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KR Draft June 30, 2021

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2021

NEW ISSUE  
BOOK-ENTRY-ONLY

[INSURED RATING: [S&P Global Ratings] "[ ]"]  
[UNDERLYING RATING: [S&P Global Ratings] "[ ]"]  
[INSURANCE: \_\_\_\_\_]  
(See "MISCELLANEOUS—Ratings")

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Bonds (defined below) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, such interest is not a specific preference item for purposes of the federal alternative minimum tax and such interest is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See "TAX MATTERS" herein.

\$49,920,000\*



Johnstown  
Colorado

TOWN OF JOHNSTOWN  
LARIMER AND WELD COUNTIES, COLORADO  
Acting by and Through its Sanitary Sewer Utility Enterprise  
WASTEWATER REVENUE BONDS  
SERIES 2021

Dated: Date of Delivery

Due: December 1, as shown below

The Bonds are being issued by the Town of Johnstown, Colorado, acting by and through its Sanitary Sewer Utility Enterprise, as fully registered form in denominations of \$5,000 or integral multiples thereof. Interest on the Bonds, at the rates set forth below, is payable semi-annually on June 1 and December 1 each year, commencing on December 1, 2021. Capitalized terms used on this cover page are defined in the Introduction to this Official Statement. DTC will act as securities depository for the Bonds and payments of principal of and interest on the Bonds will be made by the Paying Agent, initially UMB Bank n.a., Denver, Colorado, directly to DTC, which will remit such payments to Participants for subsequent distribution to Beneficial Owners of the Bonds.

MATURITY SCHEDULE

(CUSIP® [ ]<sup>1</sup>)

| Maturity Date<br>(December 1)* | Principal<br>Amount* | Interest<br>Rate | Price or<br>Yield | CUSIP® <sup>1</sup> | Maturity Date<br>(December 1)* | Principal<br>Amount* | Interest<br>Rate | Price or<br>Yield | CUSIP® <sup>1</sup> |
|--------------------------------|----------------------|------------------|-------------------|---------------------|--------------------------------|----------------------|------------------|-------------------|---------------------|
| 2021                           | \$ 200,000           |                  |                   |                     | 2032                           | \$1,245,000          |                  |                   |                     |
| 2022                           | 765,000              |                  |                   |                     | 2033                           | 1,295,000            |                  |                   |                     |
| 2023                           | 805,000              |                  |                   |                     | 2034                           | 1,350,000            |                  |                   |                     |
| 2024                           | 845,000              |                  |                   |                     | 2035                           | 1,400,000            |                  |                   |                     |
| 2025                           | 885,000              |                  |                   |                     | 2036                           | 1,455,000            |                  |                   |                     |
| 2026                           | 930,000              |                  |                   |                     | 2037                           | 1,515,000            |                  |                   |                     |
| 2027                           | 975,000              |                  |                   |                     | 2038                           | 1,575,000            |                  |                   |                     |
| 2028                           | 1,025,000            |                  |                   |                     | 2039                           | 1,640,000            |                  |                   |                     |
| 2029                           | 1,075,000            |                  |                   |                     | 2040                           | 1,705,000            |                  |                   |                     |
| 2030                           | 1,130,000            |                  |                   |                     | 2041                           | 1,775,000            |                  |                   |                     |
| 2031                           | 1,185,000            |                  |                   |                     |                                |                      |                  |                   |                     |

\$9,990,000 \_\_\_\_ % Term Bond maturing December 1, 2046 Yield: \_\_\_\_ % CUSIP®: \_\_\_\_<sup>1</sup>

\$12,155,000 \_\_\_\_ % Term Bond maturing December 1, 2051 Yield: \_\_\_\_ % CUSIP®: \_\_\_\_<sup>1</sup>

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by [ ].]

[INSURER LOGO]

The net proceeds from the sale of the Bonds will be used for the construction, replacement and updating of current wastewater treatment facilities and related sanitary sewer system improvements, and for the payment of the costs of issuing the Bonds.

The Bonds are special and limited revenue obligations of the Town (acting by and through the Enterprise), payable solely out of and secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) upon the Net Revenues. The Bonds do not constitute a debt or indebtedness of the Town within the meaning of any constitutional, Charter or statutory provision or limitation. The Bonds are not payable in whole or in part from the proceeds of general property taxes or any other funds of the Town, except the Net Revenues, and the full faith and credit of the Town is not pledged for payment of the principal of or interest on the Bonds.

The Bonds are subject to redemption prior to maturity as described herein.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision and should consider carefully the information contained in the section entitled "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued and accepted by the Underwriter named below, subject to the approval of legality and certain other matters by Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and by Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, as counsel to the Underwriter. Kutak Rock LLP, Denver, Colorado, has also acted as Special Counsel to the Town for purposes of assisting with the preparation of this Official Statement. Certain matters will be passed upon for the Town by the Law Office of Avi S. Rocklin, LLC, as General Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about \_\_\_\_\_, 2021.

STIFEL

This Official Statement is dated \_\_\_\_\_, 2021

\* Preliminary; subject to change.

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<sup>1</sup> The Town takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

## **TOWN OF JOHNSTOWN, COLORADO**

### **Town Council**

Gary Lebsack, Mayor  
Chad Young, Mayor Pro Tem  
Damien Berg  
Kevin Lemasters  
Troy Mellon  
Jesse Molinar Jr.  
Amy Tallent

### **Town Officials**

Matthew S. LeCerf, Town Manager  
Mitzi McCoy, Finance Director  
Marco Carani, Public Works Director  
Avi S. Rocklin, Esq., Town Attorney

### **Paying Agent**

UMB Bank, n.a.  
Denver, Colorado

### **Underwriter**

Stifel, Nicolaus & Company, Incorporated  
Denver, Colorado

### **Underwriter's Counsel, P.C.**

Stradling Yocca Carlson & Rauth  
Denver, Colorado

### **Bond Counsel**

Kutak Rock LLP  
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Town or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Town or the Underwriter since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The Underwriter have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

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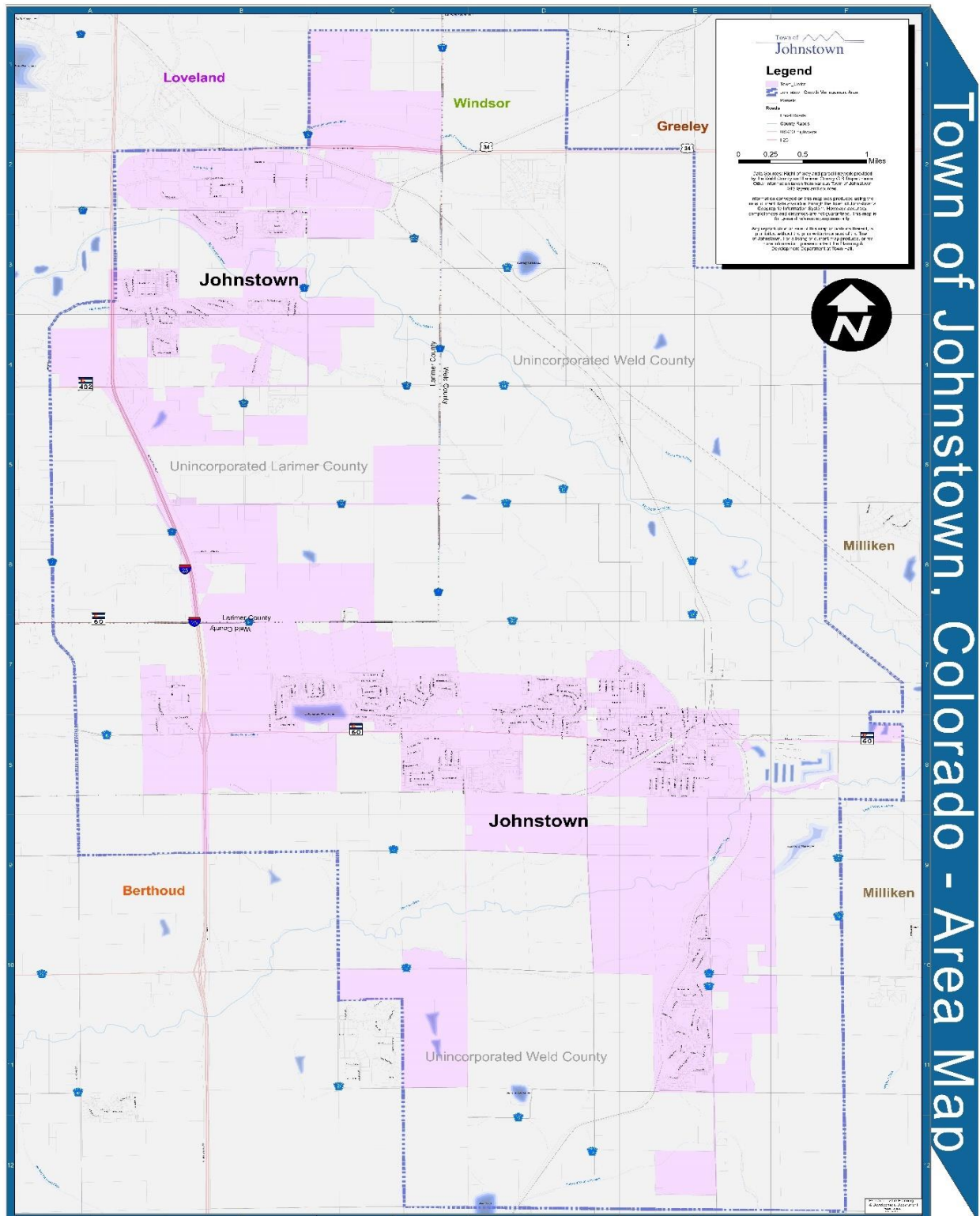
Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

[[\_\_\_\_]] (“[\_\_\_\_]”) makes no representation regarding the Bonds or the advisability of investing the Bonds. In addition, [\_\_\_\_] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [\_\_\_\_] supplied by [\_\_\_\_] and presented under the heading “BOND INSURANCE” and “APPENDIX I—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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## TOWN MAP



[add map showing Town within State]

## INTRODUCTION

This Official Statement is furnished to prospective purchasers of \$49,920,000\* Wastewater Revenue Bonds, Series 2021 (the “Bonds”), issued by the Town of Johnstown, Colorado, acting by and through its Sanitary Sewer Utility Enterprise (the “Town” or “Johnstown”). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. For definitions of capitalized terms used and not otherwise defined in this section and elsewhere in this Official Statement see “APPENDIX A.”

**The Town.....** The Town is a home rule municipality under a council-manager form of government, that encompasses approximately 13.9 square miles and has an estimated population of 16,800. The Town is located along interstate I-25 approximately 50 miles north of Denver, 25 miles south of Fort Collins bordering Loveland, Windsor, Milliken, Berthoud and Greeley. See “APPENDIX D—THE TOWN” and the preceding “TOWN MAP.”

**The Enterprise.....** The Town’s Sanitary Sewer Utility Enterprise (the “Enterprise”), created by Resolution No. 5-94 (the “Enterprise Ordinance”) and codified as Section 13-40 of the Town’s Municipal Code, manages, maintains and operates the Town’s wastewater system and sewer facilities (as further defined herein, the “System”) for the conveyance, treatment and disposal of waste water from within the Town. The Enterprise is authorized to issue its own revenue bonds and to enter into contracts relating to the System. The Enterprise was established to constitute an “enterprise” within the meaning of Article X, Section 20 of the Colorado Constitution (“TABOR”). The financial activity of the Enterprise and net income pledged to the payment of the Bonds (as described herein) are accounted for as a proprietary fund of the Town titled “Wastewater Fund” (as further defined herein). [However, Net Revenues pledged to the payment of the Bonds do not include the revenue of the Town’s stormwater utility.] See “THE SYSTEM—The Enterprise.”

**Security .....** The Bonds are special and limited revenue obligations of the Town, acting by and through the Enterprise, payable solely out of and secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) on certain net revenues (the “Net Revenues”), which consist of all Gross Revenue remaining after the deduction of Operation and Maintenance Expenses.

The term “Gross Revenue” generally includes, but is not limited to, all fees (including but not limited to user fees and plant investment fees), charges and revenues directly or indirectly derived by the Town for the services furnished by, or use of, the System, or any part thereof, including all

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\* Preliminary; subject to change.



income attributable to any future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations. Certain revenue is excluded from Gross Revenue, as more particularly described in APPENDIX A attached hereto.

Operation and Maintenance Expenses generally include reasonable and necessary current expenses of the Town, paid or accrued, for operating, maintaining and repairing the System as may be determined by the Town. See “THE BONDS—Security for the Bonds” and “THE SYSTEM.” Gross Revenue and Operation and Maintenance Expenses are more specifically defined in APPENDIX A hereto.

The Bonds are secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) upon the Net Revenues derived from the System, all as more particularly set forth herein and in the ordinance of the Town authorizing the issuance of the Bonds (the “Bond Ordinance”). The Bonds do not constitute a debt or indebtedness of the Town within the meaning of any applicable constitutional, Charter or statutory provision or limitation. The Bonds are not payable in whole or in part from the proceeds of general property taxes or any other funds of the Town except the Net Revenues, and the full faith and credit of the Town is not pledged for payment of the principal of or interest on the Bonds. See “THE BONDS—Security for the Bonds.”

The Town is prohibited from issuing bonds in the future with a lien on the Net Revenues which is senior or superior to the lien on the Bonds and the Outstanding Parity Obligations. The Bond Ordinance provides conditions for the issuance of one or more series of additional bonds, notes, interim securities or other obligations: (a) having a lien on the Net Revenue which is on a parity with, but not senior or superior to, the lien of the Bonds or the Outstanding Parity Obligations; or (b) having a lien on the Net Revenue which is subordinate or junior to the lien of the Bonds (the “Subordinate Securities”). See APPENDIX A under the caption “SUMMARY ORDINANCE PROVISIONS—Priorities; Liens; Issuance of Parity Bonds—*Issuance of Parity Bonds*” for a description of the conditions for the issuance of Parity Bonds and Subordinate Securities.

**Purpose .....** The net proceeds from the sale of the Bonds will be used for the construction, replacement and updating of current wastewater treatment facilities and related sanitary sewer system improvements, and the payment of the costs of issuance of the Bonds (the “Project”). See “THE BONDS—Application of Bond Proceeds.”

**[Bond Insurance .....** to be inserted as needed]

**Payment Provisions.....** The Bonds mature and bear interest at the rates (computed on the basis of a 360-day year of twelve 30-day months) as set forth on the cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing on December 1, 2021. Payments to Beneficial Owners will be made as described in “APPENDIX G—Book-Entry-Only System.”



**Record Date .....** The Regular Record Date for the Bonds has been established as the fifteenth day of the calendar month next preceding an interest payment date for the Bonds. See “APPENDIX A.”

**Book-Entry-Only Registration .....** The Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New York (“DTC”), a securities depository. Beneficial ownership interests in the Bonds may initially be acquired in denominations of \$5,000 in principal amount or integral multiples of \$5,000 in excess thereof through brokers and dealers who are, or who act through, participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded on the records of the Participants. Persons for whom Participants acquire interests in the Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal and interest on the Bonds, as well as notices and other communications made by or on behalf of the Town pursuant to the Bond Ordinance will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “APPENDIX G—Book-Entry-Only System” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters. Except as otherwise provided herein, the term “Owner” will refer to the registered owner of any Bond, as shown by the registration books maintained by UMB Bank, n.a., as Bond Registrar (the “Registrar”).

**Exchange and Transfer .....** While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners may be made as described under the caption “APPENDIX G—Book-Entry-Only System.” In the event that DTC ceases to act as securities depository for the Bonds, the Bond Ordinance provides for the transfer of Bonds by the Registrar pursuant to specified terms and provisions.

**No Redemption.....** The Bonds are subject to redemption prior to maturity as described in “THE BONDS—Prior Redemption of Bonds.”

**Registration and Denominations.....** The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

**Tax Status .....** **[KR to review]** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103

of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, such interest is not a specific preference item for purposes of the federal alternative minimum tax and such interest is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX MATTERS” herein.

**Authority for**

**Issuance**..... The Bonds are issued in accordance with the Constitution of the State of Colorado, the Town’s Charter, the Enterprise Ordinance, Title 57, Article 11, C.R.S., and all other laws of the State of Colorado thereunto enabling, and pursuant to the Bond Ordinance adopted by the Town Council of the Town (the “Council”), acting as the governing body of the Enterprise.

**Delivery**

**Information**..... The Bonds are offered when, as, and if executed, delivered and accepted by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), subject to prior sale and the approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery on or about \_\_\_\_\_, 2021, against payment therefor.

**Financial**

**Statements**..... Appended hereto are the audited general purpose financial statements of the Town as of and for the year ended December 31, [2020], being the most recent audited financial statements available.

ALL OF THE SUMMARIES OF THE STATUTES, ORDINANCES, RESOLUTIONS, OPINIONS, CONTRACTS, AND AGREEMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from: Town of Johnstown [Clerk’s Office], 450 South Parish, Johnstown, Colorado 80534, telephone: (970) 587-4664; or Stifel, Nicolaus & Company, Incorporated, 1401 Lawrence Street, Suite 900, Denver, Colorado 80202, phone number (303) 296-2300.

**THE BONDS**

**Prior Redemption of Bonds**

*Optional Redemption.* The Bonds maturing on and before December 1, 20\_\_ are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 20\_\_ are subject to redemption prior to maturity at the option of the Town, in whole or in part in integral multiples of \$5,000, and if in part in such order of maturities as the Town will determine and by lot within a maturity, on December 1, 20\_\_ and on any date thereafter, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

***Mandatory Sinking Fund Redemption.*** The Bonds maturing December 1, 2046\* are subject to mandatory sinking fund redemption, in part, by lot, on the dates set forth below, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below.

| <b>December 1<br/>of the Year *</b> | <b>Principal<br/>Amount *</b> |
|-------------------------------------|-------------------------------|
| 2042                                | \$1,845,000                   |
| 2043                                | 1,920,000                     |
| 2044                                | 1,995,000                     |
| 2045                                | 2,075,000                     |
| 2046 <sup>1</sup>                   | 2,155,000                     |

\* Preliminary; subject to change.

<sup>1</sup> Final maturity, not a sinking fund redemption.

***Mandatory Sinking Fund Redemption.*** The Bonds maturing December 1, 2051\* are subject to mandatory sinking fund redemption, in part, by lot, on the dates set forth below, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below.

| <b>December 1<br/>of the Year *</b> | <b>Principal<br/>Amount *</b> |
|-------------------------------------|-------------------------------|
| 2047                                | \$2,245,000                   |
| 2048                                | 2,335,000                     |
| 2049                                | 2,425,000                     |
| 2050                                | 2,525,000                     |
| 2051 <sup>1</sup>                   | 2,625,000                     |

\* Preliminary; subject to change.

<sup>1</sup> Final maturity, not a sinking fund redemption.

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the Town may (i) deliver to the Paying Agent for cancellation any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption; and (ii) receive a credit in respect to its sinking fund redemption obligation for any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Paying Agent and not theretofore applied as a credit against any sinking fund redemption obligation. Each Bond so delivered or previously redeemed will be credited by the Paying Agent at the principal amount thereof to the obligation of the Town on such sinking fund redemption date, and the principal amount of the Bonds to be redeemed by operation of such sinking fund on such date will be accordingly reduced.

***Redemption Procedure and Notice.*** Notice of any redemption of Bonds, which may be a conditional notice, will be given by the Paying Agent in the name of the Town by sending a copy of such notice by electronic means to DTC or by first class, postage prepaid mail, not less than 30 days prior to the redemption date, to the Owner of each Bond being redeemed. Such notice should specify the number or numbers of the Bonds so to be redeemed (if redemption shall be in part) and the redemption date. If any Bond has been duly called for redemption and if, on or before the redemption date, there will have been deposited with the Paying Agent in accordance with the Bond Ordinance funds sufficient to pay the redemption price of such Bond on the redemption date, then such Bond will become due and payable at such redemption date, and from and after such date interest will cease to accrue thereon. Failure to deliver

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\* Preliminary; subject to change.

any redemption notice or any defect in any redemption notice will not affect the validity of the proceeding for the redemption of Bonds with respect to which such failure or defect did not occur. Any Bond redeemed prior to its maturity by prior redemption or otherwise shall not be reissued and will be cancelled.

### **Application of Bond Proceeds**

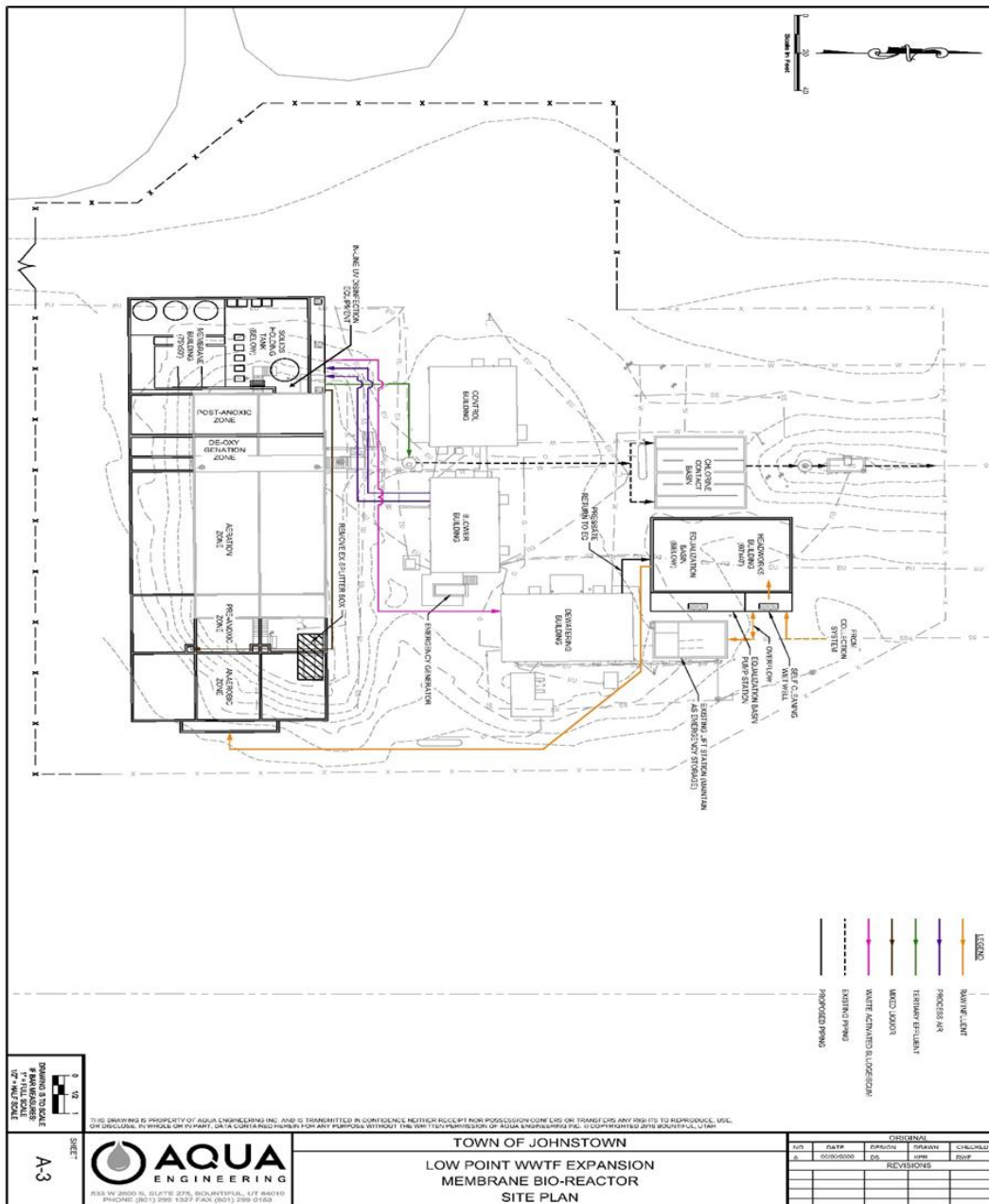
***The Project.*** The Town operates two wastewater treatment plants and three lift stations in the System. The System is experiencing significant challenges, due to capacity concerns and the need to meet environmental regulations. The Town previously received a Cease and Desist Order issued by the Colorado Department of Public Health and Environment (“CDPHE”) in connection with its wastewater plants. The Town has met the requirements specified by the order and has submitted a 5-year plan to CDPHE to meet future compliance requirements. ***[Please provide copies of all correspondence with CDPHE as well as the 5-year plan submitted to CDPHE]*** In accordance with the 5-year plan, the Town has determined to replace the Central Wastewater Treatment Plant (the “Central Plant”) and to expand the treatment capacity of the Low Point Wastewater Treatment Plant (the “Low Point Plant”), as well as construct various updates and improvements to additional System features (collectively and as described in greater detail below, the “Project”). Bond proceeds will be applied to all or any portion of the various components of the Project described in greater detail below.

***Central Wastewater Treatment Plant:*** The Central Plant was constructed in 1951, with the most recent improvements occurring in 2004. The current treatment method utilized at Central Plant is not sufficient to meet permit requirements throughout the year, predominantly during the winter months when wastewater temperatures are too cold, preventing the waste from being effectively processed. As a result, State discharge permit violations occur. Compounding the existing challenges are the additional rules and regulations related to nutrient removal currently in draft form that are expected to be adopted by CDPHE in compliance with the Federal Clean Water Act. Because an expansion of Central Plant would not be sufficient, the Town currently plans to replace the current Central Plant with a new, upgraded wastewater treatment plant. Additional infrastructure expansion will be required to address critical capacity needs due to the rapid growth that is occurring in the community. The infrastructure expansion will allow for additional sewer tap services, which are currently in high demand.

***Central Phase I:*** Central Phase I focuses on increasing the System’s sanitary sewer collection capacity. This initial phase is currently planned to include the construction of a new lift station. The new lift station would handle approximately 5,000 SFE’s upon completion with the capability of installing additional pumps to reach 7,000 SFE’s. The additional improvements will include installation of a new force main to convey the wastewater flows toward the Central Plant. Prior to its destination, gravity sewer improvements will be made on a section of the collection system to meet the additional flows. Connectors to this section will be assessed an additional \$9,500 per single family tap or equivalent for the cost recovery. ***[Connell Resources/Hydro Construction]*** was contracted to construct the Central Phase I project. Construction began in April 2021 and is scheduled to be completed by December 2021.

***Central Phase II:*** Central Phase II focuses on the elimination of a lift station and the installation of a gravity fed sanitary sewer collector system along a 3.5-mile section of the System that will serve more than 3,000 acres that are currently either in the development phase or the planning stages of development. This section of the collection will ultimately link up with Central Phase I at the newly constructed lift station. Connectors to this section will be assessed an additional \$9,500 per single family tap or equivalent for the cost recovery. The only equipment required for this phase will be yard pipe and manhole materials. Contracts are targeted to be awarded in September 2021, with an estimated start date of October 2021 and estimated completion date of April 2022.

**Low Point Wastewater Treatment Plant:** In order to meet the new regulations and future demand, the Town is currently designing the expansion of the Low Point Plant. Construction is expected to begin in August 2021 and the completion date is targeted for December 2022. This expansion will be designed to meet the new permit limits and ensure additional capacity for growth. Aqua Engineering has been hired to do the design work and [ ] has been hired to construct the project. Moltz Construction was selected as the Construction Manager at Risk ("CMaR") to assist the Town and Aqua Engineering on value engineering for the design of the expansion. The Town anticipates executing a guaranteed maximum price ("GMP") construction contract (the "Contract") with Moltz Construction for this project by [ ], 2021. The following is the current site plan for the Low Point Plant expansion:



*North Interceptor-Design and Construction:* The North Interceptor will serve the north side of the Highway 60 corridor with the necessary capacity for future System buildout in the general area. The collection system will have one lift station to traverse a hill more effectively and limit the ultimate depths of the sanitary sewer manholes and collection system. [REDACTED] was contracted in March of 2021 for the design of the North Interceptor project. A construction contract is expected to be executed in March of 2022 with an estimated start date of April 2022 and estimated completion date of December 2023. There are no long-term operational cost increases associated with this project.

To facilitate the financing of these critical System improvements, Town staff recommended at the end of 2020 an increase to sewer monthly fees, which have not been increased since 2015. This increase was to ensure proper maintenance of equipment, repair of equipment, and retainage of employee talent. The increase also will be used to pay for a portion of the replacement and upgrading of the Central Plant described above. In addition to the projects outlined above, the Town may apply Bond proceeds to the development of a utility plan for the System, the expansion of sewer infrastructure into the southern portion of the Town and the completion of various additional System capital improvements. The following table provides a general overview of the Town's current proposed use of Bond proceeds for the various Project components:

**Proposed use of Bond Proceeds:**

**Central Phase I:**

|             |                     |
|-------------|---------------------|
| Equipment   | \$ 7,779,000        |
| Sewer Lines | <u>2,221,000</u>    |
| Sub Total   | <u>\$18,000,000</u> |

**Central Phase II:**

|             |                     |
|-------------|---------------------|
| Sewer Lines | <u>10,000,000</u>   |
| Sub Total   | <u>\$10,000,000</u> |

**Low Point Wastewater Treatment Plant:**

|           |                     |
|-----------|---------------------|
| Building  | \$7,075,000         |
| Equipment | <u>10,925,000</u>   |
| Sub Total | <u>\$18,000,000</u> |

**North Interceptor – Design and Construction**

|             |                     |
|-------------|---------------------|
| Equipment   | 5,000,000           |
| Sewer Lines | <u>17,000,000</u>   |
| Sub Total   | <u>\$22,000,000</u> |

|       |                     |
|-------|---------------------|
| Total | <u>\$60,000,000</u> |
|-------|---------------------|

| Project Description                      | Capital Expenditure Amount |
|--|----------------------------|
| Utility Plan                             | \$ 250,000                 |
| Central Phase I                          | 8,232,000                  |
| Clearview                                | 5,000,000                  |
| Central Wastewater Treatment Plan Design | 1,800,000                  |
| North Interceptor                        | 1,500,000                  |
|  | <u>\$16,782,000</u>        |

**[Discuss – the highlighted table does not match the anticipated use table; should we expand the first table?]**

***Estimated Application of Bond Proceeds:*** The sources and uses of the proceeds of the Bonds is as follows:

**SOURCES:**

Bond Proceeds.....  
 [Net] Original Issue [Premium/Discount] .....  
 Total .....

**USES:**

Deposit to Project Fund.....  
 Costs of issuance, including Underwriting discount <sup>1</sup>, rating fees,  
 professional fees, insurance fees, [Insurance Policy premium,] printing  
 costs and contingency .....  
 Total .....

<sup>1</sup> See “Miscellaneous—Underwriting.”

**Security for the Bonds**

***Special Revenue Obligations.*** The Bonds are special limited obligations of the Town, acting by and through the Enterprise, payable only out of the Bond Account, into which the Town covenants and agrees to deposit Net Revenues in amounts sufficient to pay the principal of and interest on the Bonds when the same become due and payable, as provided in the Bond Ordinance.

The Town has covenanted in the Bond Ordinance that it will not pledge or create any other lien on the Net Revenues that is superior to the lien thereon in connection with the Bonds. The Town is not prohibited from issuing Subordinate Lien Bonds provided that no Event of Default has occurred and be continuing. See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto for a discussion of the requirements for the issuance of Parity Lien Bonds.

***Establishments of Accounts.*** Pursuant to the Bond Ordinance, the Bond Account, [the Reserve Account] and the Project Account are established within the Town’s existing Wastewater Fund. A general description of said accounts is provided below. For a complete description of the accounts created pursuant to the Bond Ordinance see “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

***Bond Account.*** Moneys in the Bond Account will be used solely for the purpose of paying the principal of, premium if any, and interest on the Bonds. On or before the last day of each month,



commencing in the month next succeeding the date of issuance of the Bonds, the Town is to credit to the Bond Account from the Net Revenues, an amount equal to the pro rata portion of the interest and principal to come due on the Bonds on the next succeeding interest payment date and principal payment date, respectively. All deposits to the Bond Account will first be allocated to the payment of interest to come due on the Bonds.

***Reserve Account.*** Moneys in the Reserve Account will be used, if necessary, only to prevent a default in the payment of principal of, premium if any, or interest on the Bonds, and the Reserve Account is pledged to the payment of the Bonds. In the event the amounts credited to the Bond Account are insufficient to pay the principal of, premium if any, or interest on Bonds when due, the Town will transfer from the Reserve Account to the Bond Account an amount which, when combined with moneys therein, will be sufficient to make such payments when due. The Reserve Account will be maintained in the amount of the Required Reserve. If at any time the amount of the Reserve Account is less than the Required Reserve, the Town will deposit to the Reserve Account from Net Revenues, amounts sufficient to bring the amount credited to the Reserve Account to the Required Reserve. Such deposits are to be made as soon as possible after such use, but in accordance with and subject to the limitations of the Section hereof entitled “Deposit of Gross Revenues.”

***Project Account.*** All moneys credited to the Project Account will be applied solely to the payment of the Project Costs. Except to the extent otherwise required by the provisions of the Bond Ordinance, interest income from the investment or reinvestment of moneys credited to the Project Account will remain in and become part of the Project Account. Upon completion of the Project, the balance of moneys in the Project Account, if any, will be transferred to the Bond Account.

***Definition of Net Revenues, Gross Revenue and Operations and Maintenance Expenses.*** The Bond Ordinance generally defines “*Net Revenues*” as Gross Revenue after deducting the Operation and Maintenance Expenses.

“*Gross Revenue*” is defined as all fees, including but not limited to user fees and plant investment fees, charges and revenues directly or indirectly derived by the Town for the services furnished by, or use of, the System, or any part thereof, including all income attributable to any future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations. Notwithstanding the foregoing, the definition of Gross Revenue expressly excludes (a) moneys borrowed and used for providing Capital Improvements (as defined below); (b) any money and securities, and investment income therefrom, in any refunding fund, escrow account, or similar account pledged to the payment of any bonds or other obligations for the purpose of defeasing the same; and (c) any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom.

“*Operation and Maintenance Expenses*” is defined as all reasonable and necessary current expenses of the Town, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses of the Town directly related to the administration of the System; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance or transfers for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Capital Improvements, payments due in connection with any bonds or other obligations issued to provide Capital Improvements, and charges for the accumulation of reserves.

As used above, “Capital Improvements” is defined as the acquisition of land, water or water rights, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions, for use by or in connection with the System which, under Generally Accepted Accounting Principles for governmental units as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

***Rate Maintenance Covenant.*** The Town hereby covenants that it will establish, maintain, enforce, and collect rates, fees, and charges for services furnished by or the use of the System to create Gross Revenue each Fiscal Year sufficient to pay Operation and Maintenance Expenses and to create Net Revenues in an amount: (a) equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the Bonds and any Parity Lien Obligations coming due during such Fiscal Year; (b) sufficient to make up any deficiencies in the Reserve Account; and (c) sufficient to make any required reimbursement due in connection with the Reserve Surety Bond, if any. In the event that the Gross Revenue at any time is not sufficient to make such payments, the Town must promptly increase such rates, fees, and charges to an extent which will ensure the payments and accumulations required by the Bond Ordinance.

***Flow of Funds.*** Immediately upon the issuance of the Bonds, all Gross Revenue then held by the Town will be credited to the Wastewater Fund. Thereafter, the Town will credit to the Wastewater Fund all Gross Revenue immediately upon receipt. The Town will pay from the Wastewater Fund all Operation and Maintenance Expenses as they become due and payable. After such payment or the allocation of Gross Revenue to such payment, the Town will apply the Net Revenue in the following order of priority:

FIRST, to the credit of the Bond Account, the amounts required by the Ordinance entitled “Bond Account,” and to the credit of any other account established for the payment of the principal of, premium if any, and interest on Parity Lien Obligations, the amounts required by the instruments authorizing or controlling the payment of such Parity Lien Obligations;

SECOND, to the credit of the Reserve Account, the amounts required by the Ordinance entitled “Reserve Account” and any similar reserve account established to prevent a default in the timely payment of Parity Lien Obligations;

THIRD, to the payment and reimbursement of all amounts due in connection with the Reserve Surety Bond and any similar surety or reserve account contract for Parity Lien Obligations;

FOURTH, to the credit of any other fund or account hereafter established for the payment of the principal of, premium, if any, and interest on subordinate lien obligations, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the ordinance or other enactment authorizing issuance of the subordinate lien obligations; and

FIFTH, to the credit of any other fund or account as may be designated by the Town, to be used for any lawful purpose, any moneys remaining in the Wastewater Fund after the payments and accumulations set forth in First through Fourth above.

***Additional Bonds.*** The Bond Ordinance permits the issuance of Parity Lien Bonds and Subordinate Lien Bonds only. The test for the issuance of Parity Lien Bonds requires, among other things, that for any 12-month period during the 18-month period immediately preceding the date of issuance of such Parity Lien Bonds, the Net Revenue is sufficient to pay an amount equal to at least 110% of the sum of the Combined Maximum Annual Principal and Interest Requirements for the outstanding Bonds, outstanding

Parity Lien Bonds, if any, and the Parity Lien Obligations proposed to be issued. See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

**Protective Covenants and Additional Bonds.** For a description of the various protective covenants set forth in the Bond Ordinance, as well as other provisions such as the test for the issuance of additional bonds, see “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

**Bond Ordinance Irrepealable.** The Bond Ordinance provides that after the Bonds have been issued, the Bond Ordinance will be and remain a contract between the Town and the Owners of the Bonds and will be and remain irrepealable until all amounts due with respect to the Bonds will be fully paid, satisfied and discharged and all other obligations of the Town with respect to the Bonds will have been satisfied in the manner provided herein.

### Debt Service Coverage

The following table sets forth the historical annual coverage provided by Net Revenue for the payment of the Town’s Wastewater Revenue Bonds, Series 2021 and annual coverage for \$\_\_\_\_\_\* (which is the maximum annual debt service on the Bonds) which would have been provided by the Net Revenue on an historical basis. See “—Debt Service Requirements” below for the debt service requirements for the Bonds. There can be no assurance that collections of Net Revenue, will continue at the levels stated below, or that coverage factors in future years will remain at such levels. See “THE SYSTEM—System Financial Information.”

**TABLE I**  
**Debt Service Coverage**

|   | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      | <b>2019</b>            | <b>2020<br/>(unaudited)</b> |
|---|------------------|------------------|------------------|------------------------|-----------------------------|
| Charges for Services  | \$1,755,720      | \$1,831,209      | \$1,919,222      | \$2,045,675            | \$2,130,323                 |
| [Tap] Fees [are tap fees included in charges for services?] | <u>222,040</u>   | <u>191,240</u>   | <u>171,500</u>   | <u>1,174,298</u>       | <u>722,150</u>              |
| Other Revenue   | <u>83,246</u>    | <u>25,538</u>    | <u>22,258</u>    | <u>34,369</u>          | <u>16,520</u>               |
| Total Revenue   | <u>1,838,966</u> | <u>1,856,747</u> | <u>1,941,480</u> | <u>2,080,044</u>       | <u>2,146,843</u>            |
| Operation and Maintenance Expenses                          | 1,321,142        | 1,394,800        | 1,452,503        | 4,685,053 <sup>1</sup> | 1,570,001                   |
| Net Revenues  |                  |                  |                  |                        |                             |
| Maximum Annual Debt Service for the Bonds*                  |                  |                  |                  |                        |                             |
| Maximum Annual Coverage Factor for the Bonds*               |                  |                  |                  |                        |                             |

\* Preliminary; subject to change.

Source: Town of Johnstown Finance Department and the Underwriter

\* Preliminary; subject to change.

## Debt Service Requirements

Set forth in the following table is the debt service requirements for the Bonds. See the cover page of this Official Statement for the actual interest rates for each maturity of the Bonds. See “THE SYSTEM—System Capital Improvements and Long-Term Planning—*Anticipated Debt Financing.*”

**TABLE II**  
**Bond Debt Service Requirements <sup>1</sup>**

| Year* | The Bonds           |          | Annual<br>Total |
|-------|---------------------|----------|-----------------|
|       | Principal*          | Interest |                 |
| 2021  | \$ 345,000          |          |                 |
| 2022  | 795,000             |          |                 |
| 2023  | 835,000             |          |                 |
| 2024  | 875,000             |          |                 |
| 2025  | 920,000             |          |                 |
| 2026  | 965,000             |          |                 |
| 2027  | 1,015,000           |          |                 |
| 2028  | 1,065,000           |          |                 |
| 2029  | 1,120,000           |          |                 |
| 2030  | 1,175,000           |          |                 |
| 2031  | 1,230,000           |          |                 |
| 2032  | 1,295,000           |          |                 |
| 2033  | 1,345,000           |          |                 |
| 2034  | 1,400,000           |          |                 |
| 2035  | 1,455,000           |          |                 |
| 2036  | 1,515,000           |          |                 |
| 2037  | 1,575,000           |          |                 |
| 2038  | 1,635,000           |          |                 |
| 2039  | 1,700,000           |          |                 |
| 2040  | 1,770,000           |          |                 |
| 2041  | 1,840,000           |          |                 |
| 2042  | 1,915,000           |          |                 |
| 2043  | 1,990,000           |          |                 |
| 2044  | 2,070,000           |          |                 |
| 2045  | 2,155,000           |          |                 |
| 2046  | 2,240,000           |          |                 |
| 2047  | 2,330,000           |          |                 |
| 2048  | 2,425,000           |          |                 |
| 2049  | 2,520,000           |          |                 |
| 2050  | 2,620,000           |          |                 |
| 2051  | <u>2,725,000</u>    |          |                 |
| Total | <u>\$49,920,000</u> |          |                 |

\*Preliminary; subject to change.

<sup>[1]</sup> Assumes no redemptions, other than mandatory sinking fund redemption payments. Figures have been rounded.]

Source: The Underwriter

## [BOND INSURANCE]

[Set forth below is a brief summary of certain information concerning the Insurer and the terms of the Insurance Policy. Information with respect to the Insurer and the Insurance Policy has been supplied to the Town by the Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Insurance Policy.]

## INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND COULD ALSO AFFECT THE MARKET PRICE OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

### COVID-19

**[Review and revise specific to Town]** The spread of the coronavirus disease 2019 (“COVID-19”) is currently altering the behavior of individuals and businesses in a manner that is having significant negative effects on global, national, and local economies and could result in municipal operations and revenues being vulnerable to the potential economic effects of the pandemic. Federal, state and local governments have taken significant steps to address the impacts of COVID-19. Such steps include various announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses (or, in connection with social distancing, requiring the implementation of restrictive measures with respect to the provision of goods and services) as well as “shelter in place” orders. Orders issued by the State may be viewed at <https://covid19.colorado.gov> and the Town’s response relating to COVID-19 may be viewed at <https://johnstown.colorado.gov/covid>. These COVID-19 measures are changing rapidly, often daily and in some cases, multiple times in a single day. Unemployment claims are accelerating in many areas due to these developments concerning COVID-19.

On May 28, 2020, Governor Polis signed Executive Order D2020-070 (the “Executive Order”), directing the use of federal funds received by the State and local governments pursuant to the federal Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”). Among other measures intended to provide relief, the CARES Act established the Coronavirus Relief Fund (the “CRF”), which provides payments to state, local and tribal governments to assist with the impacts of COVID-19. On December 30, 2020, Governor Polis signed Executive Order D2020-295, amending the Executive Order to extend the deadline for expenditure of CRF funds until December 31, 2021. The Department of Local Affairs (“DOLA”) oversees the distribution of these funds to reimburse costs to Colorado counties, municipalities and special districts for necessary expenditures incurred due to COVID-19 which were not accounted for in the State budget as of March 27, 2020 (the date of enactment of the CARES Act) and which were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

In 2020, the Town received approximately \$[ ] through the CARES Act. As of [ ], 2021, the Town has expended approximately \$[ ] of the CARES funds on increased costs associated with complying with the public health orders, and the funding of a small business microgrant program to help local businesses. [Recently, the Town was informed that it may receive an allocation of additional CARES Act federal funds in 2021, in an anticipated amount of \$[ ].]

The Town has implemented various assistance programs for businesses with regard to submitting sales and use tax collections as well as a loan program for small businesses with less than \$2 million in gross sales.

The Town is closely monitoring the impact of COVID-19 on its operations and ultimately, the underlying financial impact on its revenues. It is unknown how extensive the spread of COVID-19 will be in the Town or the State, or how long the current restrictions will remain in place, and these things may change rapidly. The Town did not experience significant, material impact on other revenues during 2020, but the timing of cash flows was slowed in early 2020 which has since corrected itself. Due to the essential nature of the Town's utility services, the Town currently does not anticipate a significant, material impact on its annual revenues; however, it is not possible to ultimately predict whether current economic conditions will continue or worsen, the duration of such changing conditions, or how future short term and long term economic conditions will affect the Town's finances in general.

### **Limited Obligations**

The Bonds do not constitute a lien upon any real or personal property of the Town. Rather, the Bonds constitute an irrevocable but nonexclusive first lien upon the Net Revenue and the moneys on deposit from time to time in certain accounts of the Wastewater Fund. Therefore, the payment of the principal of, premium if any, and interest on the Bonds is dependent on the Town's receipt of sanitary sewer user fees. See "THE SYSTEM." Bondholders may not look to any general or other revenues of the Town, including without limitation the proceeds of ad valorem taxes, for the payment of the principal of, premium if any, and interest on the Bonds, and the Bonds do not constitute a debt or an indebtedness of the Town within the meaning of the Charter or any constitutional provision or limitation; nor will they be considered or held to be general obligations of the Town.

### **Issuance of Additional Debt**

The Town currently [does not plan/plans] to issue additional debt to finance its water capital program.

### **Environmental Regulations**

The operation of the System, including the administration of its sources of supply, is subject to substantial environmental protection regulation under local, State and federal law. Due to the ever-changing environmental regulatory environment, there can be no assurance that new laws and regulations or new interpretations of existing laws and regulations will not frustrate or delay otherwise feasible projects or result in increased capital and operating expenses for the System.

### **Future Changes in Laws**

In addition to the various federal, state and local laws that apply to the operation of, and liability relating to, the operation of wastewater systems (see "—Environmental Regulations" above), various Colorado and federal laws and regulations also apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and regulations which would have a material adverse effect, directly or indirectly, on the operation of the System or the Enterprise, or on the general affairs of the Town.

## **Secondary Market**

There is no guarantee that a secondary trading market will develop for the Bonds. Consequently, prospective bond purchasers should be prepared to hold their Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends but is not obligated to make a market in the Bonds.

## **Enforceability of Bondholders' Remedies Upon Default**

In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, remedies available to registered owners and Beneficial Owners of the Bonds may have to be enforced from year to year. Moreover, there is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Ordinance on behalf of the registered owners and Beneficial Owners of the Bonds, and therefore such registered owners and Beneficial Owners of the Bonds should be prepared to enforce such provisions themselves if the need to do so ever arises.

The remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law and judicial decisions, including specifically the federal bankruptcy code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under state law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the state and its governmental bodies in the interest of serving an important public purpose.

## **Factors that May Cause Insufficiency of Expected Revenues**

The generation of Net Revenues is dependent upon several factors outside the Town's control, such as the economy, collection of fees, continued growth (or lack thereof) and changes in law. It is impossible to predict whether current economic conditions will continue, better or worsen, or to predict how future conditions will affect the operation of the System or the Enterprise's finances in general. The following factors, among others, may impact the generation of Net Revenues in the future.

**General.** Payment of the Bonds is dependent upon the generation of sufficient Net Revenues of the System. If the System becomes inoperable due to damage, destruction, environmental or governmental restriction or for any other reason, if the System should lack raw water or lack treatable water due to contamination, lack of adequate supply to serve existing customers due to drought or for any other reason, if the System has inadequate storage or transmission facilities, if the Town is unable to increase rates and charges for any reason or if the Enterprise incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the Town may be unable to generate adequate revenues from the System to pay debt service on the Bonds. No assurance can be made that the generation of Net Revenues from the System will be sufficient to pay debt service on the Bonds, even in observation of the rate maintenance covenant provided in the Bond Ordinance. See "THE BONDS—Security for the Bonds—Rate Maintenance Covenant."

**Fluctuations in Sanitary Sewer Revenues.** Fluctuations in sanitary sewer revenues can be exacerbated by the fixed nature of the System's costs as the fixed cost of processing wastewater does not vary considerably when the amount of wastewater used by customers varies. The inconsistency between a



fixed cost structure and a variable revenue structure causes annual budgeting and financial instability and uncertainty. It is not possible to predict what impacts, if any, such inconsistency might have on future System revenues.

**[Discuss] Annexations and Town Growth.** Annexations are encouraged in the Town for the areas that are within the Town's Growth Management Area. While the Town is approximately 14 square miles, the Town's Growth Management Area is approximately 48 square miles allowing for substantial growth and development in the short- and long-term time frames. The Town has boundary agreements with most of its neighboring communities that help to ensure that the respective long-term growth boundaries are preserved and respected. While tax exempt lands do exist within the community, they are not exempt from utility impact fees and services which will ensure repayment of the debt issuance for these projects. Furthermore, those tax-exempt entities represent approximately 5% of the total land in the incorporated area of the Town. Consequently, they do not financially burden the Town from revenue when compared to the expenditures and services expected by the community. The Town has a development and business friendly environment working collaboratively with development to create meaningful communities that serve both the citizens and the regional commerce.

## **THE SYSTEM**

### **The Enterprise**

The Enterprise was established in 1994 by Resolution No. 5-94. The Council serves as the governing body of the Enterprise, and the officers of the Council and of the Town serve as officers and the governing body of the Enterprise. Powers of the Enterprise include, but are not limited to, the power to issue revenue bonds in the manner in which Town revenue bonds may be issued without voter approval in advance and to pledge any revenues of the System to the payment of such revenue bonds. The Town is to continue to own the assets of the System, acquire and convey properties constituting part of the System, employ and discharge the officers, managers and employees of the System, keep books and records relating to the System, invest and manage funds, budget and appropriate revenues and expenditures relating to the System, fix, adjust and collect water and wastewater rates, fees, tolls and charges and tap fees, and prescribe rules and regulations relating to the System. See "APPENDIX D—THE TOWN—Constitutional Amendment Limiting Taxes and Spending" for a discussion of the TABOR amendment.

The performance of the obligations of the Enterprise under the Bond Ordinance is not subject to the limitations of TABOR so long as the Enterprise continues to qualify as an "enterprise" under TABOR. According to Bond Counsel, if the System is disqualified as an enterprise under TABOR, (i) the Town may continue to impose and increase fees, rates, and charges of the System without voter approval but subject, however, to the refund requirements of TABOR; (ii) all Net Revenues used to pay debt service on the Bonds will be excluded from the refund requirements of TABOR; and (iii) if the Town is required to reduce spending in order to comply with its fiscal year spending limit under TABOR, the Town will first be required to reduce spending for purposes for which it does not have an obligation under law or by contract prior to reducing spending required to comply with the other covenants contained in the Bond Ordinance.

The Enterprise is responsible for the collection and treatment of the Town's wastewater. The Town operates two wastewater treatment plants and three lift stations in the system. The Enterprise also has many significant challenges in the future. These challenges include the need to expand the treatment capacity of the Low Point Plant, replacement of the Central Plant due to the lagoon system not being capable of meeting current and future discharge treatment requirements, and expansion of the collection (interceptor) system, which is at or near capacity.

To afford some of these critical improvements that serve the current residents, at the end of 2020, Staff recommended an increase to Wastewater monthly fees which have not increased since 2015. This increase was to ensure proper maintenance of equipment, repair of equipment, and retainage of employee talent. The increase also will be used for the purposes of replacing the existing Central Plant that was first constructed in 1951 and upgrades to this plant were most recently made in 2004. Unfortunately, as previously mentioned the treatment method is not sufficient to meet permit requirements throughout the year, predominantly during the winter months when wastewater temperatures are too cold so the bugs do no process the waste effectively. As a result, violations with the state discharge permits occur.

To accommodate new growth, the Town embarked on an aggressive project to install interceptors that are normally constructed by developers based on their planned expansions. To recover these costs, the Town also implemented a new Regional Impact Fee in the Central Plant Sewer Service Area. The newly established fee, is an additional \$9,500 in addition to the current sewer tap fee. This additional fee will be used to recover the costs of the interceptor improvements with the intent to not burden the existing customers with this financial obligation. The Bonds will finance these improvements, with debt service financed by the Regional Impact Fee (new development). Existing customers will not be expected to cover or be burdened by this cost. See “THE BONDS—Application of Bond Proceeds—*The Project*.”

## **System Management**

The management of the System is established by the Public Works Department, with guidance from the Town Manager’s Office and review and approval by the Council. The following individuals are the managers responsible for the System.

***Director of Public Works.*** The responsibilities of the Town Public Works Director include, but are not limited to, all aspects of operations and infrastructure needed to provide high quality street, water and wastewater services to the community. ***[Please review and confirm responsibilities]***

Marco Carani was hired as the Director of Public Works in January, 2019. Mr. Carani has nine years of experience as a municipal Public Works Director. Prior to his employment with the Town, Mr. Carani was Director of Public Works for Frederick, Colorado for nearly four years and for Fort Lupton, Colorado for three years. Mr. Carani currently holds class 2 certifications in collection and distribution and serves on the executive committee for North Front Range Water Quality Planning Association. ***[Please provide educational background]***

***Deputy Director of Public Works.*** The responsibilities of the Deputy Town Public Works Director include, but are not limited to, all aspects of operations and infrastructure needed to provide high quality street, water and wastewater services to the community. ***[Please review and confirm responsibilities]***

Ellen Hilbig was hired as Deputy Public Works Director in [ ], 20[21]. Ms. Hilbig, has six years of experience working as a Civil Engineer, four years with Longmont, Colorado and over two years as the City Engineer for Delta, Colorado. Ms. Hilbig obtained her Colorado Professional Engineer certification ***[from where?]*** and has completed the APWA Public Works Institute, where she currently sits on the Board.

## **Wastewater Facilities**

The Town’s Wastewater Utility Service Areas (“WUSA”) encompasses approximately 45 square miles of annexed property, with anticipated expansion into the Growth Management Area as illustrated on the “TOWN MAP.” ***[Please confirm the Town Map is the correct map for this description]*** Approximately 76 miles of sewer line constitute the system which are 8” to 12” in diameter with 15” to 18” interceptors. The WUSA consists of two wastewater treatment plants as more fully described below and can currently serve

a population of 20,000 or approximately 6,800 taps until the year 2026. The Town has two areas of infiltration located under the Hillsboro Ditch. The infiltration is limited to not more than 30 gallons per day from both locations during the months of April through September. The Town has three sanitary lift stations.

***Central Wastewater Treatment Plant.*** The Central Plant service basin (approximately 55% of the WUSA) is located East of Town on Highway 60. The Central Plant is an aerated lagoon plant that was constructed and placed on-line in 1951. The Central Plant has been operated and maintained by the Town since 1951, and was expanded in 1981 and again in 2004 to treat 750,000 gallons of wastewater per day with a lagoon plant with a Moving Bed Biofilm Reactor (“MBBR”) and dissolved air flotation treatment process which discharges into the Little Thompson River. The Central Plant basin sewer system is a mix of older and newer sewer sub-systems. The older portion (Old Town, or downtown area) contains a mix of PVC and older clay tile sewers. Most of the rest of the Central Plant system is newer PVC (SDR 35 or similar) construction. The current (existing) public system includes approximately 9.8 miles of 8”-21” gravity sewers, three lift stations, and approximately 2.7 miles of 4”-12” force mains. With exception of the older clay tile sewers, infiltration and inflow (“I&I”) is relatively minimal in the system. When the plant was upgraded, it was designed to accommodate an increase in capacity to treat 1,500,000 gallons of wastewater per day.

The lagoon facility with a post-lagoon Moving Bed Biological Reactor (“MBBR”) historically has had issues meeting discharge limitations for ammonia and total suspended solids (“TSS”). The lagoons over time have become filled with settled solids and no longer have adequate operating volume, resulting in less biochemical oxygen demand (“BOD”) and ammonia removal. Additionally, low water temperatures are observed as the wastewater flows through the lagoons, which slows the rate of wastewater treatment and causes ammonia discharge limitation exceedances. TSS exceedances have been caused by solids carry-through in the lagoons and a lack of proper chemical dosing in the Dissolved Air Flotation System (secondary clarifier). Equipment at the Central WWTP are aged and at the end of their useful lifetimes, and are not adequate to meet potential more stringent discharge limitations in future discharge permit cycles. Lastly, based on the Town’s growth projections, the facility will require hydraulic and organic treatment capacity expansions in the next couple of years.

Significant new development is occurring and/or is planned within the WUSA. Currently the Town has under construction or in design, and/or has master planned for future design/construction approximately 12.6 miles of 12”-30” gravity interceptors, two new lift stations, and 1.2 miles of 12” & 16” force mains. These new interceptors are split between the Town’s new north interceptor system and the Central Interceptor system. Two of the three existing lift stations will be decommissioned as part of the expansion program. Accordingly, with the two new lift stations, the overall Central Plant system will still have a total of a total of three lift stations.

The Central Plant project will construct a new wastewater treatment facility to replace the old aging aerated lagoon plant. The current plant is a .999 million gallons per day (“MGD”) plant and needs to be replaced with a 2.5 MGD plant. Current plant daily flow rates average .811 mgd, with a low flow of 0.147 mgd, and a high flow of 1.439 mgd with a BOD loading of 300 – 450 MG/l. The loading of the Central Plant rated capacity of .999 is 2213 lbs/day with required monitoring and 85% removal.

Not included in the above sewer totals is the future southwest interceptor (“SWI”) system. Other than preliminary projections of sanitary flows from the overall SWI service area, which was needed for design sizing of the Central Interceptor system downstream of the SWI connection point, detailed master planning and conceptual layout of the SWI has not yet occurred.

**Low Point Wastewater Treatment Plant.** The Low Point Plant service basin (approximately 45% of the WUSA) is located on Highplains Blvd and was completed in 2005 to treat 500,000 gallons of wastewater per day using a Sequencing Batch Reactor (SBR) system which discharges into the Big Thompson River. The plant can be upgraded to treat 1,000,000 gallons of wastewater per day.

The treatment facility historically has had issues meeting discharge limitations for pH and ammonia, partly due to higher strength influent wastewater than was planned during the original design. For this reason, the Low Point Plant has reduced treatment capacity. Also, based on the Town's growth projections, the facility will require hydraulic and organic treatment capacity expansions. Presently, the treatment facility lacks a dependable and permanent solids handling system, which requires more operation and maintenance and limits the Town's ability to control solids in the treatment process. Generally, equipment is operational and in good condition, however most equipment is aged and approaching the end of their useful lifetimes.

The Low Point Plant system was constructed and placed on-line in 2006 and consists of an influent lift station, headworks, sequencing batch reactors ("SBRs"), aerobic digesters, chlorine disinfection, and outfallpipe. Biosolids generated by the secondary treatment process are stabilized in aerated digesters and landfill disposed using a contract hauling service. The Town operates the Low Point Plant with rated hydraulic and organic capacities of 0.5 million gallons per day (mgd) and 1,000 pounds per day (ppd) biochemical oxygen demand BOD, respectively with an average daily flow of 0.265 mgd, a low flow of 0.170 mgd, and a high flow of 0.396 mgd. The Low Point Plant mainly receives and treats municipal (domestic) wastewater with small fractions of commercial and industrial wastewater. The facility discharges treated effluent to the Big Thompson River (Segment COSPBT05) per the Colorado Discharge Permit System discharge permit CO0047058 administered by the Colorado Department of Public Health and Environment ("CDPHE"). The Low Point Plant basin sewer system is generally the newer sewer system area of the Town. The public sanitary sewers typically are PVC (SDR 35 or similar), ranging from 8"- 21" in size. The current system is entirely a gravity system, with no lift stations. I&I in the Central Plant is minimal. New developments (commercial and residential subdivisions) in the Low Point Plant basin are occurring, and associated expansion of the sewer system will be ongoing.

The expansion of the existing Low Point Plant, in addition to construction and installation of new processes and process equipment will include the modifications and upgrades to several of existing unit processes. Ultimately, the proposed facility expansion is expected to increase the total hydraulic and organic capacities to 1.5-mgd and 4,880 pounds per day ("ppd") BOD, respectively. In general, the Project is expected to include the following components: (i) new influent self-flushing pumping station; (ii) new headworks building with fine screening, grit removal, and flow monitoring; (iii) advanced biological treatment processes capable of secondary treatment and biological nutrient removal (BNR, nitrogen and phosphorus removal); (iv) MBR system and return activated sludge ("RAS") pumping improvements; (v) in-line UV disinfection system; (vi) biosolids handling improvements for treatment and storage; and (vi) upgraded electrical and instrumentation and controls systems.

**Process Description** The expansion of the WWTP is designed as a membrane bio-reactor (MBR) facility and will include fine screening and grit removal, preceded by an influent pump station. Anoxic, anaerobic, and aerobic basins will be constructed for conventional activated sludge treatment. Eductor mixers will be used for mixing in the anoxic and anaerobic basins. Fine bubble diffusers will be installed to provide mixing and oxygen transfer in the aerobic (oxic) basins. Flow is then conveyed into MBR tanks where the effluent liquid will be separated from the mixed liquor solids. Effluent liquid will be disinfected utilizing an in-line UV disinfection system. Effluent from the UV system will be gravity conveyed to plant outfall for final disposal. Waste Activated Sludge ("WAS") removed from the MBR process will be pumped to solids holding tanks where the sludge will be mixed and aerated prior to dewatering. See "LOW POINT WWTF EXPANSION MEMBRANE BIO-REACTOR" for the preliminary site layout. "THE

BONDS—Application of Bond Proceeds—*The Project*” and “—System Capital Improvements and Long-Term Planning” below.

### **System Capital Improvements and Long-Term Planning**

The Town has used existing funds to finance all improvements made over the past five years. Completed improvements include the following: aeration/mixers were added and the airline replaced on MBBR at the Central Wastewater Treatment Plant.

In 2019, the Town contracted with IMEG Corporation (“IMEG”) to conduct a system wide study and evaluation of the sanitary sewer system (the “System”) benefitting the properties located in the sewer shed basin, served by the central wastewater treatment plant (the “Region”), (the “Study”). The Study included an assessment of development and a calculation of the remaining available capacity in the existing lift stations and sanitary sewer interceptor lines and concluded that, despite the potential for many thousands of new residential dwelling units, the Town could only issue approximately five to seven hundred additional residential building permits in the Region until major upgrades to the System were undertaken. Without such upgrades, a moratorium would need to be considered upon the delivery of wastewater flows delivered to the Central Plant. As part of the Study, IMEG analyzed the best locations to install the necessary infrastructure in the Region to expand the System and deliver additional wastewater flows to the Central WWTP. The Study concluded that three new system interceptor lines should be installed and a new lift station should be constructed to serve the Region including: (i) a sanitary sewer interceptor line from the Johnstown Farms development to the Central WWTP; (ii) a sanitary sewer interceptor line generally located at I-25 to the Central WWTP north of State Highway 60; (iii) a sanitary sewer interceptor line generally located from I-25 along State Highway 60 connecting to the Johnstown Farms lift station; and (iv) new lift station at Johnstown Farms with an additional force main to accommodate a larger design flow (collectively the “Improvements”). See also “THE BONDS—Application of Bond Proceeds—*The Project*.”

**Capital Improvements.** Repair and replacement projects are necessary for maintaining the integrity of the System’s infrastructure. Improvement and expansion projects are also needed to address growth as the Town moves toward build-out. To address these needs, a 10-year Capital Improvement Project (the “CIP”) was developed. The CIP is updated annually in conjunction with the Town’s budget process to ensure that the appropriate projects are undertaken. Master plans have been compiled for all aspects of the System to ensure that the infrastructure is routinely maintained in excellent condition. These plans are regularly updated to assist with prioritizing infrastructure repairs, replacements and improvements. [With the exception of the Project,] the Town generally plans to use existing fund balance and revenues to fund most, if not all, of the projects. **[Please provide CIP]**

The following table summarizes the proposed System improvements that Town staff anticipates to be partially or fully funded using Bond and additional debt proceeds. These projects were adopted by the Council on [\_\_\_\_] 2020 for fiscal year 2021 (the next update to the Capital Improvement Program will cover fiscal years [\_\_\_\_]). See “THE BONDS—Application of Bond Proceeds.”

## 2021 Sewer Fund Bond Proceeds Spending Plan

|   | Estimated<br>Project Cost | Anticipated Debt<br>Proceeds <sup>1</sup> |
|---|---------------------------|---|
| Phase I Central Collection Line to Central WWTP             |                           |   |
| Phase I North Interceptor Line (Design Only)                |                           |   |
| Phase II Central Interceptor Line (Design and Construction) |                           |   |
| Low Point WWTP Expansion Construction Phase I               |                           |   |
| Central WWTP Expansion (Design Only)                        |                           |   |
| Total   |                           | <u>\$57,774,700</u>                       |

<sup>1</sup> Includes a portion of Bond proceeds. See "THE BONDS—Application of Bond Proceeds."

### Customer Information

The Town classifies its sewer customers as residential and commercial inside or outside of Town. A breakdown of the accounts served as of December 31, 2020 as compared to the year ended December 31, 2019, is set forth below.

**TABLE III**  
**Estimated Sewer Accounts by Classification**

| Classification | 2019   |         | 2020         |          |
|----------------|--------|---------|--------------|----------|
|                | Inside | Outside | Inside       | Outside  |
| Residential    |        |         | 5,388        | 3        |
| Commercial     |        |         | <u>204</u>   | <u>4</u> |
| Total          |        |         | <u>5,592</u> | <u>7</u> |

Source: Town of Johnstown Finance Department

**TABLE IV**  
**2020 Largest Customers of the Sewer System <sup>1</sup>**

| <b>Customer</b>  | <b>Total User Charge Revenue Collected</b> | <b>Percent of Total Service Charges Collected <sup>2</sup></b> |
|------------------|--|--|
| RV Retreat       | \$15,040                                   | 0.71%  |
| Canyon Bakehouse | 14,017                                     | 0.66   |
| HJJ LLC          | 12,633                                     | 0.59   |
| TA Operating     | 10,881                                     | 0.51   |

<sup>1</sup> The four largest customers of the System, in aggregate, accounted for approximately 2.47% of actual total service charge revenues during 2020. No other customers represent more than .05% of the services charged. **[add a line for “Residential” or other category?]**

<sup>2</sup> Based on total Sewer Service revenues of \$2,130,323.

## **System Financial Information**

See “—System Capital Improvements and Long-Term Planning—*Rates and Tap Fee Policy*” above for a discussion of the Town’s policy with respect to establishing tap fees and usage fees.

### ***Sewer Fund Revenues***

The funds received from the collection of charges and rentals to the System are deposited, paid out and applied only in the manner and form provided for the issuance of wastewater revenue bonds for the Town, for the purpose of extending and improving the Town’s sanitary sewer system and treatment plant, such funds to be known and established as the “Sanitary Sewer Bond Fund,” but nothing contained in this Chapter should be construed in any way to prevent the Council from applying and crediting to such fund available money derived from any other sources.

Wastewater Fund revenues are generally made up of customer receipts, tap fees, and grants. The Wastewater Fund Revenue Sources table below lists the major revenue sources, as well as the amounts that are projected for 2021.

### **Wastewater Revenue Sources**

| <b>Source</b>        | <b>Amount</b>       | <b>Percent of Total</b> |
|----------------------|---------------------|-------------------------|
| Charges for Services | \$ 2,123,500        | 3.68%                   |
| Interest             | 7,200               | 0.01                    |
| Regional Impact Fees | 400,000             | 0.69                    |
| Tap Fees             | 792,000             | 1.37                    |
| Debt Proceeds        | 54,450,000          | 94.25                   |
| Miscellaneous        | <u>2,000</u>        | <u>0.00</u>             |
| Total                | <u>\$57,774,700</u> | 100.00%                 |



**Regional Sewer Fee.** In December of 2020, the Council adopted Ordinance No. 2020-190 to amend Article II of Chapter 13 of the Johnstown Municipal Code, adding Section 13-55, and establishing a regional sewer fee (the “Regional Sewer Fee”). The Regional Sewer Fee was effective as of January 1, 2021 and will be levied and assessed at the rate of \$9,500 per single family equivalent (“SFE”), to property owners in the region at the time of the issuance of a building permit. The Regional Sewer Fee will not be charged for any alterations or expansions of existing buildings where no additional dwelling units or square footage is added; the construction of assessor buildings or structures that do not add dwelling units of square footage to the principal building or use of the land; the replacement of a destroyed or partially destroyed building or structure with a new building or structure of the same square footage; or additional residential dwelling units in existing established subdivisions or on a property subject to approved final plats wherein the Town committed to provide water and sewer service pursuant to a water and sewer service agreement executed prior to January 1, 2021. The Regional Sewer Fee is not to be construed as an impact fee or development charge within the meaning of Section 29-20-104.5, C.R.S., as amended, but as a special fee within the home rule authority of the Town. The schedule of Regional Sewer Rates are set forth in the following table:

### **Regional Sewer Fee**

|  |         |
|--|---------|
| Regional Sewer Improvement Fee:            |         |
| Per Single Family Equivalent               | \$9,500 |
| Duplex and Triplex (per unit)              | 7,500   |
| Town Homes <12 unites/acers (per unit)     | 6,500   |
| Town Homes >12 units/acres (per unit)      | 6,000   |
| Multi-Family (per unit)                    | 5,000   |
| Commercial, Industrial and Other (per SFE) | 9,500   |

The revenues recognized from the Regional Sewer Fee will be remitted to the Enterprise and deposited into the Wastewater Fund. The funds will be used solely for the cost of the Improvements and will not be used for the operation and maintenance of the System or for any other purpose. The Town, acting on behalf of the Enterprise, will keep an accurate accounting of the cost of the Improvements and the revenues collected from the Regional Sewer Fee. See “—System Financial Information” and “TABLE V—Wastewater Tap Fee Revenues” below.

**Wastewater Fund Expenditures.** Expenditures in the Wastewater Fund include operating costs of \$2,356,353, capital outlay of \$25,386,600 and debt outlay of \$1,998,069. The capital is classified as nonrecurring and will fund system upgrades and new infrastructure. The ending fund balance in this fund will be utilized in 2022 and 2023 to complete the large infrastructure improvements started during this budget year.

The System’s long-term direction has been determined over the years by a focus on the key mission components of the System and long-term planning for capital and operating needs; rate setting and financing methods; and overall financial management of the System. The System serves approximately 5,570 wastewater customers (as of the end of 2019) **[update for 2020]**. The Town’s Public Works and Utilities Department staff administers the System and is currently staffed with approximately 7.25 full time equivalent employees per the adopted 2021 budget. The Town currently has a contracted ORC, who oversees the daily operations of all plant staff, both water and sewer, and holds “A” certifications in both services. The Town employs 7 cross trained individuals who work with the water and wastewater systems. The Town employees hold “C” and “D” certifications for wastewater.

The Wastewater Fund is responsible for the collection and treatment of domestic and industrial wastewater generated in Johnstown. Administration, maintenance, operation, monitoring, testing and treatment program are the primary functions. These activities are conducted under the State of Colorado clean water act.

***Sewer Rate Schedule.*** Wastewater rates are based upon the quantity and quality of sewage collected. The minimum monthly rate for residential, including multiple unit dwellings, and public users is based on an average of water use during the months of December, January and February. This is considered to be the “readiness to serve” charge, and ensures that each customer pays an appropriate amount to keep the sewer system ready to provide service at all times. Staff considers this to be similar to the fixed monthly water fee. The residential sewer rate will be \$31.56 with no usage charges (flat fee). The increases were effective on all customer bills beginning at the end of January 2021.

The decision to increase rates was carefully reviewed and recommended for changes based on the needs and obligations to operate, maintain, and improve the current wastewater systems, and to meet or exceed community expectations. The rate increases were approved as part of multi-year plans to upgrade the systems to meet, both, the expectations of the community by providing high quality drinking water, and the environmental and state mandated requirements of the Federal Clean Water Act. Historically, Johnstown residents have been paying less in water and sewer rates than surrounding municipalities and, while this rate increase is larger than residents have seen in the past, it puts the residents at about the same rates as other area municipalities of similar size.

***Sewer Tap Fees.*** Tap fees are a one-time fee that developers are charged to connect to the Town’s wastewater systems. They are based on the current value and size of the utility system and the value of the Town’s water rights portfolio. The structure of each tap fee is composed of components that together reflect the equitable portion of the utility system impacted by new customers. As new customers connect to the system, they pay for the portion of the developed system they will use. In this way, current customers benefit from lower sewer rates and increased reliability, while new customers pay their equitable share. Current customers do not pay tap fees.

Utility staff members calculate all non-single family residential tap fees individually to ensure that the Town not only recovers the costs of providing access to the water and sewer systems, but to also ensure that customers are paying the appropriate tap fee for their building and its associated uses.

Tap fee payments are required at the time that the building permit is issued. The obligation to pay the fees for sewer connections, until collected, constitutes a lien against the property. Tap fees represent the customer’s investment in the existing capacity of the System and expansion. The following table sets forth the tap fees collected by the Town since 2016.

**TABLE V**  
**Sewer Tap Fee Revenues**

| <b>Year</b>       | <b>Taps Issued</b> | <b>Tap Fee Revenues Collected</b> | <b>Percent Change</b> | <b>Regional Improvement Fee <sup>1</sup></b> |
|-------------------|--------------------|-----------------------------------|-----------------------|--|
| 2016              | 41                 | \$ 222,040                        | --                    | --   |
| 2017              | 45                 | 191,240                           | (13.87)%              | --   |
| 2018              | 42                 | 171,500                           | (10.32)               | --   |
| 2019              | 74                 | 1,174,298 <sup>2</sup>            | 584.72                | --   |
| 2020              | 137                | 722,150                           | (38.50)               | --   |
| 2021 <sup>3</sup> | 100                | 529,380                           | --                    | \$323,000                                    |

<sup>1</sup> Established in 2021. See “—*Regional Sewer Fee*” above.

<sup>2</sup> Johnstown Plaza Apartments accounted for \$731,000 of revenues in 2019, in addition to \$90,000 in revenues from commercial permits.

<sup>3</sup> Unaudited tap fee revenue received through May 31, 2021.

Source: Town of Johnstown Finance Department

***Sewer Rates and Tap Fee Policy.*** The Town’s policy is to review and revise utility rates and tap fees to ensure that costs are recovered equitably. Rates are reviewed and recommendations for annual increases are made to the Council on an annual basis. It is considered to be a best practice in the utilities industry to review, and when necessary, rebalance the rate and fees charged to ensure they are fair and equitable. The Town anticipates a 2.0% annual increase in sewer tap fees beginning in 2022 and continuing through 2027, with an additional 3% annual increase in user base fees each year beginning in 2022. The following tables set forth the rates and charges were adopted by Resolution No. 2020-38 in December 2020 and were effective as of January 1, 2021.

### Private Wastewater Disposal

|                            |                            |                           |
|----------------------------|----------------------------|---------------------------|
| Permit and Inspection Fee: | Residential and Commercial | Set by Council or \$1,000 |
|                            | Commercial                 | Set by Council or \$1,000 |

### Sanitary Sewers, Building Sewers and Connections

|  |             |       |
|--|-------------|-------|
| Building Sewer Permits:                | Residential | \$100 |
|  | Commercial  | \$500 |
| Administrative Review; Appeals Process | Docket Fee: | \$50  |

### Sewer Service Charges

| Customer Class—In Town:                            | Base         | Usage*               |
|--|--------------|----------------------|
| Residential  | \$31.56      | \$0.00               |
| Multi-Family                                       | \$31.56/unit | \$0.00               |
| Non-Residential                                    | \$31.56      | \$3.63/1,000 gallons |
| RV Facility (with Disposal Station(s) (per pad)    | \$12.62      |                      |
|  |              |                      |
| Customer Class—Outside Town:                       |              |                      |
| Residential  | \$47.34      | \$0.00               |
| Multi-Family                                       | \$47.34/unit | \$0.00               |
| Non-Residential                                    | \$47.34      | \$5.45/1,000 gallons |
| RV Facility (with Disposal Station(s) (per pad)    | \$18.93      |                      |
|  |              |                      |
| Surcharge for Solids and Irregular Concentrations: |              |                      |
| BOD  |              | \$0.0698/lb          |
| Suspended Solids                                   |              | \$0.1070/lb          |

### Industrial Users—Domestic Treatment Only

\* Usage amount calculated by averaging water use during the months of December, January and February.

## Sewer Tap Fees

### Single Family, Duplex, Town Homes (per unit)

|                         |         |
|-------------------------|---------|
| ≤ 3/4"                  | \$5,280 |
| 1"                      | 7,650   |
| 1.5"                    | 14,850  |
| 2"                      | 23,850  |
| 3"                      | 52,650  |
| Multi-Family (per unit) | 2,640   |

### Water Meter Size—out of Town Rates

|        |         |
|--------|---------|
| ≤ 3/4" | \$7,920 |
| 1"     | 11,475  |
| 1.5"   | 22,275  |
| 2"     | 35,775  |
| 3"     | 78,975  |

***Billing and Collection.*** The sewer charges that are levied are payable monthly and will be added to and made a part of the monthly water bill of the various properties in the Town and are payable within 15 days after the date of the utility bill. Late fees will be assessed (20) days after the date of the utility bill. If the deficiencies are not corrected, a penalty of \$10 will be added to the outstanding amount (as set forth in Resolution 2020-38 Adopting a Consolidated Fee Schedule). All sewer charges will be a charge and lien upon the premises to which sewer service is furnished from the date the same becomes due and until paid, and the owners of every building, premises, lot or house will be liable for all sewer service taken from his or her premises, which lien and liability may be enforced by the Town by action at law or suit to enforce such lien. In case the tenant in possession of such premises or building will pay the sewer charge, it will relieve his or her landlord from such obligation and lien, but the Town is not required to look to any person whatsoever other than the owner for the payment of sewer service herein provided. Further, if the sewer charges are not paid by the owner or by the tenant, then and in that event the Town Clerk will notify in writing the County Treasurer and give him or her the legal description of the property and the amount of the sewer charges due, and will be certified to the County Treasurer and added to the real estate taxes of the property owner.

In addition, the Town may, without notice, discontinue sanitary sewer service to any premises as to which the sanitary sewer service system charges remain delinquent. The Town may, without notice, discontinue the sanitary sewer service to any premises discharging nonacceptable wastes into the sanitary sewer system. However, due to the hardships caused by COVID-19, the Council supported suspending sewer utility shut-offs, as well as waiving late fees for residential and commercial accounts. The average monthly bill for a single-family resident within the Town in 2020 was \$25.25 and \$31.56 in 2021.

***Historical and Budgeted System Financial Information.*** The Town utilizes the enterprise fund concept for System accounting, an accounting concept appropriate for governmental entities with revenue generating operations. The Town has established a Wastewater Fund to provide for System revenues associated with the collection and treatment of the Town's wastewater. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service. Set forth below is a five-year comparative statement of Wastewater Fund revenues and expenses.

**TABLE VI**  
**Wastewater Fund**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**

|   | <b>2016</b>         | <b>2017</b>         | <b>2018</b>         | <b>2019</b>            | <b>2020<br/>(unaudited)</b> |
|---|---------------------|---------------------|---------------------|------------------------|-----------------------------|
| Operating Revenues:                                 |                     |                     |                     |                        |                             |
| Charges for Services                                | \$ 1,755,720        | \$ 1,831,209        | \$ 1,919,222        | \$ 2,045,675           | \$ 2,130,323                |
| Miscellaneous                                       | <u>83,246</u>       | <u>25,538</u>       | <u>22,258</u>       | <u>34,369</u>          | <u>16,520</u>               |
| Total Operating Revenue                             | <u>1,838,966</u>    | <u>1,856,747</u>    | <u>1,941,480</u>    | <u>2,080,044</u>       | <u>2,146,843</u>            |
| Operating Expenses:                                 |                     |                     |                     |                        |                             |
| Administration                                      | 174,767             | 186,617             | 226,831             | 264,017                | 180,118                     |
| Operations  | 997,511             | 927,220             | 1,032,670           | 4,206,723 <sup>2</sup> | 1,157,853                   |
| Depreciation  | <u>148,864</u>      | <u>280,963</u>      | <u>193,002</u>      | <u>214,313</u>         | <u>232,030</u>              |
| Total Operating Expenses                            | <u>1,321,142</u>    | <u>1,394,800</u>    | <u>1,452,503</u>    | <u>4,685,053</u>       | <u>1,570,001</u>            |
| Operating Income                                    | 517,824             | 461,947             | 488,977             | (2,605,009)            | 576,842                     |
| Non-Operating Revenues<br>(Expenses):               |                     |                     |                     |                        |                             |
| Interest Income                                     | <u>56,314</u>       | <u>51,725</u>       | <u>119,081</u>      | <u>202,637</u>         | <u>90,373</u>               |
| Total Non-Operating Revenues<br>(Expenses)          | <u>56,314</u>       | <u>51,725</u>       | <u>119,081</u>      | <u>202,637</u>         | <u>90,373</u>               |
| Income (Loss) Before Contributions<br>and Transfers | 572,138             | 513,672             | 608,058             | 2,402,372              | 667,215                     |
| Capital Contributions                               | 222,040             | 191,240             | 171,500             | 1,174,298              | 723,350                     |
| Transfers Out                                       | <u>--</u>           | <u>--</u>           | <u>--</u>           | <u>--</u>              | <u>(100,000)</u>            |
| Change in Net Position                              | 796,178             | 704,912             | 779,558             | (1,228,074)            | 1,290,565                   |
| Net position beginning, as previously<br>reported   | <u>13,977,615</u>   | <u>14,773,793</u>   | <u>15,478,705</u>   | <u>16,258,263</u>      | <u>15,030,189</u>           |
| Net position end of year                            | <u>\$14,773,793</u> | <u>\$15,478,705</u> | <u>\$16,258,263</u> | <u>\$15,030,189</u>    | <u>\$16,320,754</u>         |

<sup>1</sup> Unaudited figures through December 31, 2020. **[When will final audit be available?]**

<sup>2</sup> Increase in operations represents \$3,145,174 spent for sewer shares.

Source: Town of Johnstown Finance Department

Set forth hereafter is a comparative summary of the 2020 and 2021 Wastewater Fund budgets and the 2021 year to date unaudited actual financials. The Town's 2021 budget was adopted by the Council in December 2020.

**TABLE VII**  
**Wastewater Fund Budget Summary**

|  | 2020 Budget<br>(as adopted) | 2021 Budget<br>(as adopted) | 2021 Year to<br>date actuals<br>(unaudited) <sup>1</sup> |
|--|-----------------------------|-----------------------------|--|
| Revenues:  |                             |                             |  |
| Charges for Services                             | \$ 1,950,000                | \$ 2,123,500                | \$ 1,105,507   |
| Miscellaneous Revenue                            | <u>--</u>                   | <u>7,200</u>                | <u>--</u>  |
| Total Operating Revenue                          | <u>1,950,000</u>            | <u>2,130,700</u>            | <u>1,105,507</u>   |
| Non-Operating Revenues:                          |                             |                             |  |
| Capital Improvement Fees                         | 660,000                     | 1,192,000                   | 911,500  |
| Miscellaneous Revenue                            | 11,001,000                  | 54,452,000                  | 9,900  |
| Interest Expense                                 | <u>81,000</u>               | <u>--</u>                   | <u>531</u>   |
| Total Non-Operating Revenues                     | <u>11,742,000</u>           | <u>55,644,000</u>           | <u>921,931</u>   |
| Expenditures:                                    |                             |                             |  |
| Operations and Maintenance                       | 2,206,370                   | 2,121,353                   | 688,746  |
| Capital Improvements                             | 10,874,000                  | 25,386,600                  | 744,367  |
| Depreciation                                     | 205,000                     | 235,000                     | 93,942   |
| Debt   | <u>--</u>                   | <u>1,998,069</u>            | <u>--</u>  |
| Transfer Out                                     | <u>--</u>                   | <u>--</u>                   | <u>--</u>  |
| Total Expenditures                               | <u>13,285,370</u>           | <u>29,741,022</u>           | <u>1,527,055</u>   |
| Excess (Deficiency) of Revenues and Expenditures | 406,630                     | 28,033,678                  | 500,383  |
| Beginning Fund Balance                           | <u>7,598,987</u>            | <u>17,195,549</u>           | <u>16,320,754</u>  |
| Ending Fund Balance                              | <u>\$ 8,005,617</u>         | <u>\$45,229,227</u>         | <u>\$16,821,137</u>                                      |

<sup>1</sup> Unaudited year to date figures through May 31, 2021. [Update]  
Source: Town of Johnstown Finance Department

## Outstanding Financial Obligations

The Town provides for the operation of certain of its services, such as wastewater, as an enterprise which is not subject to the provisions of Article X, Section 20, see “APPENDIX D—THE TOWN—Constitutional Amendment Limiting Taxes and Spending.” The Bonds will be the only outstanding revenue obligations upon issuance of the Bonds. See “APPENDIX E—TOWN FINANCIAL INFORMATION AND DEBT STRUCTURE—Revenue Obligations” for additional revenue obligations of the Town.

## LEGAL MATTERS

### Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S. (the “Governmental Immunity Act”), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Town, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity.

In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment.

The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000 for claims accruing before January 1, 2018, or the sum of \$387,000 for claims accruing on or after January 1, 2018, and before January 1, 2022; (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 for claims accruing before January 1, 2018, except in such instance, no person may recover in excess of \$350,000; or the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000. These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index, with the first such increase occurring on January 1, 2018. The governing board of a public entity may increase any maximum amount that may be recovered from the public entity for certain types of injuries. However, a public entity may not be held liable either directly or by indemnification for punitive or exemplary damages unless the applicable entity voluntarily pays such damages in accordance with State law.

The Town has not acted to increase the damages liability limitations in the Governmental Immunity Act. Suits against both the Town and a public employee do not increase such maximum amounts which may be recovered. The Town may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the Town is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten (10) mills per annum for all outstanding settlements or judgments.

The Town may be subject to civil liability and damages including punitive or exemplary damages and it may not be able to claim sovereign immunity for actions founded upon various federal laws, or other actions filed in federal court. Examples of such civil liability include suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Town may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

### **Pending and Threatened Litigation Involving the Town**

The Town Attorney states that as of the date hereof, to the best of his knowledge, belief, and information, no litigation of any nature is now pending or threatened against the Town which, if determined adversely to the Town, would be expected to have a material adverse effect upon the Town's ability to comply with its obligations under the Bond Ordinance.



## Legal Representation

Legal matters incidental to the authorization, issuance and delivery of the Bonds, and with respect to the treatment of interest thereon for purposes of federal and State of Colorado income taxation, are subject to the approval of validity by Kutak Rock LLP, as Bond Counsel. In addition, Kutak Rock LLP has been retained to advise the Town concerning, and has assisted the Town in the preparation of, this Official Statement. Certain legal matters will be passed upon for the Town by Avi Rocklin as Counsel to the Town.

The obligations of the Town under the Bond Ordinance are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado, and to exercise by the United States of America of the powers delegated to it by the federal Constitution including without limitation, bankruptcy powers.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX MATTERS

**[KR to revise]** *General Matters.* In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Town with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Such interest is also exempt from income taxation by the State of Colorado.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is also of the opinion that, under existing State of Colorado statutes, interest on the Bonds is exempt from Colorado income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

**[Original Issue Discount.]** The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.]

***Original Issue Premium.*** The Bonds that have an original yield below their respective interest rates, as shown on the cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

***Recognition of Income Generally.*** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt

instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

***Backup Withholding.*** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

***Changes in Federal Tax Law.*** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds are advised to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Bonds.

## **MISCELLANEOUS**

### **Ratings**

S&P Global Ratings (“S&P”) has assigned the Bonds the rating set forth on the cover page based upon the Policy to be issued concurrently with the delivery of the Bonds by the Bond Insurer. In addition, S&P has assigned an underlying rating of “[ ]” to the Bonds based upon its rating of the Bonds without regard to the delivery of the Policy. Such ratings reflect only the view of such rating agency. Any explanation of the significance of such ratings should be obtained from S&P at 55 Water Street, New York, New York, 10041.

Generally, the rating agency bases its ratings on the information and materials furnished to them and on investigations, studies and assumptions of their own. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

## **Registration of Bonds**

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, pursuant to an exemption from registration provided in said act. THE TOWN ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

## **Undertaking to Provide Ongoing Disclosure**

Pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the Town has agreed for the benefit of the holders of the Bonds to provide certain financial information, other operating data and notices of material events to the Electronic Municipal Market Access facility (“EMMA”) operated by the Municipal Securities Rulemaking Board (“MSRB”) after the Bonds are executed and delivered. The form of the Town’s Continuing Disclosure Undertaking (the “Undertaking”) is attached as “APPENDIX C” to this Official Statement.

During the past five years, the Town has not been subject to any undertakings for ongoing disclosure under the Rule. A failure by the Town to comply with the requirements of the Rule will not constitute an Event of Default under the authorizing resolution (although Bond owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## **Interest of Certain Persons Named in this Official Statement**

The legal fees to be paid to Kutak Rock LLP are contingent upon the sale and delivery of the Bonds.

## **Underwriting**

The Bonds are being sold by the Town at an underwriting discount of \$\_\_\_\_\_ to the Underwriter pursuant to a purchase contract. See “THE BONDS—Application of Bond Proceeds.” Expenses associated with the issuance of the Bonds are being paid by the Town from proceeds of the issue. The right of the Underwriter to receive compensation in connection with this issue is contingent upon the actual sale and delivery of the Bonds. The Underwriter have initially offered the Bonds to the public at the prices or yields set forth on the cover page of this Official Statement. Such prices or yields, as the case may be, may subsequently change without any requirement of prior notice. The Underwriter reserve the right to join with dealers and other investment banking firms in offering the Bonds to the public.

## **Independent Auditors**

The basic financial statements of the Town as of and for the year ended December 31, 2020, included in this Official Statement, have been audited by Independent Auditors, John Cutler & Associates, LLC, Denver, Colorado, as stated in their report appearing therein. Such financial statements and auditor’s opinion have been included without prior review or consent of the auditor.

## **Additional Information**

Copies of statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are either publicly

available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources noted in Introduction.

**Official Statement Certification**

The preparation of this Official Statement and its distribution have been authorized by the Council. This Official Statement is hereby duly approved by the Council as of the date on the cover page hereof. This Official Statement is not to be construed as an agreement or contract between the Town and the purchasers or holders of any Bond.

**TOWN OF JOHNSTOWN, COLORADO**

By       /s/        
Mayor

## **APPENDIX A**

### **SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS**

**APPENDIX B**

**AUDITED BASIC FINANCIAL STATEMENTS OF THE TOWN  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

## APPENDIX C

### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered, as of \_\_\_\_\_, 2021, by the Town of Johnstown, in Larimer and Weld Counties, Colorado, acting by and through its Sanitary Sewer Utility Enterprise (the “Town”), in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of Wastewater Revenue Bonds, Series 2021 (the “Bonds”). The Bonds are being issued pursuant to an Ordinance adopted by the Town Council of the Town prior to the issuance of the Bonds (the “Ordinance”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Ordinance.

In consideration of the issuance of the Bonds by the Town and the purchase of such Bonds by the owners thereof, the Town hereby covenants and agrees as follows:

**Section 1. Purpose of this Undertaking.** This Undertaking is executed and delivered by the Town as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

**Section 2. Definitions.** The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Town, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means, initially the Town, or any successor agent designated as such in writing by the Town and which has filed with the Town a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.



“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 6.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

**Section 3. CUSIP Number/Final Official Statement.** The final CUSIP<sup>®</sup> for the Bonds is \_\_\_\_\_.<sup>1</sup> The final Official Statement relating to the Bonds is dated \_\_\_\_\_, 2021 (the “Final Official Statement”).

**Section 4. Annual Financial Information Disclosure.** Subject to Section 10 of this Undertaking, the Town hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Town’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 9 (nine) months of the completion date of the Town’s fiscal year.

The Town is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Town will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

**Section 5. Material Events Disclosure.** Subject to Section 10 of this Undertaking, the Town hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption is given to the owners of the Bonds

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<sup>®</sup> Copyright 2021 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence.

<sup>1</sup> The District takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

pursuant to the Ordinance. From and after the Effective Date, the Town is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Undertaking.

**Section 6. Duty to Update EMMA/MSRB.** The Town shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of the Town to Provide Information.** The Town shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Town to comply with any provision of this Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the Town to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Ordinance or any other agreement, and the sole remedy under this Undertaking in the event of any failure of the Town to comply with this Undertaking shall be an action to compel performance.

**Section 8. Amendments; Waiver.** Notwithstanding any other provision of this Undertaking, the Town may amend this Undertaking, and any provision of this Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Town or type of business conducted;

(ii) This Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the Town or the Town (such as the Paying Agent) or by an approving vote of the Bondholder Representative or of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the Town or its affiliates) at the time of the amendment, pursuant to the terms of the Ordinance; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

**Section 9. Termination of Agreement.** The Agreement of the Town shall be terminated hereunder when the Town shall no longer have any legal liability under the terms of the Ordinance pursuant to the terms of the Ordinance for any obligation on or relating to the repayment of the Bonds. The Town shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

**Section 10. Dissemination Agent.** The Dissemination Agent shall transmit all information delivered to it by the Town hereunder to the MSRB as provided in this Undertaking. The Town may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**Section 11. Additional Information.** Nothing in this Undertaking shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this

Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the Town chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the Town shall not have any obligation under this Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

**Section 12. Beneficiaries.** This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Town, the Dissemination Agent, if any, the Town, the Bondholder Representative and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping.** The Town shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Assignment.** The Town shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the Town under this Undertaking or to execute a continuing disclosure agreement under the Rule.

**Section 15. Governing Law.** This Undertaking shall be governed by the laws of the State.

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## **EXHIBIT I**

### **ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS**

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission, and such information need not be provided in the exact format as shown in the Final Official Statement. The Town shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within nine months after the last day of the Town’s fiscal year, commencing with the fiscal year ending December 31, 2021.

Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the Town.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of the Town, the Town will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

**[FORM OF TABLES TO BE PROVIDED]**

## **EXHIBIT II**

### **EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED**

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Town<sup>\*</sup>
13. The consummation of a merger, consolidation or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.
15. Incurrence of a Financial Obligation (as defined in Footnote 1 below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Town, any of which reflect financial difficulties.

<sup>\*</sup>This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

<sup>1</sup> “Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into, in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

## **APPENDIX D**

### **THE TOWN**

The Town of Johnstown (the “Town”) is located in Larimer and Weld Counties, along interstate I-25 approximately 50 miles north of Denver, 25 miles south of Fort Collins bordering Loveland, Windsor, Milliken, Berthoud and Greeley. The Town encompasses approximately 14.6 square miles and has a current estimated population of 17,382. Incorporated as a municipal corporation in 1907, the Town became a home rule municipality in 2006 upon adoption of its Charter.

#### **Town Powers**

Pursuant to the Charter, the Town has the power of local self-government and home rule, as well as all municipal powers established by the constitution and laws of the State of Colorado. Among those powers, rights and liabilities specifically granted by the Charter are the following: perpetual succession; to own, possess and hold real and personal property; to succeed to all rights and liabilities, to acquire all benefits and to assume payment of all bonds, obligations and indebtedness of the Town; to sue and defend, plead and be impleaded in all courts and places and in all matters and proceedings; to purchase, receive, hold and enjoy, or sell and dispose of real and personal property; to acquire, hold and manage property outside Town limits by gift, lease or purchase for park or recreation purposes and to adopt rules, regulations and schedules of charges for the use of such property; and to have and use a common seal. Pursuant to Section 16.2 of the Charter, the Town has the power to fix from time to time such just and reasonable rates and other charges as may be deemed advisable for supplying the inhabitants of the Town and others with such public utility services as the Town may provide. In addition, the powers granted to municipalities by the constitution and laws of the State of Colorado include the powers relating to the assessment of property and the levy and collection of general taxes.

#### **Governing Body**

The Town operates under a council manager form of government whereby, except as otherwise provided by the Charter or statute, the Council exercises all powers conferred upon or possessed by the Town and has the power and authority to adopt such laws, ordinances and resolutions as it deems proper in the exercise thereof, and the Town Manager serves as the chief administrative officer of the Town government. The Council consists of seven members, six Councilors and the mayor, all of whom are elected from the Town at large. The mayor is the presiding officer of the Council and has an equal voice and vote in all proceedings of the Council, but has no veto power. The mayor *pro tem* is appointed from the Council membership to serve in the event of absence or disability of the mayor.

The Council effects its decisions through the passage of ordinances, resolutions, motions. Actions by resolution, motion are limited to matters required or permitted to be so done by the Charter or by state or federal law, or pertaining to the internal affairs or concern of the Town government. All other acts of the Council, and all acts carrying a penalty for violation, must be by ordinance.

| Name/Office                          | Principal Occupation | Years of Service | Term Expires |
|--------------------------------------|----------------------|------------------|--------------|
| Gary Lebsac, Mayor                   | Retired Farmer       | 17               | 2023         |
| Chad Young, Mayor Pro Tem            | Funeral Director     | 6                | 2024         |
| Damien Berg, Member                  | Management           | 2                | 2024         |
| Kevin Lemasters, Member <sup>1</sup> | Business Owner       | 3                | 2022         |
| Troy Mellon, Member                  | Network Engineer     | 7                | 2024         |
| Jesse Molinar Jr., Member            | Firefighter          | 11               | 2022         |
| Amy Tallent, Member                  | Business Owner       | 4                | 2022         |

<sup>1</sup> Council member Lemasters will be leaving the Council in June. The Council is reviewing applications for the replacement of Mr. Lemasters-- applications were accepted through May 26 and were considered at the June 21 Council meeting. ***[Has a replacement already been named?]***

## Administration

The Council is responsible for providing policy direction for the Town and the adoption of ordinances and resolutions regulating Town affairs. However, the day-to-day operations of the Town are conducted by Town staff members. Below is certain information on administrative and management personnel most directly involved in the management of the Town, their duties within the Town government and their background experience.

The Administration Department consists of the Town Manager. Together in the Town Manager's Office they are responsible for managing and coordinating the day to day operations of the Town and for the enforcement of all policies, laws, and ordinances. The Administration Department implements the Council's goals and objectives and is responsible for the coordination of all municipal programs and services. In addition, the Town Manager makes recommendations to the Mayor and the Council as appropriate during Council meetings concerning current and future needs of the Town, without the right to vote.

The Town Manager is responsible for the preparation of the Town's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year. The Town Manager, in carrying out the responsibilities of fiscal planning and of other areas of Town government, has the authority to appoint the heads of the various departments and divisions.

***Town Manager.*** The Town Manager is the chief administrative officer of the Town. He is responsible to the Council for all Town affairs placed in his charge by the Charter or by law, including responsibility for the efficient operation of all administrative departments of the Town government with the exception of those under the direction of the Town Attorney and the municipal court. He is further required to perform such other duties as requested by the Council.

Matthew S. LeCerf was appointed as Town Manager in October 2018. Prior to his employment with the Town, Mr. LeCerf was Town Manager for the Town of Frederick, Colorado for nearly 7 years and City Manager for the City of Maryville, Missouri for almost six years prior to that. Mr. LeCerf has a Bachelor of Science degree in Geography focusing on Geographic Information Systems (GIS) and a Masters of Public Administration from Valdosta State University. He is a member of the International City and County Management Association and the Colorado City and County Management Association.

***Finance Director.*** The Town Finance Director acts as the Town Treasurer pursuant to the Town Charter and Code. The responsibilities of the Finance Director include, but are not limited to, accounting

and financial reporting, debt management, sales tax administration, revenue collection, investments, purchasing, and pension administration.

Mitzi McCoy was hired as the Finance Director in February 2019. Ms. McCoy has 12 years of experience as a municipal Finance Director as the Finance Director for the Town of Frederick, Colorado for over seven years and for the Town of Milliken, Colorado for over three years. Ms. McCoy has a Bachelor of Science degree with emphasis in Accounting from the University of Northern Colorado. Ms. McCoy is a member of the Colorado Government Finance Officers Association and the Government Finance Officers Association.

### **Town Employees and Benefits**

Currently, the Town employs 63 full-time employees, 4 part-time employees and approximately 5 seasonal employees and considers its employee relations to be “good.” Staffing levels of Johnstown have been below the minimum necessary to effectively and efficiently operate the organization given the substantial growth that has taken place over the past 5-10 years. The increase has focused on improving the level of service delivery to the community. Staffing levels will continue to increase over time, as the growth of the community and services delivered expand and will need to be met. The Town does not recognize or collectively bargain with any employee union or association. The Town has worked to develop a comprehensive compensation package for its staff members, including medical coverage, dental coverage, vision coverage and life insurance. Employees earn paid time off at rates that increase as the length of the employee’s service increases.

### **Services Provided by the Town**

Johnstown is a full service Town, providing a broad range of municipal services to the community including police and fire protection; emergency medical and ambulance; water and wastewater utilities; parks, recreation and libraries; street maintenance and construction; cultural and general administrative services; and planning and community development.

### **Required Elections**

Article X, Section 20 of the Colorado Constitution requires that, with certain exceptions, the Town must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect Town debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Enterprises, as defined in Article X, Section 20, refundings at a lower interest rate, and obligations subject to annual appropriation are excluded from the application of said Section and the voter approval requirements established therein. For a discussion of Article X, Section 20 see “—Constitutional Amendment Limiting Taxes and Spending” below.

### **Constitutional Amendment Limiting Taxes and Spending**

**General.** In 1992, Colorado voters approved the Taxpayer’s Bill of Rights (“TABOR”) that constitutes Article X, Section 20 of the Colorado Constitution. TABOR imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as “enterprises” under TABOR (each of which is referred to in this section as a “governmental unit”). Any of the following actions, for example, now require voter approval in advance: (a) any increase in a governmental unit’s spending from one year to the next in excess of the rate of inflation plus a “growth factor” based on the net percentage change in actual value of all real property in a governmental unit from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property for government units other than school districts,



and the percentage change in student enrollment for a school district; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate “growth factor” referred to in (a), above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a State general election, at the governmental unit’s regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending (excluding bonded debt service) in 1995 and subsequent years. TABOR provides that “[w]hen a governmental unit’s annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, [the voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency.” The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

***Enterprises.*** Enterprises are excluded from the provisions of the Amendment. As defined in TABOR, 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.

***Electoral Authorization to Collect, Retain and Spend Revenues (“De-Brucing”).*** On November 7, 2000, voters within the Town approved the collection, retention and expenditure of the full revenue generated by the Town commencing on January 1, 1999 and subsequent years. Therefore the Town is not subject to the revenue limitations of the TABOR amendment.

## **Budget Process**

The Town of Johnstown’s budget is a fiscal blueprint for service delivery. As set forth in the Town Charter, the Council must adopt a balanced budget on a calendar year basis.

On or before the first council meeting in October each year the Town Manager must prepare and submit a recommended budget to the Council. The recommended budget must provide an estimate of anticipated revenues classified by source; estimate of cash available, if any, as of December 31 of the current fiscal year; proposed expenditures for the operation of the Town, by fund, department, office and agency, and the methods of financing such expenditures; provisions for reserves and contingencies; proposed capital expenditures, by fund, department, office and agency, and the proposed methods of financing such expenditures; anticipated net surplus or deficit for each municipal utility system and the proposed method of its disposition; anticipated net surplus or deficit for each municipal enterprise and the proposed method of its disposition; an estimate of the amount required to be raised from an ad valorem property tax levy; a statement of the outstanding securities and other debt and payment obligations of the Town, showing the debt redemption and interest requirements, the debt authorized and outstanding and the condition of sinking funds, if any; and such other information as the Council may require. If required by the Council, by resolution or ordinance, the Town Manager will submit to the Council, simultaneously with his recommended budget, a schedule showing all recommended capital outlay expenditures during the

following five fiscal years. The budget must also contain such additional information as the Council may request.

A public hearing on the proposed budget must be held before its final adoption. Notice of the hearing must be published not less than ten days prior to its scheduled date, stating that the proposed budget is available for public inspection at the Town. In accordance with state statutes, the budget is to be adopted no later than the 15<sup>th</sup> of December. On or before the last day of the current fiscal year, the Council will appropriate by ordinance, based upon the budget as adopted, the moneys needed for municipal purposes during the next fiscal year. The Council can adopt a budget for two fiscal years instead of one fiscal year, according to such procedures as the Council will prescribe by ordinance. The Council adopted the Town's 2021 budget in a timely manner pursuant to the above described procedure.

Subject to the restriction discussed below, the adopted budget must provide for a levy on real and personal property which will result in the collection of revenues in the amount necessary to be raised from ad valorem property taxes for municipal purposes. Following adoption of the budget, the Council certifies to the county assessors the amount to be levied on taxable property within the Town for collection by the county treasurers.

The Town Manager submits to the Council as often as required, data comparing the estimated and actual revenues and appropriated expenditures to date. If accrued revenues are less than anticipated, the Council may reduce appropriations, except amounts required for debt and interest charges, as is necessary to keep expenditures within revenues.

With the exception of expenditures to be financed by the issuance of bonds or by special assessment, no expenditure may be made from Town funds unless a specific appropriation has been made for such purpose. [The Council must approve all purchases and contracts in excess of \$75,000], with the Town Manager having the authority to approve purchases and contracts in lesser amounts if funds have previously been budgeted to cover such expenses. In the case of an emergency or other unforeseeable event, money designated for contingencies may be transferred without additional appropriation by ordinance but does require the adoption of a resolution; the Town Manager may order the transfer of funds within a departmental budget; or the Council may transfer any unencumbered appropriation balance, or any portion thereof, from one account or department (by motion) to another, and from one fund or agency (by ordinance) to another, at any time during the year. If the Town receives revenues which were unanticipated at the time of adoption of the budget, the Council may authorize, by ordinance, the expenditure thereof by adopting supplemental appropriations. The balance of any budget appropriation which has not been spent at the end of the year reverts to the fund from which the appropriation was made.

## APPENDIX E

### TOWN FINANCIAL INFORMATION AND DEBT STRUCTURE

#### Accounting Policies and Financial Statements

The accounts of the Town are organized on the basis of funds which are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. Each fund is considered a separate accounting entity. The operations of each fund include its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. For a description of the various funds and account groups, see the Town's financial statements appended hereto.

The Town Charter requires that an independent audit will be made of all Town accounts at least annually, and more frequently if deemed necessary by the Council. The audited financial statements must be filed with the state auditor by July 31<sup>st</sup> of each year. Failure to comply with this requirement to file an audit report may result in the withholding of the Town's property tax revenues by the county treasurers pending compliance.

The basic financial statements from the Town's 2019 Annual Financial Report are appended hereto. Such financial statements are the most current audited financial information available for the Town.

#### Major Sources of General Fund Revenues

The governmental fund utilized for the administration and operation of the Town is the General Fund. The following are the major sources of revenue to such fund. See also the "Historical General Fund Revenues, Expenditures and Changes in Fund Balances" table hereafter.

***Charges for Services.*** Revenues from charges for services represent the largest source of revenue in the Town's General Fund over the last [ ] period, comprising \$9,252,197 (23%) of total 2019 General Fund Revenues and [\$\_\_\_\_\_ (\_\_\_\_%) in 2020 (unaudited)]. Charges for services are user based fees established to defray the cost of operations such as park rentals, trash collection and charges for utilities such as water, sewer and drainage.

***Sales and Use Taxes.*** Sales and Use Tax revenues represented the next source of revenue in the Town's General Fund, comprising \$8,567,197 (22%) of total 2019 General Fund Revenues and [\$\_\_\_\_\_ (\_\_\_\_%) in 2020 (unaudited)].

***Property Taxes.*** Property tax revenues represent the next largest source of revenue in the Town's General Fund, comprising of \$ 6,832,671 (17%) of total 2019 General Fund Revenues and [\$\_\_\_\_\_ (\_\_\_\_%) in 2020 (unaudited)]. .

***Other Revenue Sources.*** The Town also receives General Fund revenues from several additional sources including investments, rents, insurance proceeds, reimbursement of expense and other miscellaneous revenue sources, franchise fees, licenses and permits, recreation fees, park development fees, fines and forfeitures, and interest income. Several intergovernmental revenue sources are also included in the General Fund; among these are State highway users' taxes, specific ownership taxes, motor vehicle registration fees, cigarette taxes, road and bridge revenues.

## Historical General Fund Operations

Set forth in the following table is a comparative statement of revenues and expenditures of the Town's General Fund, including the December 31 fund balance for each year. The following information should be read together with the general purpose financial statements and accompanying notes of the Town appended hereto. Preceding years' audited financial statements of the Town may be obtained from the sources designated in "MISCELLANEOUS—Additional Information."

### Historical General Fund Revenues, Expenditures and Changes in Fund Balances

|   | 2016                | 2017                             | 2018                    | 2019                             | 2020<br>(Unaudited) <sup>3</sup> |
|---|---------------------|----------------------------------|-------------------------|----------------------------------|----------------------------------|
| <b>Revenues</b>                                 |                     |                                  |                         |                                  |                                  |
| Taxes and Fees                                  | \$ 7,108,659        | \$ 8,568,374                     | \$11,695,694            | \$13,640,275                     | \$18,176,264                     |
| Licenses and Permits                            | 581,206             | 1,037,157                        | 807,291                 | 577,879                          | 806,904                          |
| Intergovernmental                               | 518,236             | 536,088                          | 1,148,846               | 900,096                          | 933,830                          |
| Charges for Services                            | 537,908             | 621,619                          | 751,504                 | 782,587                          | 12,624                           |
| Fines and Forfeitures                           | 144,382             | 172,567                          | 145,413                 | 214,125                          | 148,877                          |
| Interest Income                                 | 99,331              | 82,035                           | 542,811                 | 774,643                          | 397,304                          |
| Miscellaneous                                   | 131,228             | 171,429                          | 62,628                  | 1,022,180                        | 719,737                          |
| Total Revenues                                  | <u>9,120,950</u>    | <u>11,189,269</u>                | <u>15,154,187</u>       | <u>17,911,785</u>                | <u>21,195,540</u>                |
| <b>Expenditures</b>                             |                     |                                  |                         |                                  |                                  |
| General Government                              | 589,263             | 603,998                          | 1,368,025               | 1,541,510                        | 3,277,859                        |
| Public safety                                   | 1,729,677           | 1,693,843                        | 2,151,841               | 2,377,020                        | 3,193,597                        |
| Public works                                    | 1,177,527           | 1,366,522                        | 1,380,547               | 1,598,277                        | 1,259,106                        |
| Health and Welfare                              | 99,220              | 116,436                          | 72,130                  | 71,959                           | --                               |
| Culture and Recreation                          | 293,725             | 351,761                          | 230,455                 | 254,439                          | 441,756                          |
| Capital Outlay                                  | 110,367             | 271,002                          | 2,875,276               | 21,625,367                       | 9,011,382                        |
| Total Expenditures                              | <u>3,999,779</u>    | <u>4,403,562</u>                 | <u>8,078,274</u>        | <u>27,468,572</u>                | <u>17,183,700</u>                |
| Excess of Revenues Over<br>(Under) Expenditures | 5,121,171           | 6,785,707                        | 7,075,913               | (9,556,787)                      | 4,011,840                        |
| <b>Other Financing Sources (Uses)</b>           |                     |                                  |                         |                                  |                                  |
| Transfers In                                    | 43,350              | 43,350                           | 2,250,000               | 9,000,000                        | 59,895                           |
| Transfers Out                                   | <u>(55,299)</u>     | <u>(573,900)</u>                 | <u>(571,416)</u>        | <u>(2,85,554)</u>                | <u>(3,970,256)</u>               |
| Total Other Financing<br>Sources (Uses)         | <u>(511,949)</u>    | <u>(530,550)</u>                 | <u>1,678,584</u>        | <u>6,714,446</u>                 | <u>(3,910,361)</u>               |
| Net Change in Fund Balances                     | 4,609,222           | 6,255,157                        | 8,754,497               | (2,842,341)                      | 101,479                          |
| Beginning Fund Balance                          | 26,315,841          | 30,824,125                       | 43,633,723 <sup>2</sup> | 52,388,220                       | 54,864,679 <sup>3</sup>          |
| Prior Period Adjustment <sup>1</sup>            | <u>(100,934)</u>    | <u>--</u>                        | <u>--</u>               | <u>--</u>                        | <u>--</u>                        |
| Ending Fund Balance                             | <u>\$30,824,129</u> | <u>\$37,079,286</u> <sup>2</sup> | <u>\$52,388,220</u>     | <u>\$49,545,879</u> <sup>3</sup> | <u>\$54,966,158</u>              |

<sup>1</sup> Beginning fund balance was adjusted to property report developer deposits collected for development as a deposit liability of the Town.

<sup>2</sup> \$6,554,437 [discuss change in balances from 2016 -2017].

<sup>3</sup> Unaudited adjusted figures through December 31, 2020.

<sup>4</sup> \$5,31,8800 [discuss change in balance from 2019-2020].

Source: Town of Johnstown Finance Department

**General Fund Budget Summary and Comparison.** The following table compares the Town's General Fund budgets for 2020 and 2021. **[Please provide 2021 year to date financials.]**

## General Fund Budget Summary and Comparison

|  | 2020 Budget<br>(as adopted) | 2021 Budget<br>(as adopted)    | 2021 Year to<br>Date Actuals <sup>1</sup> |
|--|-----------------------------|--------------------------------|---|
| Revenues   |                             |                                |   |
| Taxes and Fees                                   | \$12,631,080                | \$14,917,027                   | \$ 9,907,243                              |
| Licenses and Permits                             | 822,200                     | 899,350                        | 789,408                                   |
| Fines and Forfeitures                            | 171,000                     | 122,000                        | 74,062                                    |
| Earnings on Investment                           | 288,000                     | 112,000                        | 38,025                                    |
| Miscellaneous Revenue                            | 201,200                     | 121,500                        | 216,539                                   |
| Grants and Contributions                         | 36,000                      | --                             | --  |
| Intergovernmental                                | <u>--</u>                   | <u>40,000</u>                  | <u>14,866</u>                             |
| Total Revenue                                    | <u>14,149,480</u>           | <u>16,211,879</u>              | <u>11,040,143</u>                         |
| Expenditures                                     |                             |                                |   |
| Council  | 978,200                     | 1,675,200                      | 709,930                                   |
| Town Manager                                     | 722,750                     | 968,280                        | 157,915                                   |
| Town Clerk                                       | 338,850                     | 413,885                        | 134,662                                   |
| Finance  | 230,950                     | 265,230                        | 138,316                                   |
| Planning   | 762,600                     | 641,740                        | 278,162                                   |
| Building Inspections                             | 236,200                     | 259,350                        | 86,878                                    |
| Police   | 3,522,080                   | 3,765,193                      | 1,264,067                                 |
| Public Works and Buildings                       | 343,850                     | 526,675                        | 147,873                                   |
| Rec Center                                       | <u>--</u>                   | <u>500,000</u>                 | <u>208,333</u>                            |
| Total Expenditures                               | <u>7,135,480</u>            | <u>9,015,553</u>               | <u>3,126,136</u>                          |
| Excess (Deficiency) of Revenues and Expenditures | <u>7,014,000</u>            | <u>7,196,324</u>               | <u>7,914,007</u>                          |
| Other Financing Sources (Uses)                   |                             |                                |   |
| Transfers In                                     | --                          | 750,000                        | --  |
| Transfers Out                                    | <u>(14,097,660)</u>         | <u>7,242,457</u>               | <u>(474,024)</u>                          |
| Total Other Financing Sources (Uses)             | <u>(14,097,660)</u>         | <u>(6,492,457)</u>             | <u>(474,024)</u>                          |
| Net Change in Fund Balance                       | (7,083,660)                 | 703,867                        | 7,439,983                                 |
| Beginning Balance                                | <u>35,143,373</u>           | <u>43,273,376</u> <sup>2</sup> | <u>54,966,158</u>                         |
| Ending Balance                                   | <u>\$ 28,059,713</u>        | <u>\$43,977,243</u>            | <u>\$62,406,141</u>                       |

<sup>1</sup> Unaudited figures through May 31, 2021.

<sup>2</sup> As restated.

Source: Town of Johnstown Finance Department

### Retirement and Pension Matters

See Note 8 to the Town's financial statements appended hereto for a more complete discussion of the Town's retirement and pension matters.

### Insurance Coverage

The Council acts to protect the Town against loss and liability by maintaining certain insurance coverages. The Town carries commercial insurance to cover these risks. The Town Manager believes the

Town's present insurance coverage to be adequate. However, there can be no assurance that the Town will continue to maintain this level of coverage. **[Confirm]**

### **Deposit and Investment of Town Funds**

The Council adopted the [updated] Investment Policy, dated [ ] (the "Investment Policy"), that sets forth policies with regard to investing the financial assets of all Town funds [except for its Employee Pension Plan Funds, the Deferred Compensation Fund, and the Volunteer Firefighter Pension Fund that are organized and administered separately]. Under the Charter and the Investment Policy, the authority to manage the Town's investment portfolio is vested with the Town Treasurer. Pursuant to the Investment Policy, the Town is to invest its financial assets in accordance with applicable State statutes in eligible depositories and for the collateralization of such deposited funds. See also Note 3 to the Town's financial statements appended hereto. The investment of the proceeds of this issue also is subject to the provisions of the Federal Tax Code. See "TAX MATTERS."

### **Revenue Obligations**

The Council may, by ordinance and without any election and indebtedness, issue securities, and may, without any election, otherwise incur financial obligations for any public purpose payable in whole or in part from any source of revenues other than general ad valorem property taxes or sales and use taxes. Notwithstanding the provisions of Section 13.4 of the Code, the Council may, by ordinance and without any election and indebtedness, utilize property, sales or use tax incentives for economic development or public purpose incentives as determined by the Council. The Town does not have any outstanding revenue obligations upon issuance of the Bonds.

### **Leases and Long-Term Contracts**

The Council has the authority to enter into installment or lease option contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The Town does not have any outstanding leases and long-term contract obligations upon issuance of the Bonds.

### **Charter Debt Limitation**

In accordance with Section 31-15-302 C.R.S., the total outstanding indebtedness of the Town, including the total of principal amounts payable under any installment or lease option contracts, may not exceed 3% of the statutory actual value of taxable property within the Town as determined by the county assessors for the last preceding assessment. [Excluded from the limitation is any indebtedness for the acquisition or extension of a water system and supply, public utilities, projects, enterprises, works or ways from which the Town will derive revenue.] The Town has no outstanding indebtedness applicable to the debt limitation.

As certified by the Larimer and Weld County assessor's office, the Town's "actual" valuation for the 2020 levy year was \$2,657,390,879 resulting in a current debt limit of \$79,721,726. For the amount of debt currently subject to the debt limit see "*—Leases and Long-Term Contracts*" above.

### **General Obligation Debt**

"Debt" or "indebtedness" as used in this section means, generally, obligations backed by the Town's full faith and credit and secured by the unlimited power of the Town to levy ad valorem property

taxes for the payment of bonds and the interest thereon. Any general obligation indebtedness of the Town is subject to certain election requirements. The Town does not have any outstanding general obligation debt upon issuance of the Bonds.

### **Town Debt Policy**

The Town adopted a debt policy on [\_\_\_\_\_]. Prior to formally adopting a policy, the Town adhered to the provisions of its Town Charter and complied with applicable state and federal legal requirements for municipal debt. Staff also followed guidance provided by the Government Finance Officers Association (“GFOA”) in their Recommended Practices for Debt Management and from the rating agencies regarding prudent financial management for municipalities. [please provide a copy of this policy]

## APPENDIX F

### ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the larger metropolitan area within which the Town is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the Town is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the Town or its officers, employees, or advisors.*

#### Population

The following table sets forth the population of the Town of Johnstown (the “Town”), Larimer County (“Larimer”), Weld County (“Weld”) and the State of Colorado (the “State”).

| Population <sup>1</sup> |                   |                |                             |                          |           |
|-------------------------|-------------------|----------------|-----------------------------|--------------------------|-----------|
| Year                    | Town of Johnstown | Percent Change | Larimer County <sup>1</sup> | Weld County <sup>1</sup> | Colorado  |
| 1970                    | 1,191             | --             | 89,900                      | 89,297                   | 2,209,596 |
| 1980                    | 1,535             | 28.88%         | 149,184                     | 123,438                  | 2,889,735 |
| 1990                    | 1,579             | 2.87           | 186,136                     | 131,821                  | 3,294,473 |
| 2000                    | 3,827             | 142.37         | 251,494                     | 180,936                  | 4,302,015 |
| 2010                    | 9,887             | 158.35         | 299,630                     | 252,825                  | 5,029,196 |
| 2019 <sup>2</sup>       | 15,106            | --             | 356,938                     | 323,763                  | 5,763,976 |

<sup>1</sup> The Town of Johnstown is located in both Larimer and Weld Counties and therefore information for both counties is included herein as pertinent to the Town.

<sup>2</sup> Estimate.

Source: U.S. Department of Commerce, Bureau of the Census Population and Housing Unit Costs 2010 Census and Colorado Department of Local Affairs



## Income

The following tables set forth certain information on household income in Larimer and Weld Counties, the State and the United States.

### Median Household Effective Buying Income <sup>1</sup>

|                | 2016     | 2017     | 2018     | 2019     | 2020     |
|----------------|----------|----------|----------|----------|----------|
| Larimer County | \$52,080 | \$51,114 | \$58,137 | \$58,861 | \$63,040 |
| Weld County    | 52,579   | 56,125   | 62,329   | 57,819   | 60,064   |
| Colorado       | 52,345   | 54,718   | 57,732   | 59,227   | 62,340   |
| United States  | 46,738   | 48,043   | 50,620   | 52,468   | 54,686   |

<sup>1</sup> Calculated as of January 1.

Source: The Nielsen Company, *Site Reports*, 2016-2017; Environics Analytics, *Spotlight Claritas Reports* 2018-2020

### Percent of Households by Effective Buying Income Groups – 2020 <sup>1</sup>

|                | Less Than<br>\$25,000 | \$25,000-<br>\$49,999 | \$50,000-<br>\$99,999 | \$100,000-<br>\$149,999 | \$150,000<br>and more |
|----------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| Larimer County | 16.52%                | 23.58%                | 35.24%                | 15.05%                  | 9.63%                 |
| Weld County    | 16.17                 | 24.49                 | 40.61                 | 12.52                   | 6.20                  |
| Colorado       | 15.57                 | 24.20                 | 36.17                 | 14.08                   | 9.98                  |
| United States  | 20.24                 | 25.61                 | 34.10                 | 11.57                   | 8.47                  |

<sup>1</sup> Calculated as of January 1. Totals may not equal 100% due to rounding.

Source: The Nielsen Company, *Site Reports*, 2020

### Per Capita Personal Income

|                | 2015     | 2016     | 2017     | 2018     | 2019     |
|----------------|----------|----------|----------|----------|----------|
| Larimer County | \$47,007 | \$48,422 | \$51,748 | \$54,207 | \$55,884 |
| Weld County    | 43,925   | 43,745   | 44,479   | 48,035   | 50,198   |
| Colorado       | 52,254   | 52,475   | 55,604   | 58,896   | 61,157   |
| United States  | 49,019   | 50,015   | 52,118   | 54,606   | 56,490   |

Source: United States Department of Commerce, Bureau of Economic Analysis

## Retail Sales

The retail trade sector employs a large portion of the County's work force and is important to the area's economy. The following table sets forth information on retail sales within the Town, Larimer and Weld Counties, and the State for the years indicated.

| Retail Sales<br>(in thousands) |           |                   |                   |                   |                |                   |               |                   |
|--------------------------------|-----------|-------------------|-------------------|-------------------|----------------|-------------------|---------------|-------------------|
| Year                           | Johnstown | Percent<br>Change | Larimer<br>County | Percent<br>Change | Weld<br>County | Percent<br>Change | Colorado      | Percent<br>Change |
| 2016                           | \$358,841 | --                | \$10,417,288      | --                | \$ 9,875,734   | --                | \$184,703,410 | --                |
| 2017                           | 418,736   | 16.69%            | 10,769,971        | 3.39%             | 11,113,079     | 12.53%            | 194,641,958   | 5.38%             |
| 2018                           | 551,068   | 31.60             | 11,343,271        | 5.32              | 12,167,650     | 9.49              | 206,121,045   | 5.90              |
| 2019                           | 483,420   | (12.28)           | 12,432,024        | 9.60              | 13,251,205     | 8.91              | 224,618,938   | 8.97              |
| 2020                           | 573,596   | 18.65             | 13,623,881        | 9.59              | 13,198,755     | (0.40)            | 233,586,882   | 3.99              |
| 2021 <sup>1</sup>              | 146,271   | --                | 3,044,229         | --                | 2,881,470      | --                | 6,323,630     | --                |

<sup>1</sup> Retail sales through March 31, 2021. *[Update closer to posting]*

Source: State of Colorado, Department of Revenue, Retail Sales Reports 2016-2021

## School Enrollment

The following table presents a five-year history of school enrollment for Thompson School District R2-J in Larimer County, and Johnstown-Milliken School District RE-5J in Weld County, the school districts serving the Town.

| School Enrollment |               |                             |
|-------------------|---------------|-----------------------------|
| Year              | Thompson R2-J | Johnstown-Milliken<br>RE-5J |
| 2016/2017         | 16,280        | 3,830                       |
| 2017/2018         | 16,278        | 3,891                       |
| 2018/2019         | 16,181        | 3,986                       |
| 2019/2020         | 16,163        | 3,969                       |
| 2020/2021         | 14,965        | 3,738                       |

Source: Colorado Department of Education

## Building Activity

The following tables set forth the building permit activity for the Town of Johnstown.

### Building Permit History

| Year              | Residential<br>Single Family |              | Residential<br>Multi-Family |              | Commercial |              |
|-------------------|------------------------------|--------------|-----------------------------|--------------|------------|--------------|
|                   | Permits                      | Valuation    | Permits                     | Valuation    | Permits    | Valuation    |
| 2016              | 124                          | \$39,924,000 | 8                           | \$ 6,436,400 | 34         | \$82,276,100 |
| 2017              | 126                          | 34,783,000   | 14                          | 54,974,000   | 7          | 24,466,437   |
| 2018              | 122                          | 40,820,863   | 4                           | 36,135,000   | 44         | 47,798,400   |
| 2019              | 87                           | 25,120,200   | 3                           | 12,000,000   | 32         | 25,048,600   |
| 2020              | 108                          | 40,405,800   | --                          | --           | 36         | 41,667,900   |
| 2021 <sup>1</sup> | 10                           | 3,580,650    | --                          | --           | --         | --           |

<sup>1</sup> Permits issued through January 31, 2021. *[Update closer to posting]*

Source: Johnstown Building Department

## Foreclosure Activity

The number of foreclosures filed in Larimer and Weld Counties are set forth in the following table.

### History of Foreclosures

| Year              | Larimer County | Percent Change | Weld County | Percent Change |
|-------------------|----------------|----------------|-------------|----------------|
| 2017              | 233            | --             | 360         | --             |
| 2018              | 190            | (18.45)%       | 373         | 3.61%          |
| 2019              | 205            | 7.89           | 333         | (10.72)        |
| 2020 <sup>1</sup> | 83             | (59.51)        | 116         | (65.17)        |
| 2021 <sup>2</sup> | 15             | --             | 5           | --             |

<sup>1</sup> The decrease in the number of foreclosures filed in 2020 was the result of the State imposed restrictions in place regarding foreclosures. See "INVESTMENT CONSIDERATIONS—COVID-19."

<sup>2</sup> Foreclosures filed through March 24, 2021. . *[Update closer to posting]*

Source: Larimer and Weld County Public Trustees

## Employment

The following tables set forth employment statistics by industry and the most recent historical labor force estimates for Larimer and Weld Counties and the State.

### Total Business Establishments and Employment—Larimer County

| Industry <sup>1</sup>                      | Annual 2019   |                    | Annual 2020   |                    | Annual Change |                    |
|--|---------------|--------------------|---------------|--------------------|---------------|--------------------|
|  | Units         | Average Employment | Units         | Average Employment | Units         | Average Employment |
| Agriculture, Forestry, Fishing and Hunting | 95            | 988                | 99            | 946                | 4             | (42)               |
| Mining                                     | 63            | 559                | 62            | 487                | (1)           | (72)               |
| Utilities                                  | 18            | 270                | 17            | 279                | (1)           | 9                  |
| Construction                               | 1,399         | 11,258             | 1,432         | 11,092             | 33            | (166)              |
| Manufacturing                              | 520           | 14,632             | 526           | 13,973             | 6             | (659)              |
| Wholesale Trade                            | 744           | 5,178              | 745           | 5,152              | 1             | (26)               |
| Retail Trade                               | 1,155         | 19,370             | 1,161         | 18,480             | 6             | (890)              |
| Transportation and Warehousing             | 204           | 2,884              | 208           | 3,279              | 4             | 395                |
| Information                                | 244           | 3,348              | 253           | 3,052              | 9             | (296)              |
| Finance and Insurance                      | 608           | 3,410              | 642           | 3,367              | 34            | (43)               |
| Real Estate, Rental and Leasing            | 763           | 3,128              | 814           | 3,046              | 51            | (82)               |
| Professional and Technical Services        | 2,401         | 10,818             | 2,526         | 11,171             | 125           | 353                |
| Management of Companies and Enterprises    | 173           | 1,017              | 208           | 1,030              | 35            | 13                 |
| Administrative and Waste Services          | 744           | 8,557              | 776           | 7,915              | 32            | (642)              |
| Educational Services                       | 193           | 1,871              | 210           | 1,638              | 17            | (233)              |
| Health Care and Social Assistance          | 1,165         | 16,625             | 1,259         | 16,201             | 94            | (424)              |
| Arts, Entertainment and Recreation         | 233           | 2,878              | 243           | 2,221              | 10            | (657)              |
| Accommodation and Food Services            | 914           | 19,235             | 924           | 15,251             | 10            | (3,984)            |
| Other Services                             | 1,001         | 5,028              | 1,018         | 4,681              | 17            | (347)              |
| Non-classifiable                           | 7             | 21                 | 8             | 31                 | 1             | 10                 |
| Government                                 | <u>127</u>    | <u>34,725</u>      | <u>127</u>    | <u>34,499</u>      | <u>0</u>      | <u>(226)</u>       |
| Total                                      | <u>12,767</u> | <u>165,799</u>     | <u>13,255</u> | <u>157,790</u>     | <u>488</u>    | <u>(8,009)</u>     |

<sup>1</sup> Information provided herein reflects only those employers who are subject to State unemployment insurance law.

Source: Colorado Department of Labor and Employment, Labor Market Information, Annual Census of Employment and Wages (QCEW)

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### Total Business Establishments and Employment—Weld County

| Industry <sup>1</sup>                      | Annual 2019  |                    | Annual 2020  |                    | Annual Change |                    |
|--|--------------|--------------------|--------------|--------------------|---------------|--------------------|
|  | Units        | Average Employment | Units        | Average Employment | Units         | Average Employment |
| Agriculture, Forestry, Fishing and Hunting | 232          | 4,264              | 229          | 4,243              | (3)           | (21)               |
| Mining                                     | 269          | 8,728              | 274          | 5,728              | 5             | (3,000)            |
| Utilities                                  | 31           | 411                | 32           | 438                | 1             | 27                 |
| Construction                               | 1,073        | 12,664             | 1,127        | 11,337             | 54            | (1,327)            |
| Manufacturing                              | 341          | 14,282             | 353          | 13,803             | 12            | (479)              |
| Wholesale Trade                            | 508          | 4,421              | 528          | 4,272              | 20            | (149)              |
| Retail Trade                               | 658          | 10,488             | 662          | 10,610             | 4             | 122                |
| Transportation and Warehousing             | 402          | 3,895              | 414          | 3,603              | 12            | (292)              |
| Information                                | 101          | 675                | 105          | 540                | 4             | (135)              |
| Finance and Insurance                      | 354          | 2,786              | 374          | 2,863              | 20            | 77                 |
| Real Estate, Rental and Leasing            | 367          | 1,438              | 391          | 1,359              | 24            | (79)               |
| Professional and Technical Services        | 878          | 3,180              | 958          | 3,321              | 80            | 141                |
| Management of Companies and Enterprises    | 91           | 1,871              | 110          | 1,929              | 19            | 58                 |
| Administrative and Waste Services          | 461          | 5,899              | 497          | 5,726              | 36            | (173)              |
| Educational Services                       | 84           | 753                | 90           | 738                | 6             | (15)               |
| Health Care and Social Assistance          | 695          | 9,612              | 755          | 9,513              | 60            | (99)               |
| Arts, Entertainment and Recreation         | 91           | 962                | 97           | 802                | 6             | (160)              |
| Accommodation and Food Services            | 481          | 8,837              | 485          | 7,724              | 4             | (1,113)            |
| Other Services                             | 591          | 2,783              | 574          | 2,593              | (17)          | (190)              |
| Non-classifiable <sup>2</sup>              | --           | --                 | --           | --                 | --            | --                 |
| --   | 153          | 1,646              | 153          | 15,933             | 0             | 14,287             |
| Total                                      | <u>7,858</u> | <u>114,367</u>     | <u>8,208</u> | <u>107,080</u>     | <u>350</u>    | <u>(7,287)</u>     |

<sup>1</sup> Information provided herein reflects only those employers who are subject to State unemployment insurance law.

<sup>2</sup> Information suppressed due to confidentiality as set forth in State Law.

Source: Colorado Department of Labor and Employment, Labor Market Information, Annual Census of Employment and Wages (QCEW)

### Labor Force Estimates

| Year                 | Larimer County |                    | Weld County |                    | Colorado    |                    |
|----------------------|----------------|--------------------|-------------|--------------------|-------------|--------------------|
|                      | Labor Force    | Percent Unemployed | Labor Force | Percent Unemployed | Labor Force | Percent Unemployed |
| 2016                 | 187,205        | 2.8%               | 149,828     | 3.4%               | 2,891,677   | 3.3%               |
| 2017                 | 194,947        | 2.4                | 157,550     | 2.7                | 2,986,522   | 2.8                |
| 2018                 | 201,302        | 2.7                | 165,053     | 2.9                | 3,080,661   | 3.2                |
| 2019                 | 206,483        | 2.4                | 170,001     | 2.5                | 3,148,766   | 2.8                |
| 2020 <sup>1</sup>    | 203,683        | 6.3                | 166,666     | 7.0                | 3,122,237   | 7.3                |
| 2021 <sup>1, 2</sup> | 207,922        | 5.9                | 168,637     | 6.9                | 3,172,131   | 6.6                |

<sup>1</sup> As a result of the COVID-19 pandemic and the federal government induced quarantine, unemployment numbers increased exponentially since reported in April 2020. See “INVESTMENT CONSIDERATIONS—COVID-19.”

<sup>2</sup> Labor force averages through April 30, 2021. *[Update closer to posting]*

Source: State of Colorado, Division of Employment and Training, Labor Market Information, Colorado Labor Force Review

The following table sets forth selected major employers within the Town and the Counties of Larimer and Weld. No independent investigation has been made of and there can be no representation as to the stability or financial condition of the entities listed below, or the likelihood that they will maintain their status as major employers in the Counties.

**Town of Johnstown—2020 Principal Employers**

| <b>Employer</b>                    | <b>Product or Service</b> | <b>Number of Employees</b> |
|------------------------------------|---------------------------|----------------------------|
| Weld County School District R5J    | Education                 | 390                        |
| Scheels                            | Retail                    | 375                        |
| Northern Co. Long Term Acute Care  | Healthcare                | 250                        |
| FedEx Ground Packaging System Inc. | Transportation            | 169                        |
| Swire Coca Cola                    | Manufacturing             | 165                        |
| High Country Beverage              | Manufacturing             | 160                        |
| Canyon Bakehouse                   | Manufacturing             | 156                        |
| TRC Construction Inc               | Construction              | 103                        |
| Hays Market, Inc.                  | Retail                    | 86                         |
| Town of Johnstown                  | Government                | 72                         |

Source: The Town

**Larimer County—2020 Selected Major Employers <sup>1</sup>**

| <b>Employer</b>                     | <b>Product or Service</b>          | <b>Estimated Number of Employees</b> |
|-------------------------------------|------------------------------------|--------------------------------------|
| UC Health                           | Healthcare                         | 7,760                                |
| Colorado State University           | Higher Education                   | 7,676                                |
| Poudre School District R-1          | Education                          | 3,784                                |
| Thompson School District R2-J       | Education                          | 2,113                                |
| Larimer County                      | County Government                  | 1,799                                |
| Broadcom Inc.                       | Global Technology Solutions        | 1,690                                |
| City of Fort Collins                | Municipal Government               | 1,637                                |
| Woodward Inc.                       | Aerospace Design and Manufacturing | 1,600                                |
| Banner Health: McKee Medical Center | Healthcare                         | 1,390                                |
| City of Loveland                    | Municipal Government               | 1,158                                |

Source: Larimer County 2019 CAFR

# **Weld County—2020 Selected Major Employers <sup>1</sup>**

| <b>Employer</b>                 | <b>Product or Service</b>   | <b>Estimated<br/>Number of<br/>Employees</b> |
|---------------------------------|-----------------------------|--|
| JBS Swift Beef Company          | Food Processing             | 4,590  |
| Banner Health (NCMC)            | Healthcare                  | 3,640  |
| Vestas                          | Sustainable Energy Services | 2,810  |
| Greeley/Evans School District 6 | Education                   | 2,200  |
| University of Northern Colorado | Education                   | 1,717  |
| Weld County Government          | County Government           | 1,615  |
| State Farm Insurance            | Insurance Provider          | 1,200  |
| City of Greeley                 | Municipal Government        | 1,100  |
| Haliburton Energy Services      | Energy Industry             | 1,030  |
| UC Health                       | Healthcare                  | 1,030  |

Source: Weld County 2019 CAFR

**APPENDIX G**  
**FORM OF BOND COUNSEL OPINION**



## APPENDIX H

### BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and the Town and the Underwriter take no responsibility for the accuracy thereof.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the inside cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the

event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

**[APPENDIX I  
SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**