An Official Statement you were directly responsible for**

Please see the attached **Appendix C**.

2. WORK PLAN

Narrative of assessment of the work to be performed.

Johnathan Ward will be the primary communicator for Zions Public Finance, but all assigned bankers will be copied on communications, and may respond to requests made by the District. Zions will follow up with key staff to ensure all parties agree regarding financing plans. We will evaluate and communicate options for financing methods that are the most effective and meet project needs. Zions will provide the District with the following.

- ❖ Consistent market updates on rates and trends.
- ❖ Discussion on the suitable method of the sale of bonds based on bond size, timing, existing market conditions, interest rates, and desired call features.
- ❖ A Calendar of Events outlining the actions necessary to bond.
- ❖ In person or virtual Board Meeting presentations and trainings.
- ❖ We will provide the District with a Pricing Book that summarizes the details of each bond issue.
- ❖ Debt monitoring for refundings.
- ❖ Assistance procuring finance team members.
- ❖ Assistance with rating agency presentations.

- **Bond structure strategy and suggestions to save the District money**

The structure of bonds drives the pricing levels or interest rates. For most bonds, approximately 98% of the All-Inclusive Cost ("AIC") is attributable to interest expense, while the remaining 2% is typically attributable to upfront costs. Zions modifies structures depending on the future debt

needs of the client, existing market conditions, and expectations for future market conditions. Issuers who expect frequent future capital needs can utilize premium coupons after the call to provide structuring flexibility on future issues. If that is the goal, a competitive sale may not produce those premium coupons and the District could either opt for a negotiated sale or constrain the parameters of the competitive sale to only produce premium coupons.

But this should be tempered with the understanding that using premium coupons could lead to higher life-cycle debt costs. If the District does not refinance higher coupons later, due to market conditions, it will pay more interest over the life of the issue. When rates were at all-time lows, the optional refunding value of 5% premium coupons decreased while the downside risk of those coupons increased. During that timeframe we advised our clients to use competitive sales that produced bonds with 4%, 3%, and even some 2% coupons locking in historic low rates.

When bonds are issued in the market, they typically carry a 10-year prepayment lockout (referred to as a call). Prior to the issuance of Wayne County School District's Series 2023 bonds in March, Zions evaluated the benefits of issuing bonds either as a callable anytime direct purchase or with shorter call features in the market. Either option would increase the interest costs paid by the District out of the gate but would allow them to take advantage of potential declines in rates over the next several years. Rather than waiting to refinance bonds in 2033 it would allow the School District to refinance as soon as rates dropped. Our analysis assumed a refinancing in three years at 10-year median rates which would set up a second refinancing of the same issue in what would have been year 13 of the initial bond. The total debt service costs, including savings from refunding twice, was then compared to a traditional market sale with lower debt service out of the gate but only a single refunding in year 10. The lifecycle costs of the more flexible call features showed enough savings over the life of the bonds that the District opted for the more flexible transaction despite the initial interest costs being higher.

Often issuers find it useful to hedge their bets on future rate movement by issuing a portion of their portfolio one way and a portion in another. Metro Water could carve out a portion of a specific debt issue to use in diversifying positions the District takes on future rate movements.

- **Comments regarding the debt schedule and opportunities for enhancements**

We at Zions have aggressively sought after and found opportunities to save money and minimize or eliminate risk

exposure in the District's debt portfolio. While we will continue to look for savings improvements, especially with the Series 2015A bonds that are callable within the next year, the District's average borrowing cost for the outstanding \$180 million is a remarkably low 1.87%! Refinancing at this point given the much higher interest rate environment is less likely. However, we've maximized savings opportunities as outlined below.

In 2011, we eliminated systemic risk by helping sell the District's variable rate debt as a direct purchase Floating Rate Note with terms that were better than the constant fee consuming churning typically associated with variable rate obligations. In addition, the FRNs were indexed to capture reductions in markets and were later precisely matched with the swaps associated with the variable rate bonds to eliminate basis risk and cost. The savings achieved by executing the transaction was \$11.5 million and allowed \$1.5 million to be used for Terminal Reservoir.

The restructure also allowed the District to operate free and clear of the Utah Water Finance Agency and better manage its own financial destiny rather than being dependent on other interactions, which wasn't a quantitative but a qualitative benefit.

We helped the District save another \$6 million in interest by refinancing bonds in 2012. We also novated or moved the swaps from Deutsche Bank to Wells Fargo in 2016 to eliminate counter-party risk as DB was failing and refinanced pure variable rate bonds with savings of about \$9 million as DB liquidated assets to bolster its balance sheet.

In 2019, Zions helped the District sell "Cinderella" Bonds which converted from taxable to tax-exempt to take advantage of lower interest rates before the call date. The refinancing saved the District about \$2.5 million and the bonds were refinanced again the next year with a combination of other bonds for \$9.3 million NPV savings.

Lastly, in 2021, we completely eliminated the variable rate bonds and swaps, thereby simplifying the debt management process, eliminating roll over risk, counterparty risk and saving an additional \$1.1 million we weren't likely ever to save given the swaps were non-callable.

The District has extensive funding needs over the next decades as it looks to repair and replace aging infrastructure. We have worked to evaluate options for the District and put together a model the District is using to inform replacement plans. Attached as **Appendix D** is a chart showing future debt service of the District. We believe the District can use a combination of level and deferred bond structures to

meet funding needs while balancing rate increases. Deferred bond structures are a useful tool for mitigating rate increases but do come at a cost in interest expense.

- **Target savings and refunding recommendations**

As just discussed, we've spent the last 12 years looking for ways to save the District money and been able to shake \$40 million from the couch cushions. The Series 2015 bonds are callable in July of 2024. At current rates no savings are available. However, if rates go from the current 4.03% true interest cost to a TIC of 3.1% the District could save 3%. This may mean that refunding these bonds in conjunction with a new money issuance may be feasible. We have also reviewed the viability of a tender option but believe at the par amount outstanding of viable bonds it would be difficult to bring in an underwriter to complete the transaction. Tenders require large underwriters with strong connections to investors. Those large underwriters have told us they need transactions in the range of \$150 million or more to incentivize them to get involved.

The general rule of thumb in the municipal bond industry is that when the NPV savings of a refunding issue equals 3% or more of the refunded principal, then you should consider pulling the trigger and executing the refunding. However, sometimes it is not quite that simple. We evaluate the negative arbitrage in refunding escrows and typically suggest that savings should double the negative arbitrage. We also expect savings to exceed the costs of doing the transaction. There are exceptions to every rule. For example, if a maturity being considered for refunding has a very short life you may want to refund it if it produces some savings, even if the 3% threshold is not met. Negative arbitrage is less significant if the new bonds are callable any time in the future. Some bonds are refunded for reasons other than savings.

Because it is impossible to "time the markets," our firm generally advocates taking efficient savings when savings are available, rather than trying to second guess market movements. At times, espousing a "wait and see" approach in order to garner supposed better efficiencies has cost issuers and taxpayers a significant amount of money.

- **Advisor's role in ratings and experience the last 3 years**

Zions prioritizes ratings analysis and counsels with our clients regarding the current and changing rating criteria. We take the lead in preparing simple, yet informative rating presentations; coach clients in the presentation process; arrange for and attend in-person, virtual, or telephonic presentations; deliver feedback based upon our observations and rating analyst commentary; and use rating agency models to advise on strengths and weaknesses.

We find that modeling your rating is an in-valuable part of the advisory process. We believe that without sophisticated models an advisor cannot provide the District with an educated estimate of pricing levels or the pros and cons of various activities. Bond modeling can also help inform long-term conversations about cash balance levels, coverage covenants, and reserve instruments. See **Appendix E** for a detailed analysis of the District's bond rating. This analysis is of the District as a standalone entity. The District's actual rating from S&P Global Ratings blends this and the ratings of Salt Lake City and Sandy into consideration. We have purposefully reduced costs by eliminating Fitch from the rating pool on newer transactions. Fitch's opinion on the added PRWUA expense required to be booked by the District's new auditor was not a factor but helped validate the decision.

In each year for the past decade Zions has advised on a greater number of market rated bonds than any other firm in Utah. Since 2020 Zions has advised on 34 bonds that required bond ratings and meetings with rating agencies. In addition, we often meet with the rating agencies to discuss topics that are important to our clients. We have met with rating analysts within the last year related to legislation on property tax levies for water agencies and issues related to environmental, social, and governance ("ESG") ratings.

- **Competitive versus negotiated bond marketing**

A competitive bid situation forces underwriters to compete on price. Whichever underwriter provides the bid with the lowest overall debt service cost wins the right to purchase your bonds. Over the years we have seen different underwriters come in on a given day and provide the lowest rate. Underwriters have varying levels of risk tolerance, views on market movements, and capital available from day to day. In a negotiated sale, the District would need to choose over a month in advance of a bond sale which underwriter they believe has the best combination of those characteristics to produce the lowest interest rate on the day of the sale.

In a recent analysis we performed for the Timpanogos Special Service District ("TSSD"), Zions pulled a list of market deals in the range of \$30 to \$70 million and in the \$120 to \$180 million range. The comparable transactions were issued via both competitive and negotiated sale and with similar ratings. The deals showed a clear case that bond deals in the \$30-\$70M range issued via competitive sale produced lower rates than a negotiated sale on average. However, our search for comparable transactions around \$150 million, did not return a single bond of that size that sold competitively within the last two months. This helped us show the District that while a competitive sale was beneficial for bond sales

of a particular size it might not be advisable for a larger transaction at that time.

As deals become larger fewer firms can handle them alone. Underwriters start to pool resources and form syndicates to spread risks. Doing so moderates the price differential between underwriters and brings them closer to the “true” market consensus. However, with midsized transactions underwriters are truly competing rather than cooperating. A larger underwriter pool means an issuer of bonds can potentially benefit from one market participant evaluating the market more aggressively than others. This could happen for any number of reasons including: an infusion of liquidity from recent bond redemption or operating activities, differing expectations for interest rate movement, a desire to pull specific bonds because of known interest from institutional customers, etc.

Competitive sales are not perfect for all scenarios though. Market volatility can reduce underwriter risk tolerance. Without the ability to premarket an issue, underwriters may be unwilling to take even small bets on resale activity leading to worse pricing. That same principle applies to any type of additional uncertainty or risk. Refunding transaction often rely on specific savings targets and a negotiated marketing can allow more price discovery over a longer period of time to ensure time and effort is not wasted.

- **Optimum finance team and the District’s role in it**

The financial advisor has a fiduciary duty to the District. They are responsible for helping the District achieve the most efficient financing by providing clear information, advice, and recommendations to the District. A financial advisor helps the District evaluate the costs and benefits of various structures, terms, and timings for debt issuance. The advisor should have a good working relationship with the underwriter but ensure the underwriter remains competitive. The best way to do this is to perform a rigorous underwriter procurement process. Zions prepares detailed underwriter procurement RFPs and solicits them to all the major underwriters, intentionally casting as wide a net as possible.

A strong advisory team will have disclosure experts on staff to review bond documents, such as Official Statements, as these are your communications with potential investors in your project. Zions is the only advisor in the State with in-state staff dedicated to primary and continuing disclosure.

The financial advisor will work closely with bond counsel, the trustee, and the District to ensure that legal requirements are met and clearly understood by all involved. The main role of the advisor is to safeguard District interests.

- **Presentations to the District's Finance Committee and/or Board of Trustees**

In our work with different clients, Zions works closely with professional staff members to keep boards educated on the bond issuance process. Availability and responsiveness are just as important as professional competency—if your competent advisor is always unavailable, they are just as useful as an incompetent and available advisor. With Zions team approach you can rest assured that any of our team could be available and up to speed to provide needed information and presentations to the Board of Trustees.

We routinely provide our “Bonds 101” presentations to help bring new board members up to speed on their role in financings. We provide updates, at staff request, when changes to municipal bonds warrant further education. Our goal as always is to be an extension of your staff.

- **Ability to assist with the state legislature and agencies**

Zions Public Finance has made a determined effort to protect the workability of the Utah Municipal Bond Act. We have been instrumental in the development of many Utah laws including, but not limited to:

- ❖ The Local and Special Service District Recodification Act
- ❖ The Utah Special Service District Act (required a constitutional amendment)
- ❖ The Utah Refunding Bond Act
- ❖ The Municipal Building Authority Act

During our years as financial advisor to the State of Utah, key members of the Legislative Fiscal Analyst’s Office and Office of Legislative Research have called on our office for advice and input into legal, financial, and credit aspects of various pieces of legislation. We believe it is vital to the District that we are participants at the legislature and that we work to protect your ability to finance projects efficiently. Over the years we have seen that Zions is the only advisory firm who consistently works with the legislature to protect client interests. As mentioned above, we are also routinely called upon to advise State revolving loans funds and have assisted with recapitalization efforts for those funds.

3. PAST PERFORMANCE

- **References (Should remove one only need three)**



State of Utah

Kirt Slaugh, Chief Deputy State Treasurer
KSLaugh@utah.gov | 801.538.1472



Provo River Water Users Association

Jeff Budge, General Manager
JDB@prwua.org | 801.796.8770



Washington County Water Conservancy District

Zach Renstrom, General Manager
Zach@wcwcd.org | 435.673.3617

- **Work for water or similar districts in the last 5 years**

We believe that our most relevant experience is the work we have done for directly for the Metropolitan Water District of Salt Lake & Sandy! We believe that the work we have done for the District has been a valuable help to the long-term health of the District. However, we recognize that if the District feels differently, no other experience we can mention is likely to change the District's mind.

Earlier this year, Zions analyzed project funding options for the District including WIFIA, state revolving loan funds, capital markets, and direct purchase alternatives. We understand the benefits of such alternatives as well as the costs and capacity limitations and can accurately measure those for the benefit of our clients. For the District we determined that given the current market conditions a combination of state revolving loan funding and market transaction would provide the lowest cost option and have since prepared and submitted applications for those state programs. This project constitutes the initial investment in a multi-year capital campaign expected to exceed \$700 million in current dollars and consists of an overhaul of a significant portion of the District's infrastructure which is experiencing substantial risk at this time – both from an aging infrastructure (approaching 100 years old overall), and from seismic activity (the original design did not account for seismic risks). Zions has developed a comprehensive financial plan identifying how and when such improvements will be financed, the impact to wholesale rates to member entities, and bond rating ratios such as coverage and cash position which are two of the most critical.

In addition, Zions has also spent over a decade working with the District to eliminate its dependence on interest rate swaps that were both costly and difficult to manage. By refunding the underlying variable rate bonds at historically low interest rate levels averaging 1.30% and generating original issue premium to offset a portion of the swap termination fees, the District saved just under \$1.3 million by executing this transaction. This is in addition to the prior savings delivered to the District on consolidating swaps and

despite conventional wisdom that terminations of swaps break even at best. The District also eliminated all management time and expense associated with the swap and the inherent risks from interest rate movements and counterparty solvency.

- **Performance marketing bonds competitively and how this method benefited the issuing agency**

Zions Public Finance Inc. for the last several years available has been the top 15 firms nationwide in competitive bond sales. This is a direct tie to our deep commitment to competition, but it also is the result of our concerted effort to focus on disclosure. Because we have a strong disclosure team we understand how to communicate and market bonds to investors. Our broad expertise as an organization, including the only municipal underwriting desk in the State, allows us to consistently lead on competitive sales.

We often do competitive sales where others argue we shouldn't. Refunding bonds are tricky and other firms usually use a negotiated underwriter to ensure savings accrue. We understand that a competitive sale can sometimes capture outlier bids to increase the savings. That was the case for Park City in 2021. The city was looking to refinance roughly sixty-five million in water revenue bonds. When it came time the city received 10 competitive bids. These bids demonstrated different segments of the market and showed one clear outlier the city likely would have missed outside a competitive sale. The winning bidder on the transaction was FHN Financial (who does not do negotiated underwritings in Utah) with a rate of 1.89%. The next three bidders provided strong bids between 1.94% and 1.95%. The next five bidders provided rates between 2.03% and 2.06%. The last two were 2.10% and 2.11%. Clearly there were three distinct segments of the market. In a negotiated sale, any one of those underwriters could have pointed to a group of other underwriters to justify their bid. What's more those bids would have still produced savings for the city. But FHN, provided a bid that was as much better than the next three bids as you would expect going from a AA+ rating to a AAA rating saving the city interest expense over the life of the bonds!

- **Performance marketing negotiated bonds and how this method benefited the issuing agency**

Terminating variable to fixed swaps in a low interest rate environment costs money and such was the case when the District terminated its swap in 2021. However, the benefits outweighed the costs by about \$1.2 million and a negotiated underwritten transaction was critical.

The swap counterparty was Wells Fargo. The hired underwriter was Wells Fargo. By using Wells Fargo, we were able to better align the swap termination and bond issuance process to save the District money and minimize risks. Moreover, by negotiating the sale of the bonds, we could dictate what original issue premium was generated to offset costs of issuance and swap termination fees. In a competitive sale, we'd be subject to whatever the winning bidder offered. We needed to maximize the premium to minimize the cost and still take advantage of the historically low interest rates available on the bonds. Because the swaps are non-callable, we chose to sell the bonds non-callable as well which provided even more premium to offset costs.

In the end, the District eliminated the swap, eliminated the intensive debt administration associated with the swap, locked in a 1.28% true interest costs and saved about \$1.2 million in interest expenses! Certainly, a worthy outcome enabled by the use of a negotiated bond sale.

- **Describe innovations you developed in revenue, refunding, and GO bonds; variable rate debt; interest rate swaps; short term notes; Federal or state funding**

Zions is at the forefront of municipal bond innovations in Utah! We were the first firm to bring innovations such as lease revenue bonds, springing reserve funds, green bonds, and cross-over refundings to our Utah clients. Since the 2017 Tax Cuts and Jobs Act eliminated tax exempt advance refundings governments have been trying to find new ways to take advantage of refunding opportunities for non-callable bonds. As briefly mentioned, we recently assisted the Utah Transit Authority as they issued the first and only tender option refunding bonds in Utah. UTA sent notice to specific bondholders with call protected bonds offering to buy those bonds back. The bonds were issued with low coupons and have since lost value in the secondary bond market. By offering investors 80 cents on the dollar for outstanding bonds, UTA was able to entice 40% of the bondholders to sell bonds back to UTA who cancelled them. **By doing this UTA saved over \$6 million in NPV.** All during a higher interest rate environment than when they originally issued the bonds being refunded! We are constantly on the lookout for opportunities like these. The District can rest assured that Zions is at the forefront of national innovations.

4. COST PROPOSAL

We have thoroughly enjoyed the privilege of working with the District as its municipal advisor over the past few years. We want to continue in that role into the future. Advisor fees are such a small component to the overall cost of

financing but we understand they're an important part. We propose to continue working at the same rates we currently have in place, but will gladly work with the District to match other reasonable fees, if warranted.

- **Cost of financial advisor services**

- ❖ General Obligation Bonds - \$1.50/\$1,000
- ❖ Revenue Bonds - \$2.00/\$1,000
- ❖ Notes - \$1.00/\$1,000
- ❖ Minimum charge for all bond transactions - \$20,000
- ❖ Drafting of preliminary and final official statements - \$6,000

- **Cost of financial advisor services and method of billing, including hourly rates of employees**

We do not typically bill our clients for work we do in between bond issues unless it is above and beyond the typical scope of work as described in this response. Such billing will only come after discussion with the District. Rates are based off the level of employee providing the work.

- ❖ Vice President or above - \$225/hour
- ❖ Financial Analyst - \$125/hour
- ❖ Clerical - \$80/hour

- **Continuing disclosure services**

Continuing Disclosure Services - \$1,000 annual lump sum.

- **Other anticipated costs**

Typically, Zions pays for certain costs of issuance as matter of simplicity and passes those on to the District at cost. These are usually associated with the distribution of the official statement or CUSIP numbers and are not typically more than \$2,000 in total. Zions would also request reimbursement for printing fees (often unnecessary due to digital options) and travel (if outside Salt Lake County).

- **Any other information relevant to cost.**

None.

5. INSURANCE

Zions has the following insurance coverages:

- ❖ General Liability - \$1,000,000/occurrence, \$2,000,000 aggregate
- ❖ Workers Compensation - \$500,000
- ❖ Umbrella Limit - \$25,000,000
- ❖ Errors and Omissions - \$10,000,000 - \$25,000,000 deductible

Appendices not included due to volume but are available for review upon request.

Appendix A – Resumes

EXHIBIT C

**INSURANCE AND BOND REQUIREMENTS FOR
PARTIES ENTERING INTO AGREEMENTS WITH
METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY**

Last Update: June 4, 2018

Advisor and all of Advisor's contractors and all subcontractors of Advisor's contractors shall maintain, at no cost to the District, the following insurance, and provide evidence of compliance satisfactory to District.

A. MINIMUM LIMITS OF INSURANCE

Except as approved in writing by District in advance, Advisor shall maintain limits no less than:

1. WORKERS' COMPENSATION and EMPLOYERS LIABILITY:

- i. Workers' compensation statutory limits.
- ii. Employers Liability statutory limits.

2. PROFESSIONAL LIABILITY:

- i. \$2,000,000 Per Claim
- ii. \$3,000,000 Aggregate

B. DEDUCTIBLES AND SELF-INSURED RETENTIONS

Any deductibles or self-insured retentions (SIRs) must be declared to and approved by the District in writing. At the option of the District, either; the insurer may be required to reduce or eliminate such deductibles or SIRs as respects the District, its trustees, officers, and employees as additional insureds; or the Advisor may be required to procure a bond or other instrument guaranteeing payment of losses and related investigations, claim distribution, and defense expenses of the District, its trustees, officers, and employees as additional insureds.

The District does not ordinarily approve deductibles in an amount exceeding 2.5% of the required minimum limits described above or \$50,000, whichever is less. The District does not ordinarily approve SIRs in an amount exceeding 1.0% of the required minimum limits described above or \$20,000, whichever is less. With respect to any deductible or SIR, the Advisor shall pay for costs related to losses, investigations, claim distribution, and defense expenses of the District, its trustees, officers, and employees as additional insureds that would otherwise be covered by an insurer under the coverages described in these insurance requirements if no deductible or SIR existed.

C. ACCEPTABILITY OF INSURERS

Insurance and bonds are to be placed with insurers admitted in the State of Utah with a Bests' rating of no less than A-, IX, and in the limits as listed in this document, unless approved in writing by the District.

D. VERIFICATION OF COVERAGE

Advisor and all of Advisor's contractors and all subcontractors of Advisor shall furnish District with certificates of insurance and with original endorsements effecting coverage required by this clause. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be provided on forms acceptable to the District before work commences. District reserves the right to require complete, certified copies of all required insurance policies, with all endorsements, at any time. Advisor shall provide an insurance certificate and an endorsement evidencing compliance with this provision at least annually. From time to time District may increase the requirement for a liability limit by providing reasonable written notice to Advisor of such a change.