

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

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
** BOARD ROOM **
6265 N. LA CAÑADA DRIVE
TUCSON, AZ 85704**

TUESDAY, OCTOBER 27, 2020

MINUTES

Committee Members Present: Scott Schladweiler, Chair
Lee Jacobs, Vice Chair (Participated Electronically)
Scott Bugental, Member (Participated Electronically)
Lee Mayes, Member
Robert Shonka, Member (Participated Electronically)
Monica Wnuk, Member

Members Not Present: John Krempen, Member
Kip Volpe, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent (Participated Electronically)
Theo Fedele, Clerk of the Board

Regular Session

I. Call to Order and Roll Call

Mr. Schladweiler called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Mr. Bugental, Mr. Jacobs, Mr. Mayes, Mr. Schladweiler, Mr. Shonka, and Ms. Wnuk were present. Mr. Krempen and Mr. Volpe were not present.

II. Call to the Public

Judy Scrivener, Chair of the District's Board of Directors, expressed her appreciation of the input and participation of the Committee.

Note: Mr. Bugental departed at 4:03 p.m.

III. Approval of Minutes – March 16, 2020 Meeting and September 9, 2020 Meeting

Mr. Jacobs made a motion to approve the minutes as presented. Ms. Wnuk seconded the motion. Motion passed by a roll call vote of 5-0.

IV. Introduction of Finance Oversight Committee Members

The Committee members each provided a brief introduction and their background.

Note: Mr. Bugental returned at 4:10 p.m.

V. Chief Financial Officer's Update on the District's Fiscal Year 2020 Independent Audit

Ms. Bracken stated that the District's independent Auditor's from HintonBurdick, have reviewed the District's ledgers, transactions, reconciliations, and internal controls for Fiscal Year ending June 30, 2020.

The Auditors performed procedures to obtain evidence about the amounts, and disclosures in the financial statement, and they have provided a completely objective opinion that the District's Financial Statements fairly present, in all material respects, the financial position of the District in conformity with accounting principles generally accepted in the U.S. and the Governmental Accounting Standards Board (GASB).

When planning and performing the audit, the Auditors consider the District's internal control over financial reporting to determine what audit procedures are appropriate for the circumstances. During this process, no deficiencies were found in the District's financial internal controls.

Fiscal Year 2020 ended with a net position increase of \$12.1 million and an ending net position of \$104,697,783.

The total District assets and deferred outflow of resources increased \$9.6 million and the liabilities and deferred inflows of resources decreased by \$2.5 million.

The total operating revenue was \$2.2 million higher with metered water revenue increasing \$1.2 million when compared to the prior fiscal year. Operating expenses were \$933,428 higher than the prior fiscal year.

The District received \$1.5 million of contributed capital in Fiscal Year 2020. Ending the fiscal year as previously stated with a net position increase of \$12.1 million.

Discussion ensued and question were answered regarding the independent audit.

VI. Update on the 2009A Senior and 2013 Subordinate Bond Refunding

Ms. Bracken stated that on September 22, 2020, Moody's issued a press release to announce that the District was assigned a bond credit rating of Aa3. Moody's Vice President of Public Finance Group stated that the District improved every metric that was within our control. Factors such as the size of the District and the average income in the area being 85.8% of the U.S. average were items outside of our control. The median net revenue for an Aa2 is \$28.2 million and the District was at \$12.1 million at the end of Fiscal Year 2020.

On September 24, 2020 the Public Offering Statement was released and bonds were sold on October 6, 2020. The demand for the District bonds was 2.3 times the available bonds with companies bidding on District bonds that have not participated in the past due to the current financial strength of District. With a premium on the bonds of \$904,303.80 and a reduction in interest payments of \$123,972.28, the bond refunding had a positive cash flow of \$1,028,276.08 as well as reducing the amount of outstanding principal debt by \$4,457,881.28 with the elimination of the debt service reserve requirements and applying the escrow funding already set-aside for payment. The principal amount refunded was \$9,265,000, with a true interest cost of 0.652%. The bonds closing occurred on October 20, 2020. This reduction in outstanding principal will reduce the operating budget by an average of \$654,550 for each of the next six fiscal years when compared to the prior debt requirements.

At the last FOC meeting, Mr. Mayes asked about the risks associated with this bond refunding, and Ms. Bracken stated that the largest risk was the potential of the interest rates changing. The average net interest cost was anticipated to be 0.45%. Rates did go up slightly and the average net interest is now 0.65%, which is still less than 1%.

VII. General Overview of the District's Service Areas

Mr. Olsen provided a presentation on the District's service areas. Discussion ensued and questions were answered regarding the various service areas, property annexed into the District, and infrastructure.

VIII. Presentation on the Northwest Recharge, Recovery and Delivery System (NWRRDS)

Mr. Olsen provided a presentation that provided an overview and update on the Northwest Recharge, Recovery and Delivery System (NWRRDS). Discussion ensued and questions were answered by staff.

IX. Clerk of the Board Updates; Future Meetings

The next Finance Oversight Committee meeting will be scheduled in January 2021.

X. Call to the Public

There were no comments from the public.

XI. Adjournment

The meeting adjourned at 5:33 p.m.

Chair
Finance Oversight Committee