



COLORADO

Colorado Water
Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

ACKNOWLEDGEMENT CONSENT TO PARITY

The undersigned, on behalf of the State of Colorado Department of Natural Resources, Colorado Water Conservation Board ("CWCB"), hereby consents, agrees, and represents as follows in connection with the following three agreements, Contract Number CT2016-2055 (C150405B), dated October 16, 2015, and as amended on July 12, 2018, Contract Number CT2016-2053 (C150405A), dated October 16, 2015, and Contract Number CT2016-2056 (C150405C), dated October 16, 2015, and collectively referred to herein as the "CWCB Loan Contracts", between Centennial Water and Sanitation District and CWCB, for the Chatfield Reallocation Project:

- i. The Borrower is proposing the incurrence of additional revenue obligations through the execution of the "Water and Sewer Revenue Bonds, Series 2019" in the principal amount of \$75,000,000.00.
- ii. Pursuant to Section 8.d., of each of the CWCB Loan Contracts, the Borrower may issue parity obligations only with the prior written approval of the CWCB, provided that certain revenue tests set forth in the CWCB Loan Contracts are met.
- iii. CWCB is in receipt of a letter and supporting information from Haynie & Company, independent certified public accountants, demonstrating to the satisfaction of the CWCB that the Borrower meets the tests for the issuance of additional revenue obligations as set forth in the CWCB Loan Contracts.
- iv. The Borrower has represented, to CWCB, that CWCB's interest in the pledged revenues resulting from the above-referenced parity lien obligations shall be on parity with the "Water and Sewer Revenue Bonds, Series 2019" and in the event of default by the Borrower, the Creditor and the CWCB will divide the available assets on a pro-rata basis.

By: 
Signature

Name: Kirk Russell, P.E., Section Chief
Colorado Water Conservation Board
Finance Section

Date: 1/8/19



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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**Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203**

Re: Parity Certificate

In regards to compliance with the Centennial Water and Sanitation District (the "District"), Douglas County, Colorado Loan Contracts and Promissory Notes with the Department of Natural Resources, Colorado Water Conservation Board.

For the proposed issuance of Water and Sewer Revenue Bonds, Series 2019 in the principal amount of \$75,000,000 for construction of a wastewater treatment plan (the "Series 2019 Bonds")

Based on analysis using the audited financial statements of the District for the three-month period ended December 31, 2017, and unaudited financial statements of the district for the nine-month period ended 9/30/18 to estimate the 12-month period ended 9/30/18, and effectively adjusting capacity fee revenue to 10% of total revenue, we hereby certify that:

The revenues for twelve consecutive months out of the last eighteen months less operation and maintenance expenses:

(i) equals to or exceeds 100% of the annual debt service on total outstanding debt obligations (prior to the execution and delivery of the Series 2019 Bonds) (see Exhibit A);

(ii) equals to or exceeds 100% of annual debt service on total outstanding debt obligations (after the execution and delivery of the Loan Contracts) (see Exhibit A), and

(iii) the sum of revenues and capital contributions, consisting of capacity fees, less operation and maintenance expenses, plus amounts in the Financial Assurance Fund, which acts as the equivalent of a Rate Stabilization Fund, equals or exceeds 125% of annual debt service on the total outstanding debt obligation (after the execution and delivery of the Series 2019 Bonds) (See Exhibit A)

(iv) the sum of revenues and capital contributions, consisting of capacity fees, less operation and maintenance expenses, equals or exceeds 100% of annual debt service on the total outstanding debt obligation, and all required deposits to reserve funds (after the execution and delivery of the Series 2019 Bonds) (See Exhibit A)



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The amount of revenues and capital contributions (capacity fees), taken into account for purpose of the foregoing calculations did not include any increases in rates, fees, tolls, and charges adopted by the District for the current year.

Haynie & Co

Littleton, Colorado
January 7, 2019

Centennial Water and Sanitation District
Douglas County, Colorado
Debt Service Parity Certification
Water and Sewer Revenue Bonds, Series 2019
Exhibit A

	(Unaudited/Estimated) 12 month ending 9/30/2018
<u>Revenues</u>	
Operating Revenues	\$ 36,756,708 (1)
Other Utility Revenue (2)	1,138,437
Total Recurring Revenue	37,895,145
<u>Operation and Maintenance Expenses (3)</u>	24,532,957 (4)
Operating Revenues less Operation and Maintenance Expenses	13,362,187
<u>Annual Current Debt Service Requirements</u>	
2012 Bond Series A	4,099,000
2012 Bond Series B	2,714,000
2015 Colorado Conservation Water Board Contract 150405A	253,989
2015 Colorado Conservation Water Board Contract 150405B	1,916,983
2015 Colorado Conservation Water Board Contract 150405C	557,858
Total Current Annual Debt Service	9,541,830
<u>Debt Coverage Ratio</u>	140.04% i
<u>Future Annual Debt Service Requirements</u>	
2012 Bond Series A	4,099,000
2012 Bond Series B	2,714,000
2015 Colorado Conservation Water Board Contract 150405A	253,989
2015 Colorado Conservation Water Board Contract 150405B	2,378,000
2015 Colorado Conservation Water Board Contract 150405C	557,858
2019 Bond Series	2,759,167
Total Future Annual Debt Service	12,762,014
<u>Debt Coverage Ratio</u>	105% ii
<u>Capital Contributions</u>	
Capacity Fees	3,789,514
Capacity Fees as % of Revenue	10.00% (5)
Financial Assurance Fund (equivalent of Rate Stabilization Fund)	8,994,664 (6)
Total Revenue, Capital Contributions, and Financial Assurance Fund	26,146,365
<u>Debt Coverage Ratio</u>	205% iii
<u>Reserve Funding Requirements</u>	
2015 Colorado Conservation Water Board Loans	318,985
Total Future Annual Debt Service and Reserve Funding	13,080,998
Total Revenue and Capital Contributions	17,151,702
<u>Debt Coverage Ratio</u>	131% iv

Pertinent Debt Compliance Provisions

2012 Bond Series

Debt coverage ratio over 100% based on the ratio of net recurring revenue vs. current year debt service (see (i) and (ii)). Minimum secondary coverage ratio of 205% based on ratio of net recurring revenue plus capital contributions plus the financial assurance fund (see (iii)).

2015 Colorado Water Conservation Board Loans 150405A, 150405B, 150405C

Debt coverage ratio over 100% based on net recurring revenue including capital contributions, including required reserves (see (iv)).

(1) - 12-month revenues at 9/30/18 were estimated by adding 4th qtr 2017 revenue to the total unaudited 2018 revenue through 9/30/18

(2) - Includes net investment income, but excludes other non-operating income and capital contributions

(3) - Excludes depreciation and expenses for non-capitalized major repairs made from a reserve fund established for major repair

(4) - To provide a more meaningful and conservative expense estimate, the 2018 budget increase of 3% was applied to prior year expenses.

(5) - Actual capacity fees were more than 10% of total revenues (\$3,854,022 - 10.17% of total revenues).

Therefore, for purposes of the calculation, capacity fees were reduced to 10% of total revenue. If capacity fees were disregarded in total, coverage ratios would still be met.

(6) - This balance is transferred annually at the end of the fiscal year.