

Donala Water and Sanitation District, May 21

Board updated on investment policies; June 30 community meeting scheduled

By Jim Kendrick

On May 21, Donala's investment advisor Scott Prickett of Chandler Asset Management presented a lengthy technical review of the current Donala investment policies regarding certificates of deposit and answered questions from the directors of the Donala Water and Sanitation District board. General Manager Kip Petersen noted that the high amount of May rainfall had resulted in a significantly lower use of water for irrigation and reduced water sales revenue to date, and that the forecast wet and cool summer may further reduce water sales revenue. Petersen had already advised the board in April that Donala's commercial electric utility rate, which will increase by 9 percent on July 1, may require reduced expenditures later in 2015 in other areas of the district budget and that Mountain View will raise commercial rates again in January 2016.

Note: Donala will hold a community meeting on June 30 at 6:30 p.m. in the Antelope Trails Elementary School gym to present future plans and the current status of the district. Notices will be placed in the mailed June Donala newsletter, and ads will be placed in Our Community News and the Tri-Lakes Tribune noting the meeting's agenda items. For more information: see <http://www.donalawater.org/> or call 488-3603.

The absences of Directors Dave Powell and Bill Nance were unanimously excused.

Chandler update

Petersen reported that the general fund balances were \$2.256 million with Chandler and \$962,339 with Colorado State Bank, yielding 0.13 percent interest. The debt fund cash reserve balance for the money market account was \$596,370, yielding 0.06 percent

interest. The bond fund money market account for the remaining balance of the Colorado Water Resources and Power Development Authority low interest loan, \$4.635 million, is also yielding 0.06 percent interest.

Some of the items Prickett discussed regarding Donala's investments were:

The policy definition of diversification limits could be more specific regarding maximum percentages allowed for a specific kind of investment with a specific company.

The Colorado state law safety requirement to ensure preservation of capital in the overall portfolio will always preclude investments in long-term corporate bonds, certificates of deposit, or equities to get a higher yield due to the risk of loss due to the failure of the security issuer or backer.

The portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated with some low yielding same-day liquidity investments for short-term fund requirements.

Return on investment is secondary to safety and liquidity objectives.

The Federal Reserve System will probably not raise interest rates until later in 2015 and continue to have a goal of a 2 percent rate, which will not require any near-term Donala portfolio restructuring.

Interest rates for two-year treasuries have ranged from 0.31 to 0.74 percent over the past 12 months. It is challenging to re-invest during a period with this kind of volatility.

A May Merrill Lynch study shows a substantial increase in the number of people close to

retirement planning to retire in their current homes, rather than relocating/downsizing, with significantly higher investments in current home upgrades, as well as restaurant sales exceeding grocery store sales for the first time.

Manager's report

During Petersen's discussion of Arkansas Basin Roundtable issues, he noted that he will be scheduling a meeting with Southeastern Water Conservancy District Manager Jim Broderick to discuss switching from annual contracts to long-term contracts for storage of Donala's Willow Creek Ranch renewable water in the Pueblo Reservoir. Willow Creek Ranch is located just southwest of Leadville and its renewable surface water flows down the Arkansas River to the Pueblo Reservoir. Under current policy, Donala would have to become a member of this conservancy district, which manages the reservoir for the federal Bureau of Reclamation, to qualify for a multi-year storage contract, which requires a very expensive buy-in capital fee for past upgrades to the reservoir.

Note: Donala's renewable surface water is transported north via existing Colorado Springs Utilities (CSU) pipelines for treatment at a Utilities water treatment plant, then delivered directly to the south/downhill end of Donala's distribution for delivery to Donala customers. CSU will be switching transport of Donala's renewable water to the Southern Delivery System (SDS) in the near future, once the pipeline and related facilities are complete. Pueblo County has requested that CSU provide a total accounting of what has been done to ensure that CSU is hon-

oring the conditions of the permit granted by Pueblo County for the construction of SDS.

Petersen also discussed some of the issues brought up at the May 6 meeting of the Pikes Peak Regional Water Authority regarding the now concluded 2015 state Legislature session.

Gov. John Hickenlooper had signed Senate Bill 15-183, which Donala water attorney Rick Fendel had helped draft, that precludes a damaging change to State Water Engineer procedures for calculating the historic consumptive use of state water rights, which would have made the size of water rights vulnerable if not fully used as a result of low consumption rates dur-

ing very wet or drought seasons when peak irrigation flows are much lower than average.



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