

**Thunderbird Water & Sanitation District
Board of Directors Monthly Meeting Minutes
February 9, 2023**

Call to Order:

7:05 P.M.

TWSD Board Members Present:

Larry Morris, Duff Comstock and Gary Cammarata

Other TWSD Present:

Edd Berchem (TWSD accounting services)
Timothy Flynn (TWSD Attorney)

Residents Present:

Charlene Schamberger (lot #21)
Dan Soo (lot #153)

Consultant Present:

Alan Matlosz - Managing Director - Stifel Public Finance

Alan Matlosz:

Presentation of financing functions available to TWSD through the engagement of Stifel Public Finance.

TWSD is seeking financing for water system improvements. Stifel offers a proposal that it can act as an underwriter (bond issue) or placement agent (bank placement) for the TWSD desired financing.

The loan from the State that TWSD is currently pursuing is requiring engineering cost estimates before TWSD gets the funding to pay for the engineering. Alan indicates that TWSD can borrow, through a bond issue, the entire resident approved three million dollars prior to getting the engineering cost estimates. Alan indicates that the bond issue process would take about two months. The interest payments on the entire amount would begin immediately but the three million would be available for investment which today would be at about 4%.

Banks will not offer a loan for over 15 years. Banks recent loan interest rates have gone up bonds have gone down. Questions to ask – how many dollars do you need, how long does the project take and how many years do you want the loan to go.

How to get the bond issue process started and what are the costs.

Finance person (1% fee), Bond Attorney, Tim Flynn will have to give an opinion, there will be a rating on the bonds, miscellaneous fees, for a total cost of about 3%.

Ballot parameters to which the loan will have to comply: \$3,000,000 loan, Repayment of no more than \$5,850,000, repayment of no more than \$250,000/year and no more than 5% loan rate.

TWSD should not get more than it needs but can get a little more than \$3,000,000 if bonds sell at a premium.

TWSD can put into the bond issue a redemption provision to pay off the bonds early. The bonds can be paid off in whole or in part. But it will cost more in interest to include this provision. However, this provision can be put on a small portion of the total bond issue say 10% then only have to pay the higher rate on the 10%. However, Alan's experience is that hardly anybody has a surplus at the end so it is possible to lose money by adding the early pay provision.

It is possible to pay for early expenses like engineering from operating surplus before the bond issue is complete and then have operating surplus reimbursed from the bond issue. Soft costs (like engineering) can always be reimbursed. Hard costs (like drilling a hole in the ground) require additional procedures like a reimbursement resolution.

Paying Agent Bank TWSD will pay a Commercial Bank to take care of all bond accounting including payments to bond holders. TWSD will send the money in to the bank, the bank will pay the bond holders. This service will cost about \$500/year.

Alan and the bond attorney do not get paid until closing. The process can get started immediately and just be ready to "pull the trigger" when the right time comes.

State Water and Power is TWSD's other potential source of funding. The benefits of Water and Power are the interest rates are lower.

\$3,000,000 loan - annual payments

Water and Power	3%	20year	<u>\$201,647</u>	3.25%	30year	<u>\$158,045</u>
Bonds	4%	20year	<u>\$220,745</u>	4.50%	30year	<u>\$184,175</u>

There are problems with State Water and Power. Loans will not be made without completion of engineering of the project including cost estimates. There are requirements of compliance with the Davis – Bacon Act and purchase of United States manufactured steel, union requirements and additional audit requirements.

Unconfirmed information indicates that compliance with the Davis-Bacon Act could add 7% to the Cost of the project.

Bond funds received can be invested to earn around 4% until they are needed for project expenditures.

There is no need for a study before borrowing the money through a bond issue. The bond attorney will have you sign that you reasonably expect to complete the project within three years.

If TWSD starts this project and gets all the way to preclosing it is still possible to cancel the project with no cost to TWSD.

TWSD has voter approval for \$500,000 for a well. That approval was being used for the loan application from Water and Power on well 1R replacement. If TWSD decides to go with a \$3,000,000 bond issue for Lambert the \$500,000 Water and Power loan application could be cancelled and then combined with the \$3,000,000 for a single \$3,500,000 bond issue.

The District needs to decide what it wants to do (how much how long) and supply the information that we are going to be asked to supply.

Minutes:

The Board minutes (DRAFT) for the 1-12-2023 Monthly TWSD Board of Directors meeting was reviewed and approved by the Board (3-0).

Financial:

Accounts payable was reviewed by the Board. Independent Bank checks dated 2-8-2023 and 2-9-2023 were issued and signed. I was not able to reconcile to the prior month and reconciled to checks issued 1-12-2023.

All Independent Bank check payments were unanimously (3-0) approved for issue by the Board.

Independent Bank Register - Cash Reserve Report – Reconciliation

The current balance was not reconciled to the prior month and there were duplicate check numbers.

Chase Bank Register - Cash Reserve escrow account - Reconciliation

The 2-9-2023 Report beginning cash balance reconciles to the 1-12-2023 Report ending cash balances. (The last 13 checks issued on Chase Bank are #1088 4-10-2020 through #1100 11-6-2022.)

UBS Register – Investments Financial Services Inc. – Reconciliation.

The 2-9-2023 Report beginning cash balances does reconcile to the 1-12-2023 Report ending cash balances.

TWSD Financial Statements for the period ending January 31, 2022

- The Financial Statements were reviewed and accepted by the Board (3-0).

Back-up Thumb Drives - Thumb Drives were not switched between the Treasurer and accounting services. (2-9-2023)

Cut-Off List - The Board discussed several high balances. No exceptions were noted.

Old Business:

System Operation – SCADA system, Chlorine and pumps are OK. Just brought in 200 gallons of Chlorine.

Storage Shed – Duff Comstock briefly discussed a storage shed proposal and handed out information with costs and detailed features. The proposal will be reviewed and decided on next Board meeting.

Well #1R Replacement Engineering– LRE Water is using engineering standards to determine the possible benefits of drilling a deeper well into the Arapahoe Aquifer at the location of well #1R. The latest information from LRE is that they estimate that there is an additional 130ft to 150ft of Arapahoe formation at the proposed well location. The Board has received a request from LRE for historic pumping and static water levels. Barry Gager has done some work to determine those levels but the Board has not yet responded to the LRE with those statistics.

Well 1R Replacement Loan CDPHE – TWSD has made an application for a loan From the Colorado Department of Public Health and Environment. TWSD has indicated to CDPHE that additional engineering is in progress and that additional time is needed before there is a decision to finalize the loan application process. CDPHE has agreed to give TWSD additional time for the engineering.

New Business:

New meters – 70 new meters have been received by TWSD.

Adjourn:

9:35 PM

Submitted by:

Gary D. Cammarata
TWSD Board Secretary