



Town of Johnstown

TOWN COUNCIL AGENDA COMMUNICATIONS

AGENDA DATE: November 20, 2023

SUBJECT: Resolution 2023-53 Authorizing a Grant from the Town of Johnstown General Fund to the Town of Johnstown Sanitary Sewer Utility Enterprise

ACTION PROPOSED: Consider Resolution 2023-53

ATTACHMENTS: 1. Resolution 2023-53

PRESENTED BY: Matt LeCerf, Town Manager

AGENDA ITEM DESCRIPTION:

Enclosed for your review and consideration is Resolution 2023-53, which would authorize a grant from the Town of Johnstown General Fund to the Town of Johnstown Sanitary Sewer Utility Enterprise. The amount of the grant that is being provided from the General Fund to the Sewer Utility Enterprise is \$50 million. Providing this transfer to the Sewer Utility as a grant will be used to complete its capital project obligations and would also limit the financial impact and stabilize rate structures for both taps for new services and the current utility rate structure, which was recently updated.

In accordance with Article X, Section 20 of the Colorado Constitution, the Sanitary Sewer Utility Enterprise is defined by TABOR as an enterprise. In general, an enterprise is expected to operate exclusively from the revenues generated by its business, in this case sanitary sewer services. By accepting this grant, the Sanitary Sewer Utility Enterprise would fail compliance the annual evaluation of classifying as an enterprise and would cease to exist as an enterprise for the fiscal year 2023. This is specifically because it is receiving >10% of its revenue from either state or local government grant programs.

As part of the resolution adoption, the Council is acknowledging various sections of the Johnstown Municipal Code, including 4-40(2) which outlines the requirements of operating the Sanitary Sewer Utility Enterprise. Staff believe this in the best interests of the community to ensure completion of the capital projects as previously mentioned and to help control sanitary sewer utility rates for our end users. It is also important to note, that as part of approval of this Resolution, any interest recognized with the deposit of these funds into the Sanitary Sewer Utility Enterprise, will be refunded back to the General Fund two times annually until the loan is completely depleted.

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If the Council desires for this grant to be converted into a loan, then payment will need to be subordinate to the existing sanitary sewer bonds that were issued in 2021. Rate structures 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 may need to consider alternative methods of funding to help ensure completion of the sanitary sewer projects, including but not limited to, the upgrades at the Central Wastewater Treatment Plant, which are part of a consent order with the State.

LEGAL ADVICE:

Both the Town Attorney and the Town Bond Counsel reviewed and amended the resolution to its current form.

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 Sewer Fund by controlling rates for end users and makes this fund sustainable as well.

RECOMMENDED ACTION: Staff supports and recommends approval of Resolution 2023-53 as presented.

SUGGESTED MOTIONS:

For Approval

I move to approve Resolution 2023-53 as presented authorizing a grant in the amount of \$50 million from the General Fund to the Sanitary Sewer Utility Enterprise of the Town of Johnstown.

For Denial

I move we deny Resolution 2023-53 as presented.

Reviewed and Approved for Presentation,



Town Manager