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TOWN COUNCIL AGENDA COMMUNICATIONS

AGENDA DATE: July 1, 2024

SUBJECT: Public Hearing: Ordinance No. 2024-254, An Ordinance Authorizing the Issuance of Revenue Bonds to Provide for Improvements to the Water Treatment System and Establishing Covenants in Connection with the Financing for the Payment of the Bonds from Water Fund Revenues; and Approving Other Matters in Connection with Financing

ACTION PROPOSED: Approve Ordinance No. 2024-254

ATTACHMENTS:

1. Ordinance No. 2024-254
2. Preliminary Official Statement
3. Paying Agent Agreement
4. Bond Purchase Agreement
5. Town of Johnstown Financial Policies

PRESENTED BY: Devon McCarty, Finance Director
Mitzi McCoy, Deputy Town Manager

AGENDA ITEM DESCRIPTION:

Enclosed for your review and consideration is Ordinance No. 2024-254 which will provide for the issuance of revenue bonds to fund capital projects in the Water Fund.

The Town of Johnstown owns and operates its municipal water system and water facilities. The current water treatment plant (WTP) has a treatment capacity of 6 million gallons of water per day (MGD).

To accommodate both the current demand for water and the anticipated additional growth, the Town is working to complete design engineering for a new WTP that will increase the capacity of the facility from 6 MGD to 10.5 MGD. The project will also include additional Granular Activated Carbon (GAC) to address taste and odor issues of the water. Construction began in

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2024, with construction anticipated to be completed in 2026. Construction of the WTP expansion project is estimated to cost \$80,000,000.

The Town currently plans to use a portion of the Bond proceeds to fund the construction of a new raw water trunk line from Lone Tree Reservoir to the WTP. The design phase should be completed in 2024, after which the Town plans to acquire the necessary utility easements. Construction is currently expected to begin in 2025 and to conclude in 2026, coinciding with the completion of the WTP Expansion. Lone Tree Reservoir serves as the Town's primary water source in partnership with the Consolidated Home Supply Ditch and Reservoir Company. The new trunk line will provide redundancy to the raw water transmission system and allow for additional water capacity to be delivered to the new WTP. The estimated construction cost is \$40,000,000. Successful completion of both the WTP and water trunk line projects will help secure the Town's water supply for up to 20 years, based on growth projection estimates.

In anticipation of the construction projects, the Town contracted with a third-party consultant to complete a water rate study. Based on the results of the study, on November 6, 2023, the Town Council approved and adopted the suggested water rate increases for both new development taps and consumptive use. The Town plans to use a combination of existing funds, bonds, and new revenues to finance the improvements.

Staff, working with its consultants, have determined that, due to prevailing market conditions, it is in the best interest of the Town at this time to issue bonds. The bonds are expected to generate approximately \$75 million to pay the costs billed to the Town for the Water Fund improvements. The bonds will be structured as revenue bonds in the Water Fund Enterprise Fund. The bonds are tentatively planned for a 30 year term, to mature in 2054 and the Town will make annual debt service payments commencing in 2024.

The Town will be obtaining an underlying credit rating from Standard & Poor's. It is expected that the credit rating from Standard & Poor's will help the Town obtain the best possible interest rates.

The ordinance being presented for approval authorized the issuance of bonds and approves the form and authorized execution of the related financing documents. The ordinance contains parameters that the principal amount of the bonds will not exceed \$75 million, the final maturity will not exceed December 1, 2054, and the net effective interest rate on the bonds will not exceed 4.75%. Additionally, the bonds include rate covenants requiring the Town to maintain utility rates sufficient to provide Net Revenues that are equal to or more than 110% of the bond principal, interest, and parity lien obligations coming due during the year. The anticipated bond closing is in late August.

The proposed bonds are being issued under the Town's adopted debt policy, approved by the Town Council on April 4, 2022, as part of the Town of Johnstown Comprehensive Financial Management Policies. The proposed bonds meet all requirements outlined in the Town's adopted policies.

STRATEGIC PLAN ALIGNMENT:

Organizational Excellence & Public Trust

The Community that Cares

- *Strengthen public trust and confidence*
- Quality Infrastructures & Facilities
- *Establish and maintain levels of service*
 - *Ensure future viability of infrastructure and facilities*
 - *Repair and maintain existing infrastructure, facilities and equipment*

LEGAL ADVICE:

Ordinance was reviewed by legal counsel.

FINANCIAL ADVICE:

The sale of the Bonds will have no financial impact on the Town's General Fund, as payments of principal and interest on the bonds will be paid solely from the Town's Water Fund Net Revenues. It is estimated that the average annual debt service payment will be approximately \$4.5 million for a 30 year term, but could be as high as \$4.8 million if a 25 year term is selected as the preferred option based on financial capacity. The rate increases approved by Council in November 2023, will be required each year to meet the Parity Lien Test.

RECOMMENDED ACTION: Approve Ordinance No. 2024-254 upon first reading.

SUGGESTED MOTIONS:

For Approval:

I Move to Approve Ordinance No. 2024-254, An Ordinance Authorizing the Issuance of Revenue Bonds to Provide for Improvements to the Water Treatment System and Establishing Covenants in Connection with the Financing for the Payment of the Bonds from Water Fund Revenues; and Approving Other Matters in Connection with Financing

For Denial:

I Move to Deny Ordinance No. 2024-254, An Ordinance Authorizing the Issuance of Revenue Bonds to Provide for Improvements to the Water Treatment System and Establishing Covenants in Connection with the Financing for the Payment of the Bonds from Water Fund Revenues; and Approving Other Matters in Connection with Financing

Reviewed and Approved for Presentation,



Town Manager