

**BOARD OF DIRECTORS
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
PIMA COUNTY, ARIZONA**

September 11, 2000

**** Board Room**
Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES – STUDY SESSION

| | |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board Members Present: | Pete Schlegel, Chair Sam Ray, Member Marlene Wright, Member |
| Board Members Not Present: | Jim Doyle, Vice-Chair Dennis Polley, Member |
| District Staff: | Mark Stratton, General Manager Chris Hill, Deputy Manager Mike Land, Chief Financial Officer Charlie Maish, District Engineer Warren Tenney, Clerk of the Board |

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District) called the Study Session to order at 5:03 p.m. Pete Schlegel, Sam Ray and Marlene Wright were present. Jim Doyle and Dennis Polley were not present. Mr. Schlegel welcomed all participants and introductions were made. It was noted that members of the Bond Oversight Committee were invited. In attendance from the Committee were Dan M. Offret, Rusty Carlson and Dan Williams.

I. Presentation and Discussion of Debt Service Deposit Agreement

Mr. Land stated that the Board had requested a study session to discuss the potential for a debt service deposit agreement arrangement that they were presented with in June. He stated that members of the Bond Oversight Committee wanted further information as well.

Powers Rowland, Vice-President of Marion Bass, made a presentation to the Board detailing an overview of the debt service deposit agreement process. He explained that the District would continue to deposit its monthly bond payments with our trustee, Bank One. Feld Winters Financial, Inc., would bid out the investment rights of this bond payment to interested financial institutions in exchange for an up-front cash payment to the District. Any award of bids would be subject to being approved by the Board. Marion Bass's role would only be that of a

coordinator between the District and Feld Winters. Mr. Rowland stated that proceeds from the District's earnings on the lump sum cash available would potentially be higher than if interest were accrued through the regular bank accounts, plus those proceeds could be used for any purpose that the Board authorizes.

Mr. Rowland said that this agreement could provide higher earnings than regular funding options because of the ability to invest in long-term investments. Mr. Rowland assured the Board that the benefits included increased interest earnings on the up-front cash and the only risk involved was defaulting on making principal and interest payments on the bond, then the District would need to reimburse some of the upfront payments to the investors.

Mr. Schlegel asked about reimbursement of interest earned. Mr. Rowland replied that the District would be entitled to keep all their earnings.

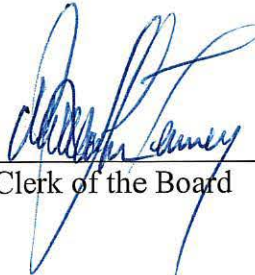
Mr. Ray inquired as to any Arizona companies that were participating in these programs. Mr. Rowland stated that Marion Bass has just started this service in Arizona and he is not aware of any other companies who are participating through Feld Winters. He said that the debt service deposit agreement would not affect bond ratings or arbitrage, it would only affect future interest earned on the bonds and reiterated the only risk involved would be if the bond payments were not made.

Mr. Ray requested a detailed explanation of how the process works. Mr. Rowland explained that Feld Winters would put together a bid package by making copies of recent financial statements, debt service requirements and the permitted investment policies. They would then send this bid package out to 8-10 primary bidders for a period of 3-4 hours. Feld Winters would then review the bid proposals received and forward the information to the District and bond counsel for their consideration and possible approval. The District is under no obligation to accept any of the bid proposals. If the Board did approve any of the bids, bond counsel would then review and finalize the terms and monies would be wired to either the trustee or the District.

Mr. Schlegel, Ms. Wright and Mr. Ray all expressed their concern that references be checked thoroughly to ensure as a public entity everything is proper. Mr. Rowland stated he would provide a list of references to the Board members. Mark Stratton, General Manager, stated that based on the Board's request, staff would contact the references provided by Marion Bass and collect other information to bring back to the Board for their direction.

II. Adjournment

The meeting adjourned at 5:35 p.m.



Clerk of the Board

Peter H. Schlegel, Chair of the Board