

**Metropolitan Domestic Water Improvement District  
Board of Directors Study Session**

**November 10, 2014**

**Appointments to the District Municipal Property Corporation and  
Direction to Dissolve the District Municipal Property Corporation**

**Synopsis**

The Board of Directors is requested to appoint directors to the District's Municipal Property Corporation and provide direction to dissolve the Municipal Property Corporation.

**Background**

During the 1990s, municipal property corporations were seen by public entities as a creative mechanism to fund large capital projects when the only other option was to seek voter approval to finance such projects through revenue bonds. The Municipal Property Corporation (MPC) was formed by the District in 1996 to secure financing with tax-exempt bonds for capital projects with a lease back arrangement for the facilities to the District in order to pay the debt service on the bonds. The MPC was used to finance the office building's land acquisition and construction as well as funding the Herb Johnson Reservoir in the late 1990s. A portion of the refinancing bonds issued in January 2002 were used to pay off the MPC bonds.

The MPC was last active in 2002 when the District considered acquiring the Green Valley Water Company by making the purchase through the MPC. In July 2011, the District Board made the most recent appointments to the MPC Board. At that time, the MPC Board adopted a technical resolution that corrected an oversight to show the MPC did transfer the title of the District office and property to the District following the 2002 bond issuance. At the July 11, 2011 meeting, the District Board appointed to the MPC Board Jim Doyle, Dan M. Offret, Claire Strom, Reb Guillot, and Tim Thomure. Subsequently, Claire Strom and Tim Thomure have moved from Tucson.

**Issues**

The MPC is registered with the Arizona Corporation Commission (ACC). The District is required to file an annual report with the ACC for the MPC. From time to time, this has caused customers to assume that the District itself is under the ACC's authority.

More importantly, the District has not used the MPC as a financing mechanism since 1999 when the office and warehouse was constructed. It was always understood that even with projects financed under the MPC, the District was still responsible for the debt retirement and no financial savings were gained for the District by using the MPC. In the 2000s, the District began to utilize the Water Infrastructure Financing Authority of Arizona (WIFA) for funding capital

projects. Looking forward, it is anticipated that the District would fund large capital projects through WIFA loans, revenue bonds, and/or capital bonds.

For these reasons, staff believes it is not necessary to maintain the MPC and that the MPC should be dissolved. This would be accomplished by convening a meeting of the MPC Board and the MPC Board adopting a resolution to dissolve the MPC, which would then be processed by the ACC.

Based on discussions with Legal Counsel, one issue needs to be addressed before a meeting of the MPC can be held. The remaining members of the MPC Board include two District Board members (Jim Doyle and Dan M. Offret) and one non-Board member (Reb Guillot). The MPC bylaws state that while the directors of the MPC Board may also be District Board members, the majority of the MPC Board is not to be members of the District's governing Board. Therefore, to comply with the MPC bylaws, Legal Counsel recommends that the District Board appoint two more members to the MPC Board to ensure the majority is comprised of members not on the District's governing Board.

To address this issue, staff approached two Finance Oversight Committee members to see if they would be willing to be appointed to the MPC Board and then participate in the meeting to dissolve the MPC. Sheila Bowen and Doug Hofmann said they were willing to help with this situation.

### **Staff Recommendation**

It is recommended that the Board of Directors provide direction to the Board of the District Municipal Property Corporation (MPC) to dissolve the MPC. In order to accomplish this, the District Board would need to appoint two more members to the MPC Board. It is recommended that the Board of Directors appoint Sheila Bowen and Doug Hofmann to the Board of the MPC.

Staff believes the MPC has served its usefulness for the District and it is an appropriate time for the MPC to be dissolved. If for some unforeseen reason in the future the District needs a MPC, it could be re-established.

### **Suggested Motion**

I move that the District elect Sheila Bowen and Doug Hofmann to the District Municipal Property Corporation and that the District Municipal Property Corporation meet to consider dissolution.

Respectfully submitted,

Joseph Olsen, P.E.  
General Manager