

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
FINANCE OVERSIGHT COMMITTEE**

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

December 3, 2012

MINUTES

Committee Members Present: Jeffrey Ratje, Chair
Sheila Bowen, Member
Reb Guillot, Member
Lee Mayes, Member
Jim Stevenson, Member
Tim Thomure, Member

Committee Members Not Present: Bernie Wiegandt, Vice Chair

Board Members Present: Dan M. Offret, Board Vice Chair

District Staff Present: Mark R. Stratton, General Manager
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Warren Tenney, Assistant General Manager

I. Call to Order and Roll Call.

Mr. Ratje called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Mr. Ratje, Mr. Guillot, Mr. Mayes, Mr. Stevenson and Mr. Thomure were present. Ms. Bowen arrived at 4:06 pm. Mr. Wiegandt was not present.

II. Approval of Minutes – October 15, 2012.

Mr. Guillot made a motion to approve the October 15, 2012 Minutes. Mr. Ratje seconded the motion. Motion passed unanimously.

Ms. Bowen arrived at 4:06 pm.

III. Potential Debt Refinancing Options.

Mr. Stratton said at their November 14th meeting, the Board heard a presentation by Mark Reader, Financial Advisor with Stone & Youngberg, regarding potential debt refinancing and

restructuring options. The options would give the District a little more flexibility due to the continued decrease in revenues. Next fiscal year, a \$500,000 increase will occur in the debt service. Since the budget is already tight, the impact would prompt the District to look at more cuts through operations or staffing levels. Very limited amounts are currently being spent on capital funding. Staff asked Mr. Reader to look at the options.

Mr. Reader gave his PowerPoint presentation detailing the District's current financial status along with three refunding/restructuring alternatives.

Alternative 1 is to issue new refunding obligations for up-front cash flow savings. This would achieve cash flow and net present value savings by a total of \$550,000. The District would refund 2002 callable senior lien bonds and subordinate lien bonds, reduce cost of capital by approximately 2.5% (to be determined) resulting in significant cash flow savings, and structure cash flow savings primarily in Fiscal Years (FY) 2012/13, 2013/14, and 2014/15.

Alternative 2 would involve issue of new restructuring obligations to achieve targeted debt service objectives. The District would reduce annual debt service to approximately \$6.5 million for FY 2013/14 – 2018/19, from \$7.5 million. The Tucson Settlement Agreement would be amortized over a longer average useful life. This alternative would require the District to refund the allocated portion of non-callable 2002 subordinate bonds and 2002 senior lien bonds. The net present value loss of \$188,000 on subordinates would be somewhat offset by the savings on senior bonds.

Alternative 3 would purpose a restructuring, including the acceleration of planning and construction of the CAP project with minimal, if any, impact on utility rates. The District would assume a \$3,000,000 1% Engineering and Design WIFA loan which would close in the first quarter of 2013. The District would also assume a \$33,000,000 issuance on July 1, 2015 with a 25 year amortization at 4.25%, to include refinance of the \$3,000,000 E&D loan. The new debt service would be structured to achieve MDWID objectives. The ancillary CAP financing option can be decided upon later.

The FOC provided positive feedback. Mr. Mayes thought the refinancing would give the District more flexibility and relieve some of the pressure from the debt. Mr. Ratje wants to make sure there would be safeguards over how the generated savings would be used. Mr. Thomure thought it would be prudent to go forward so the current annual debt service goes down but noted the red line would extend when the CAP pipeline is financed. He believes it is important for the District to pursue CAP recovery.

IV. Call to the Public.

There were no comments by the public.

V. Adjournment.

The meeting adjourned at 5:16 p.m.

Jeffrey Ratje, Chair
Finance Oversight Committee