

**MINUTES OF THE BOARD OF DIRECTORS OF THE TOWN OF GILBERT,  
ARIZONA WATER RESOURCES MUNICIPAL PROPERTY CORPORATION  
MEETING, MONDAY, APRIL 25, 2022 AT 5:00 P.M., VIRTUAL MEETING, GILBERT,  
ARIZONA**

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**BOARD MEMBERS PRESENT:** President Kevin Boudreau  
Vice President Nicholas Macaluso  
Secretary-Treasurer John Dalen Wilcock  
Director Lisa Horne  
Director James Graham

**BOARD MEMBERS ABSENT:** None

**COUNCIL LIAISON PRESENT:** Councilmember Scott September

**TOWN STAFF PRESENT:** Kelly Pfof, Management and Budget Director  
Chris Payne, Town Attorney  
Dawn Prince, Assistant Town Manager  
Håkon Johanson, Finance and Management (FM) Services Director  
Jessica Marlow, Public Works Director  
Susanna Struble, Assistant Town Engineer  
Jeanne Jensen, Capital Improvement Projects (CIP) Project Supervisor  
Rebecca Hamel, Water Manager  
Tanya Wright, FM Services Accounting Manager  
Nicholas Baldelli, FM Services Accounting Supervisor  
Joseph Hewitt, Management and Budget Analyst  
Sandra Spoon, Management and Budget Specialist

**OTHERS PRESENT:** Timothy Stratton, Gust Rosenfeld P.L.C.  
Jim Sticklin, Wedbush Managing Director

**CALL TO ORDER**

President Kevin Boudreau called the meeting to order at 5:07 p.m.

**ROLL CALL**

Management and Budget Specialist Sandra Spoon called roll and declared a quorum was present.

**COMMUNICATIONS FROM CITIZENS**

None received.

**AGENDA ITEMS****1. WELCOME AND INTRODUCTION TO MUNICIPAL PROPERTY CORPORATION (MPC)**

President Kevin Boudreau welcomed those in attendance.

**2. MINUTES – Consider approval of the minutes of the meeting of February 14, 2022.**

President Kevin Boudreau entertained a motion to approve the minutes of the meeting held on February 14, 2022. A MOTION was made by Director Graham and seconded by Vice President Macaluso. Secretary-Treasurer Wilcock and Director Horne were absent at the time of the vote. *Motion carried 3 - 0*

Director Lisa Horne joined the meeting at 5:09 p.m.

**3. BOND INFORMATION AND FOLLOW UP – Management and Budget Director Kelly Pfof briefed answers to the follow-up questions about the bonds that the WRMPC board posed from the meeting held on February 14, 2022. She briefed a presentation containing information on: Repayment Security, the Water System Development Fee (SDF) Discussion, the Proposed Structure and as well as some answers to questions about the Prior Internal Loan Repayment.**

Director Dalen Wilcock joined the meeting at 5:10 p.m.

Management and Budget Director Pfof continued by explaining the pledge security and how these are the revenues the Town is going to use to repay the bonds. It includes the Water Utility Revenues, the Wastewater Utility Revenues and then the Water and Water Resources SDF and Wastewater SDFs. These bonds are only related with water projects but the technical pledge or repayment for the debt includes wastewater revenues as well. The Town does not plan to use those revenues, but it does help in our coverage ratio and if something crazy were to happen those revenues would be a part of the pledged amount to repay the bond payments. With everything put together, the bonds have over 1.6 times coverage. Management and Budget Director Pfof explained the background of the Water SDF portion – as that is the Town's tightest area with revenues and there were some questions about that in the last meeting. It's also one of the areas that was discussed with Council at the financial retreat in February. The portion of proposed debt that's related with the Water SDFs was originally planned to be \$130 million of projects. This would create a new debt service of about \$7.2 million per year. Water SDF revenues, including the recent fee increase, will probably produce between \$9 and \$12 million of revenue per year. The revenue and the debt payments are not aligned well and that causes a potential gap. Management and Budget Director Pfof reviewed the potential causes for the gap, referred to as "holes in the bucket." She also reviewed potential solutions. At the Financial Retreat, Council gave direction for the Town to use one-time money from the General Fund and/or Water fund to help fill some of the revenue gap. To help with this, the planned bond issuance was decreased to \$110m for the Water SDF portion (down from \$130m). The General Fund will make one-time transfers to make up the difference. The new debt service will be closer to \$4.5 million per

year in that beginning time period instead of the \$7.2 debt that was initially looked at. This will improve the cash flow. Director Pfof also explained the Water SDF, Water Repair and Replacement and Water Operating portion of the debt would use a shorter debt term and be repaid over 20 years instead of 25 years to help reduce the interest costs in those areas because they have the cash flow to be able to do a little bit higher debt service payment for a shorter period of time.

The discussion switched over to the Repair and Replacement Fund – one of the questions that was asked in the last meeting is about an internal loan. There was an internal loan in place that the Town paid off the 2004 Water Resource MPC Bonds in about 2014 and used Repair and Replacement money from Wastewater and Water both make those payments. The Water and Wastewater have been repaying those loans. Wastewater has already made their final payment which was done in 2018. Water will continue to make payments of \$1 million a year and then the final payment is little bit smaller at \$733,000 in FY 2025. The board also reviewed the draft 5-year plan for revenues and expenditures in the Water Repair and Replacement Fund.

Management and Budget Director Pfof closed out her briefing by introducing the individuals also at the meeting who were able to field questions should the board members have any questions.

President Boudreau opened it up for the directors for questions or clarifications.

Director Graham said he had no questions.

Vice President Macaluso asked what the miscellaneous revenue bucket on the chart was? Management and Budget Director Pfof responded that it mostly comes from interest earned on the balance in that fund.

Vice President Macaluso stated that at the last meeting there were talks about a water rate increase and then asked is that something that was taken into consideration for this as well or not? Management and Budget Director Pfof responded that it was taken into consideration. Council approved new water rates that went into effect at the beginning of April. The new rates will help provide the revenue needed to make the debt-service payment associated with the Water Operating portion of the debt.

Vice President Macaluso then asked if there was a short fall or surplus on that? Management and Budget Director Pfof responded that the rates were structured to provide the money needed over the next 5 years. Hopefully there will be neither a shortfall nor a surplus.

Secretary-Treasurer Wilcock then asked about the bond rating and where the Town currently stands? Finance and Management (FM) Services Director Johanson stated the Town had a call with S&P and that they intend to give us their report tomorrow and so hopefully we'll have that before the Council meeting. We expect to have the report from Fitch on Wednesday. About a month ago Fitch affirmed AAA for the WRMPC debt, and they had looked at the Town's plans to issue new debt as part of that rating.

FM Services Director Johanson also explained that because these are all water projects and there are significant sustainability aspects to them, the lead underwriter (JP Morgan) recommended we consider designating the bonds as 'green' bonds. The purpose of that is to expand our potential field of buyers of our bonds and if we can get one basis point or half a basis point of better rates – because we have additional buyers and there's just a little bit more competition – we're looking at a least about 10 times savings in terms of the cost to consider those 'green' bonds. This is something we hadn't really looked deeply into until it made economic sense to and we are letting that drive our decision there.

4. **SERIES 2022 REVENUE BONDS – Resolution of the Board of Directors of the Town of Gilbert, Arizona Water Resources Municipal Property Corporation authorization the issuance of its not to exceed \$500,000,000 aggregate principal amount of Senior Lien Utility System Revenue Bonds, Series 2022, for the purpose of financing various projects for the Town of Gilbert, Arizona; delegating to the Finance and Management Services Director of the Town of Gilbert, Arizona, the authority to determine various terms with respect to such Series 2022 Bonds; providing for the application of the proceeds from the sale of such Series 2022 Bonds; approving the form of and authorizing the execution and delivery by the corporation of certain documents and approving an Official Statement relating to such Series 2022 Bonds.**

FM Services Director Johanson explained the specifics of the bonds and the resolutions. He spoke about the bond purchase agreements. One is related to an agreement for others to purchase the bonds that we're selling and the other is related to the agreement between the Town and the MPC. In that transaction, the Town lease payments will equal the bond payments moving forward, and then once those are completely paid off the assets will transfer in ownership to the Town. The Preliminary Official Statement in a mostly finalized form. The purpose of the POS is that it is the investors' document. They can look at this document and understand what these bonds are being issued for. This document is intended to be the marketing material where investors can look in and see everything that they might need to know to make decision to purchase or not these bonds and issue us the loan that we need based on our ability to pay them back.

Wedbush Managing Director Stricklin added that we are responsible for giving them any material piece of information that they would need to make their decision.

President Boudreau asked how much do the other Town activities, General Obligation Fund, etc. impact this particular MPC offering? Wedbush Managing Director Stricklin explained that each of the offering documents have a certain amount of overlap because there's demographic information about the values, property within the Town, the employers within the Town – so there's a lot of information that is an overlap between both. The rating agencies also looked to a number of factors that overlap including the quality of management. Those are and maintaining and getting to the AAA level – so they take into account all the planning and all of the things that go into running the MPC as well as running the Town.

President Boudreau then asked if it is a fair statement to say that there is a little bit of a 'halo' effect that takes place because of the Town's other issuances? Wedbush Managing Director Stricklin responded – No, I don't think so because I think each stand alone. There are things that are evaluated the same like the quality of management for both, as well as the demographics of the Town, the education level of the of the people that are customers, the people that live in the Town – so there is overlap. But each is evaluated separately and so just because the Town has a AAA rating doesn't mean that the utility will have a revenue bond equivalent. Each of the ratings will stand very much on its own and there are things that overlap, but the MPC/Utility Revenue bonds are AAA or will be – if they deserve it – not just because the Town is Gilbert and they are a well-run community.

Secretary-Treasurer Wilcock asked if they could explain how internet research today are showing AAA Muni rates are 20yr at 2.6%. Mr. Stricklin responded by explaining that we have a bond yield of 4% which is the maximum authorization we're seeking and so our expectation is that the yields will be less than 4% collectively.

Secretary-Treasurer Wilcock then asked why would we pay more than the national average? Wedbush Managing Director Stricklin explained the reasoning by stating that when you say average, that means that some are going to be above, and some are going to be below the lowest interest rate states with similar ratings are going to have better rates than we have in Arizona. The reason for that is that you have high state and local government tax states like New Jersey, New York, and California – the amount of demand for taxes and bonds is much greater and the wealth in some of those states is much greater than in Arizona and so each market is unique and it is different. We have a fair equilibrium pricing for the MPC issue based on the demand in our market.

President Boudreau thanked Mr. Stricklin for the response.

President Boudreau checked and there were no additional questions from the board members.

President Boudreau entertained a motion to approve the Resolution of the Board of Directors of the Town of Gilbert, Arizona Water Resources Municipal Property Corporation authorization the issuance of its not to exceed \$500,000,000 aggregate principal amount of Senior Lien Utility System Revenue Bonds, Series 2022, for the purpose of financing various projects for the Town of Gilbert, Arizona; delegating to the Finance and Management Services Director of the Town of Gilbert, Arizona, the authority to determine various terms with respect to such Series 2022 Bonds; providing for the application of the proceeds from the sale of such Series 2022 Bonds; approving the form of and authorizing the execution and delivery by the corporation of certain documents and approving an Official Statement relating to such Series 2022 Bonds. A MOTION was made by Director Graham and seconded by Vice President Macaluso. *Motion carried 5 – 0.*

5. **BLANKET LETTER OF REPRESENTATIONS** – Timothy Stratton of Gust Rosenfeld P.L.C. briefed the Letter of Representations. He stated that it is a necessity in issuing bonds. The bonds can be sold to a number of investors across the country, if not the globe, and in order to keep track of the owners of the bonds as the bonds are bought and sold many times over the course of the life of the bond, we employ a clearinghouse firm out of New York that is called the Depository Trust Corporation (DTC). They handle all the back-office administration in terms of assigning unique serial numbers to each one of the bonds so they can be tracked and monitored. The bonds are actually in the custody of DTC and they maintain all of the books well. In order to do that DTC needs to have an updated Blanket Letter of Representations.

President Boudreau asked if the other directors had any questions and entertained a motion to approve the Blanket Letter of Representations. A MOTION was made by Director Home and seconded by Director Graham. *Motion carried 5 – 0.*

**FUTURE AGENDA ITEMS/MEETINGS:**

President Boudreau stated there were no future agenda items to discuss.

**COMMUNICATIONS**

From the PRESIDENT on current events.

None.

From the BOARDMEMBERS on current events.

None.

From the COUNCIL LIAISON on current events.

Councilmember Scott September introduced himself, thanked all the WRMPC board members for serving and that the Council appreciated all that they do.

From STAFF on current events.

None. Management and Budget Director Pfof added that staff would be following up for signatures from the WRMPC board members on the needed documents, but there would not be a need for an additional meeting this year.

**ADJOURN**

President Boudreau entertained a motion to adjourn the meeting. A MOTION was made by Vice President Macaluso and seconded by Director Graham. *Motion carried 5 - 0.*

The meeting was adjourned at 6:01 p.m.

**ATTEST:**

DocuSigned by:  
**Kevin Boudreau**  
16A46718FF64461  
Kevin Boudreau, President

DocuSigned by:  
*John Dalen Wilcock*  
2A9F5BC2E4714D8  
John Dalen Wilcock, Secretary-Treasurer

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Annual Meeting of the Town of Gilbert Arizona Water Resources Municipal Property Corporation was held on the 25<sup>th</sup> day of April 2022. I further certify that the meeting was duly called and held and that a quorum was present.

2/22/2023

Dated this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

DocuSigned by:  
*John Dalen Wilcock*  
2A9F5BC2E4714D8  
John Dalen Wilcock, Secretary-Treasurer