City of Louisville
COLORADO • SINCE 1878

CITY COUNCIL COMMUNICATION
AGENDA ITEM 10E

SUBJECT: ORDINANCE NO. 1894, SERIES 2025 – AN ORDINANCE AUTHORIZING A LOAN FROM THE WATER UTILITY FUND TO THE WASTEWATER UTILITY FUND FOR A THREE-YEAR TERM AND AN INITIAL INTEREST RATE OF 4.8 PERCENT – 2ND READING (advertised City of Louisville Website 04/04/2025)

DATE: APRIL 15, 2025

PRESENTED BY: KURT KOWAR, PUBLIC WORKS DEPARTMENT

SUMMARY:

Staff recommends approval of Ordinance No. 1894, Series 2025 to authorize an interfund loan of $900,000 from the water fund to the wastewater fund.

At the previous council meeting resolution No. 23 Series 2025 was approved for 2025 rate assessments for the water, wastewater, and stormwater funds. In order to facilitate these approved rate adjustments an interfund loan from the water fund to the wastewater fund was proposed. The loan will act as a financial bridge for wastewater and allow for more gradual wastewater rate increases over the next 3-year period. This decreased the rate increase for wastewater from upwards of 32% to 16% for 2025 and 2026. The recommended ordinance authorized this loan including a required interest component ensuring equity.

The loan authorizes funds from the Water Utility Fund to the Wastewater Utility Fund up to six hundred thousand dollars ($600,000) in fiscal year 2025 and up to three hundred thousand dollars ($300,000) in fiscal year 2026, for a total principal amount not to exceed nine hundred thousand dollars ($900,000). The loan shall have a term of three (3) years and all principal and interest loaned shall be repaid in full by no later than December 31, 2028. The initial interest rate applied to the loan proceeds shall be 4.8% based on the average rate of return for City investments for 2024. The interest rate shall be adjusted annually to a rate equal to the average rate of return on the City's investments for the preceding twelve months. Additional details can be found in the attached Ordinance document.

FISCAL IMPACT

Short term decrease in the reserve amount for the water fund to assist with spending on capital improvement projects for wastewater. Sufficient funds remain in the water fund during the payback period for this loan.

PROGRAM/SUB-PROGRAM IMPACT:

The program goal for Utilities is to ensure safe, reliable, great tasting water; properly treated wastewater; effective stormwater control; successfully managed solid waste; and competitive prices for all services. These annual utility rate evaluations and adjustments are essential in the administration of reasonable and justifiable prices and the responsible management of the utility system.

RECOMMENDATION:

Staff recommends approval of Ordinance No. 1894, Series 2025 to authorize an interfund loan of $900,000 from the water fund to the wastewater fund.

ATTACHMENT(S):

1. Ordinance No. 1894, Series 2025

STRATEGIC PLAN IMPACT:

☐	**Financial Stewardship & Asset Management**	☒	**Reliable Core Services**
☐	**Vibrant Economic Climate**	☐	**Quality Programs & Amenities**
☐	**Engaged Community**	☐	**Healthy Workforce**
☐	**Supportive Technology**	☐	**Collaborative Regional Partner**

ORDINANCE NO. 1894
SERIES 2025

AN ORDINANCE AUTHORIZING A LOAN FROM THE WATER UTILITY FUND TO THE WASTEWATER UTILITY FUND FOR A THREE-YEAR TERM AND AN INITIAL INTEREST RATE OF 4.8 PERCENT

WHEREAS, the City of Louisville ("City") is a municipal corporation duly organized and existing as a home rule city pursuant to Article XX of the Constitution of the State of Colorado and the City's Home Rule Charter ("Charter"); and

WHEREAS, Section 13-3(b) of the Charter authorizes a City-owned utility to loan money to another City-owned utility by ordinance; and

WHEREAS, Section 13-3(b) further provides: "The motion approving the loan shall specify the term of the loan and the interest rate. The interest rate shall be adjusted annually to a rate equal to the average return of City investments for the preceding twelve (12) months;" and

WHEREAS, the City's Wastewater Utility Fund is in need of additional monies to pay for capital projects and to fund ongoing maintenance and operation costs; and

WHEREAS, the City plans to increase the wastewater utility rates in 2025, but it desires to moderate the impact of such increase on residents; and

WHEREAS, the City's Water Utility Fund has sufficient fund balances to make a loan to the Wastewater Utility Fund; and

WHEREAS, estimates of future revenue streams and net income of the Wastewater Utility Fund are sufficient to repay the Water Utility Fund for a loan in addition to meeting other financial obligations of the fund; and

WHEREAS, City Council desires to loan monies from the Water Utility Fund to the Wastewater Utility Fund and to establish the terms of repayment.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOUISVILLE, COLORADO:

<u>Section 1</u>. The City Council hereby authorizes a loan from the Water Utility Fund to the Wastewater Utility Fund of up to six hundred thousand dollars ($600,000) in fiscal year 2025 and up to three hundred thousand dollars ($300,000) in fiscal year 2026, for a total principal amount not to exceed nine hundred thousand dollars ($900,000.00) (hereinafter, the "Loan").

<u>Section 2.</u> The Loan shall have a term of three (3) years. All principal and interest loaned shall be repaid in full by no later than December 31, 2028, unless such term and maturity are extended by subsequent ordinance. Annual payments, of interest only or interest and principal, will commence on or before December 31, 2026 and will continue through December 31, 2028. Advance repayment may be made at any time without penalty.

Section 3. The initial interest rate applied to the Loan proceeds shall be 4.8% based on the average rate of return for City investments for 2024. The interest rate shall be adjusted annually to a rate equal to the average rate of return on the City's investments for the preceding twelve months. The City Manager and City staff are authorized to do all things necessary to effectuate Loan, including calculating the interest on an annual basis.

Section 4. The Loan is subject to any necessary budgetary amendments, transfers, or supplementary budgets and appropriations in accordance with State law. The City Council declares its intention to make annual appropriations in the Wastewater Utility Fund budget from available Wastewater Utility Fund revenues to meet the financial obligations of the Wastewater Utility Fund, including repayment of the Loan to the Water Utility Fund.

Section 5. The Loan shall be subordinate to any outstanding debt of the Wastewater Utility Fund.

Section 6. If any portion of this ordinance is held to be invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each part hereof irrespective of the fact that any one part be declared invalid.

INTRODUCED, READ, PASSED ON FIRST READING AND ORDERED PUBLISHED this 1st day of April 2025.

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Christopher M. Leh, Mayor

ATTEST:

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Genny Kline, Interim City Clerk

APPROVED AS TO FORM:

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Kelly PC, City Attorney

PASSED AND ADOPTED ON SECOND AND FINAL READING, this 15th day of April 2025.

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Christopher M. Leh, Mayor

ATTEST:

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Genny Kline, Interim City Clerk