

run to determine any needed repairs or if the well needs to be replaced. Well 12 is under warranty.

Shaffer reported that installation of a new roof and HVAC system for the district office was scheduled for completion on July 19. Shaffer also reported the Kum-N-Go gas station had submitted final plans to District Manager Zach Collins. Collins made a few changes to the plans and has resubmitted to the engineers for final review.

Joint Use Committee update

Director Tommy Schwab reported the Tri-Lakes Wastewater Treatment Facility Joint Use Committee (JUC) was working on the requirements for nutrient Regulation 85. Shaffer stated that under Reg. 85, there is a 24-month testing period to

collect data for numeric values of nitrogen and phosphorus in streams.

Shaffer said that the 10 entities that own wastewater treatment plants from Monument to Pueblo are working on a plan to cooperate in the process of stream data testing. Initial steps include a \$15,000 plan by the Pikes Peak Area Council of Governments (PPACG). The PPACG is stating that the annual cost of operating this data system will be about \$60,000 to \$90,000. Shaffer said this is an unexpected expense for the JUC, and the project would be beneficial to the district.

See page 15 for more information on the JUC.

Shaffer said the district's financial figures for June were in line with the targeted amounts.

The next regular board meeting will be held at 1 p.m. Aug. 9 at the Woodmoor Water and Sanitation District Office, 1845 Woodmoor Dr., Monu-

ment. For information: 488-2525 or www.woodmoorwater.com.

Candice Hitt can be reached at candicehitt@ocn.me

Donala Water and Sanitation District, July 18

Financial advisor defends bond issue arrangements

By John Heiser

During the public comment portion of the June 21 meeting of the Donala Water and Sanitation District Board of Directors, Scott Peterson, a resident of Colorado Springs who said he is a retired municipal bond underwriter and had been involved in municipal bond issuance since 1975, commented on some aspects of the district's December 2011 bond issue. The \$7.3 million in bonds was issued to cover the cost of infrastructure improvements to handle renewable water.

In particular, Peterson said it was excessive that the bond issue involved five law firms, four in Denver and one in New York, and two financial advisers, one representing Donala and one representing the Colorado Water Resources and Power Development Authority (CWRPDA), which backed the bond issue.

He noted that the district put up over \$750,000 for the cost of issuance and for a reserve fund. He said that for this size bond issue "that is very inefficient."

Peterson also objected to what he characterized as the lack of information in the official bond issue statement regarding the intended use of the funds and how much money the authority made in initial and ongoing fees for sponsoring the bond issue.

In a memo distributed at the July 18 board meeting, Joe Drew, the district's financial advisor, responded to Peterson's comments. Some highlights of that response:

- "CWRPDA was established by the Colorado state legislature in 1981. Its sole purpose is to provide assistance in the funding of water and wastewater projects within Colorado. CWRPDA gets funding from primarily two sources. The first is general fund money from the state of Colorado. The second is federal funds distributed by the EPA. CWRPDA does not receive an upfront fee or make a spread on tax-exempt loans to borrowers."
- "The money received from the state and EPA is then used primarily in three ways. First, CWRPDA subsidizes interest rates on tax-exempt financings for Colorado projects. Second, CWRPDA pays all, or a part of, the costs of issuance for qualified projects in Colorado. Third, some small issuers qualify for direct, non-
- tax-exempt financings at interest rates ranging from 0 percent to 3.5 percent. Most direct loans are at 2 percent."
- "\$596,805 was the cost of the debt service reserve (DSR) fund, but that is money that is retained by the district and can be used to pay bonds in the future. It is not an expense of the bond transaction. With the financial crisis of 2008, viable options for a DSR are limited, and in this case, cash funding of the DSR was the best choice. Not perfect, but the best available at the time."
- "\$158,175 was for costs of issuance ... the entire \$158,175 was paid by CWRPDA, and \$0 was paid by Donala. That is a primary benefit of using CWRPDA in project financing, and the compelling reason for using CWRPDA on this financing. Additionally, the district does not have to pay annual trustee fees, or conduct periodic arbitrage rebate calculations. Those duties are the responsibility of CWRPDA."
- "Unfortunately, the current environment in the securities industry necessitates the involvement of lawyers clearly absent of conflict of interest issues. We are post the 2008 financial crisis, and obviously this isn't 1975 anymore. Issuing tax-exempt bonds is not as easy as it used to be. One lawyer (Petrock and Fendel) is general counsel to Donala, a lawyer that has an ongoing relationship with Donala and represents Donala in general legal matters. The second lawyer (Carlson, Hammond & Paddock) is the general counsel for CWRPDA, a lawyer that has an ongoing relationship with CWRPDA and represents CWRPDA in general legal matters. Sherman and Howard represented Donala regarding federal and state tax-exempt financing legal matters. Fulbright & Jaworski is the "red book" bond attorney responsible for rendering a state and federal legal opinion required of every tax-exempt financing, and represents CWRPDA since CWRPDA is the actual issuer of the bonds. Finally, Hogan and Lovells was retained to represent the underwriter, and their fee was paid by the underwriter."
- "Mr. Peterson suggests that two financial advisors was inefficient.

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