

**BOARD OF DIRECTORS
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
PIMA COUNTY, ARIZONA
&
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
MUNICIPAL PROPERTY CORPORATION
BOARD OF DIRECTORS
JOINT MEETING**

Friday, April 24, 1998

Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

District Board Members Present:	James Doyle, Chairman Marty Cramer, Member Jim Tripp, Member Herb Johnson, Member
District Board Member Not Present:	Sam Ray, Member
Municipal Property Corporation Board Members Present:	Herb Johnson Dan Offret John Beatty
Municipal Property Corporation Board Members Not Present	Sam Ray Mike Jacob
District Staff:	Mark R Stratton, General Manager Joyce E. Osborne, Recording Secretary

Regular Session

I. Call to Order and Roll Call

The joint meeting of the Board of Directors (Board) and the Municipal Property Corporation Board of Directors (MPC) was called to order by Jim Doyle at 7:30 a.m. Mr. Doyle, Ms. Cramer, Mr.

Tripp and Mr. Johnson were present for the Board. Mr. Johnson, Mr. Offret and Mr. Beatty were present for the MPC. Mr. Ray was not present for the Board or the MPC and Mr. Mike Jacob was not present for the MPC.

II. Update and Preliminary Authorization - For Discussion and Possible Action by Both Governing Bodies

- A. Issuance of Revenue Bonds by the District Municipal Property Corporation.**
- B. Lease Purchase Financing of the New Office and Maintenance Facility.**
- C. Lease Purchase Financing of the Linda Vista Reservoir.**

The comments and discussions shown below are from the Board of Directors (Board) and the Municipal Property Corporation (MPC).

Mark Stratton, District General Manager, briefly summarized the reason for the joint meeting. The MPC has been discussing alternative ways to finance the new office building and at the same time posture the District's cash flow and reserve to ensure a good bond rating. One alternative was to refinance the Linda Vista Reservoir, which would increase the District's cash reserve. Mr. Stratton turned the meeting over to Mark Reader of Peacock, Hislop, Given & Staley.

Mark Reader of Peacock, Hislop, Given & Staley explained that as the investment bankers for the District bonds, Peacock, Hislop, Given & Staley was trying to look at the overall needs of the District and his firm felt it made sense to refinance and make some payoffs so the District would be in a better cash flow position. He then passed out an updated Preliminary Official Statement that superceded the one that the Board and MPC had received prior to the meeting. Mr. Reader informed both Boards that a due diligence meeting would be held with staff and attorneys immediately after the joint meeting to be certain that the document was correct and in order.

In addition to the Preliminary Official Statement, Mr. Reader passed out a five page handout that included preliminary sources and uses of funds, a preliminary bond sizing analysis, a statement of senior and junior pledged revenues, debt service requirements, junior lien and senior lien coverage and a tentative financing time table. The bonds are currently structured so that the District makes interest payments for only the first two years, which gives the District more time to improve its cash position. Mr. Reader explained that the District's Junior Lien revenue bonds would have an aggressive call feature, whereas the Senior Lien revenue bonds would have a longer call feature because the net objective with these bonds would be to secure bond insurance and sell the bonds at triple A rates.

Ms. Cramer asked for clarification for the term "call feature." Mr. Reader said that this is the guaranteed time period that an investor could be assured of earning interest on the bonds. Normally a bond will have a 10 to 15 year call feature but the Junior Lien revenue bonds would have a six year

call. This means an investor would be guaranteed of receiving interest from the bonds every six months until the year 2004 even if the bonds were financed or paid off.

Mr. Offret asked what kind of security had to be put up for the sale of the bonds. Mr. Reader explained that the building and reservoir acts as collateral.

Mr. Reader explained that if the Board approved the selling of the bonds today that it is expected that the Pima County Board of Supervisors could include it on its May 5, 1998 agenda and grant authority to the District to sell the bonds. The bonds will then be priced on May 6 & 7 to sell to investors.

Ms. Cramer asked if residents were eligible to buy bonds. Mr. Reader said his firm would be glad to give anyone within the District a first opportunity to buy bonds and that the document should be finished by the middle of next week so he could print it and mail it to whoever wanted to buy bonds. He explained that the minimum investment is usually \$10,000 but perhaps some other denomination could be established for District residents. Ms. Cramer suggested that the District advertise the bond sale in the Casas Adobes Courier newspaper. Mr. Reader said he would prepare the newspaper ad to meet the Courier's deadline.

Mr. Reader said his firm would then come back to the Board with the final terms and conditions of the bond issuance. With approvals secure, the bond issuance can be closed by the middle of May 1998. Mr. Johnson expressed a concern that the payment for the 1992 bond issue and the one being presented here today should not be a burden to present water users and therefore should be spread out over a longer period of time. Mr. Stratton suggested that the Board hold a study session to discuss specifically refinancing the existing debt to save the District money, deciding what we can and cannot do once the bonds are in place, and addressing Mr. Johnson's concerns about the burden of payment.

Mr. Offret made a motion on behalf of the Municipal Property Corporation that Peacock, Hislop, Given & Staley be given approval to go forward with the issuance of the bond package. Mr. Beatty seconded the motion and it passed unanimously.

Mr. Johnson as President of the MPC suggested that the MPC Board give their final recommendations regarding the bond issuance to the District Board so the only item left for the Board to address is the lease agreement.

Mr. Tripp made a motion to allow the MPC to make recommendations regarding the bond issuance to the Board. Ms. Cramer seconded the motion and it passed unanimously.

Mr. Stratton clarified that there was no need to make resolutions on previous actions and that on May 11, 1998 a joint meeting of the MPC and Board can be held to approve the sale of bonds with final resolutions authorizing transactions in their final form. Roy Kyle of Brown & Bain stated that a

final, formal resolution for both governing bodies will be brought back to the May 11, 1998 meeting.

III. Adjournment

The meeting was adjourned at 8:10 a.m.



James O. Doyle, Chair of the Board

ATTEST:

Clerk of the Board