



Town of Johnstown

TOWN COUNCIL AGENDA COMMUNICATIONS

AGENDA DATE: July 7, 2021

SUBJECT: Ordinance No. 2021-202, An Ordinance Authorizing the Issuance of Revenue Bonds to Provide for Improvements to the Wastewater System and Establishing Covenants in Connection with the Financing for the Payment of the Bonds from Wastewater Revenues; and Approving Other Matters in Connection with the Financing.

ACTION PROPOSED: Approve Ordinance No. 2021-202

ATTACHMENTS:

1. Ordinance 2021-202
2. Town of Johnstown Comprehensive Financial Policies
3. Preliminary Official Statement
4. Paying Agent Agreement
5. Bond Purchase Agreement

PRESENTED BY: Mitzi McCoy, Finance Director

AGENDA ITEM DESCRIPTION:

Enclosed for review and consideration is Ordinance No. 2021-202 which will provide for the issuance of revenue bonds to fund capital projects in the Sanitary Sewer Fund.

The Town of Johnstown owns and operates its municipal sanitary sewer system consisting of the Low Point Wastewater Treatment Plant, the Central Wastewater Treatment Plant, 3 lift stations and approximately 76 miles of sewer lines that are 8"-12" in diameter with 15" to 18" interceptors and 2.7 miles of force mains. This system serves the Town's utility service area that encompasses approximately 45 square miles.

The Central Wastewater Treatment Plant (CWWTP) was built in 1951 and is a lagoon plant with a Moving Bed Biofilm Reactor. In 2004, a dissolved air flotation (DAF) process for treatment was added. CWWTP has approximately 9.8 miles of gravity lines (both PVC and clay) with three lift stations and 2.7 miles of force mains. CWWTP has a capacity of .99 MGD with an average daily flow of .811 MGD and a high flow of 1.439MGD. This plant will serve approximately 55% of the Town's utility service area.

The Low Point Wastewater Treatment Plant (LPWWTP) was built in 2005 and is entirely a gravity system with PVC sewer lines and no existing lift stations. LPWWTP has a capacity of .5 MGD with an average daily flow of .265MGD and a high flow of .396MGD. This plant currently is set to serve approximately 45% of the Town's utility service area.

The Town has existing issues with both plants as neither can meet regular permit requirements. LPWWTP has struggled to meet discharge limitations for pH and ammonia which is largely attributed to a service area

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equipped with water conserving appliances/facilities that result in higher concentrated influent. This stronger influent has reduced treatment capacity for this plant. Additionally, LPWWTP lacks a dependable and permanent solids handling system, and has aged equipment that is nearing the end of its useful lifespan. CWWTP has struggled to meet discharge limitations for ammonia and TSS because the lagoons at the plant no longer have adequate operating volume. Equipment at this plant is not adequate to meet potential new, more stringent, discharge limitations that have been drafted by CDPHE to comply with the Federal Clean Water Act. Additionally, this plant has aged equipment that is at the end of its useful life and is overdue for renewal and modernization.

In addition to the existing concerns that the Town has with the wastewater treatment plants, the Town has also been experiencing and is anticipating significant new development in upcoming years. The existing plants cannot meet treatment needs beyond a population of 20,000, or approximately 6,800 taps. The current tap count for the Town is 5,599. Given the anticipated growth projections, both treatment plants require capacity expansions in the near future.

As such, on February 17, 2021 the Town Council approved and adopted the 2021-2030 Capital Improvement Plan which includes a number of substantial capital projects to address the existing issues and future needs for the Sanitary Sewer Fund. The primary projects include the CWWTP design and construction, the LPWWTP expansion design and construction, and the Sewer Interceptor expansion with the total projected costs of these projects being around \$84 million. The Town plans to use a combination of existing funds, bonds, and new revenues to finance the improvements.

Staff, working with its consultants, has determined that, due to prevailing financial market conditions, it is in the best interest of the Town at this time to issue bonds since interest rates are at or near historic lows. The bonds are expected to generate \$55 million to pay the costs billed to the Town for capital improvements at LPWWTP, CWWTP, and the Sewer Interceptor expansion. The bonds will be structured as revenue bonds in the Sanitary Sewer Enterprise Fund. The bonds will mature in 2051 and the Town will make annual debt service payments commencing in 2021.

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

The ordinance being presented for approval authorizes the issuance of bonds and approves the form and authorizes execution of the related financing documents. The ordinance contains parameters that the principal amount of the bonds will not exceed \$55 million, the final maturity will not exceed December 1, 2051, and the net effective interest rate on the bonds not exceed 3.9%. The financing documents will be finalized when the exact terms of the Bonds are determined. The anticipated bond closing is in late August.

The proposed bonds are being issued under the Town's adopted debt policy, approved by the Town Council on December 16, 2019 as part of the Town of Johnstown Comprehensive Financial Management Policies. The proposed bonds meet all requirements outlined in the Town's adopted policies.

LEGAL ADVICE:

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Resolution was reviewed by legal counsel.

FINANCIAL ADVICE:

The sale of the Bonds will have no financial impact on the Town's General Fund, as payments of principal and interest on the bonds will be paid solely from the Town's Sewer Fund Net Revenues. It is estimated that the average annual debt service payment will be approximately \$2.7 million. It is likely that modest rate increases will be required each year to meet the Parity Lien Test.

RECOMMENDED ACTION:

Approve Ordinance 2021-202 as presented.

SUGGESTED MOTIONS:

For Approval

I move to approve Ordinance 2021-202 Authorizing the Issuance of Revenue Bonds to Provide for Improvements to Its Sanitary Sewer System; Establishing Covenants in Connection with the Financing and Providing for the Payment of the Bonds from Sanitary Sewer Revenues; and Approving Other Matters in Connection with the Financing.

For Denial

I move that we deny Ordinance 2021-202, Authorizing the Issuance of Revenue Bonds to Provide for Improvements to Its Sanitary Sewer System; Establishing Covenants in Connection with the Financing and Providing for the Payment of the Bonds from Sanitary Sewer Revenues; and Approving Other Matters in Connection with the Financing.

Reviewed and Approved for Presentation,



Town Manager