

Bonding – Methods and Amount

General Obligation Bonds

Certificates of Participation Bonds

Letters of Credit

Revenue Bonds

Amount

General Obligation Bonds

- This type of Bond requires voter approval (limited to May on even years and November each year), which drastically restricts the time they can be used.

When interest rates are high this type of Bond usually is less expensive. Under current conditions the difference is not significant.

The current debt (1/1/08) is \$25.8 M and is this type of Bond. The interest rates are 4.0% Series A (\$12.1 M), 4.4% Series B (\$5.7 M) and 4.5% variable Series C (\$8.0 M).

The assessed value of the community is what determines the amount that can be issued at reasonable price along with the community's Bond rating.

Certificates of Participation (COP) Bonds

- This type of Bond can be issued at any time and are backed by a Letter of Credit and tied to a saleable/tangible asset such as a water right or a capacity allocation in a reservoir.

This type of Bond is popular since it does not require voter approval, not time restricted and the interest rate is currently comparable to General Obligation Bonds.

The CPNMD and/or City can issue this type of Bond quickly if the mechanisms are in place. (Note: The CPNMD has the mechanisms in place to acquire \$50 M of this type of Bond in increments.) The amount that can be borrowed is based on the asset, ability of the community to pay and the current Bond rating.

Revenue Bonds

- This type of Bond is funded by the amount that can be collected from water and wastewater rates/fees. Unfortunately, this type of Bond is not tax deductible.

The CPNMD has applied and received approval from the Colorado Water Resources Power Development Authority (CWRPDA) for low interest Revenue Bonds totaling \$33 M, which can be purchased in increments.

Amount

- The amount the CPNMD can borrow is over \$100 million (~\$50 million in Revenue and/or COP bonds plus ~\$60 million in General Obligation bonds of which \$26 is already issued).

Our expected cost to get everything required regarding renewable water is approximately \$60 to 80 M.

Mr. Steve Jeffers of Stifel Nicolaus (CPNMD's Investment Banking firm) stated our current Bond rating (Moody A3) and capability to pay should be sufficient to meet our goal.

CPNMD is trying to use the funding in place to pay for the \$60 to 80 million such that our taxes will not increase nor will our monthly rates increase significantly.