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TOWN COUNCIL CONSENT AGENDA COMMUNICATIONS

AGENDA DATE: January 6, 2025

SUBJECT: Resolution 2025-02 Authorizing a Grant from the Town of Johnstown General Fund to the Town of Johnstown Water Utility Enterprise

ATTACHMENTS: 1. Resolution 2025-02

PRESENTED BY: Mitzi McCoy, Deputy Town Manager

AGENDA ITEM DESCRIPTION:

Enclosed for your review and consideration is Resolution 2025-02, which would authorize a grant from the Town of Johnstown General Fund to the Town of Johnstown Water Utility Enterprise. The proposed grant of \$50.7 million, from the General Fund to the Water Utility Enterprise will enable the Water Utility to meet its capital project obligations and mitigate financial strain. Consequently, it will prevent any short-term rate increases beyond the levels already approved.

In accordance with Article X, Section 20 of the Colorado Constitution, the Water Utility Enterprise is currently defined by TABOR as an enterprise. TABOR defines an enterprise as follows: “Enterprise” means a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined.” In general, an enterprise is expected to operate exclusively from revenues generated by its business, in this case, water services. As such, by accepting this grant, the Water Utility Enterprise will temporarily lose its enterprise status.

As part of the resolution adoption, the Council is acknowledging various sections of the Johnstown Municipal Code, including 4-41(2) which outlines the requirements of operating the Water Utility Enterprise. Staff believes this is in the best interests of the community to ensure completion of the capital projects as previously mentioned and to help control water utility rates for our end users. It is important to note, that as part of the approval of this Resolution, any interest recognized with the deposit of these funds into the Water Utility Enterprise, will be refunded back to the General Fund annually until the loan is completely depleted.

If the Council desires for this grant to be converted into a loan, then payment will be subordinate to the existing Water Utility Enterprise bonds that were issued earlier this year. Rate structures

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for the next 5 years will also need to be reevaluated to ensure a reasonable payback to the General Fund. If Council opts not to accept a grant or loan from the General Fund, then Council will need to consider alternative methods of funding to help ensure the completion of water projects, including but not limited to the water treatment plant construction, water infrastructure, and water shares.

STRATEGIC PLAN ALIGNMENT:

Organizational Excellence & Public Trust

- *Strengthen public trust and confidence*
- *Engage, inform and involve the community*

Quality Infrastructure & Facilities

- *Establish and maintain levels of service*
- *Ensure future viability of infrastructure and facilities*

LEGAL ADVICE:

The Town Attorney and Bond Counsel reviewed the resolution presented for consideration.

FINANCIAL ADVICE:

While this grant will impact the General Fund ending fund balance, the operation of the General Fund is still sustainable. This also benefits the Water Fund by controlling rates for the end users and makes this fund sustainable as well.

RECOMMENDED ACTION: Approve Resolution 2025-02.

Reviewed and Approved for Presentation,



Town Manager

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