



County of Los Alamos

Council Meeting Staff Report

April 18, 2018

Agenda No.: 7.B
Indexes (Council Goals): BCC - N/A
Presenters: James Alarid
Legislative File: 10546-18

Title

Financing for Wastewater Treatment Plant Loans

Recommended Action

None

Staff Recommendation

Staff recommends refinancing the existing debt associated with the Los Alamos Wastewater Treatment Plant for 12 years, and financing the design and construction of a new White Rock Wastewater Treatment Plant for 25 years. With Board concurrence staff will proceed to execute the loans immediately.

Body

Two financial milestones were recently reached in the effort to replace the White Rock Wastewater Treatment Plant. On February 8, 2018 a payment of \$2,500,000 was made towards the existing loan for the Los Alamos Wastewater Treatment Plant. On April 7, 2018 the regular scheduled annual payment of \$964,888.54 was made towards the same loan. The resulting balance of the loan has been decreased to \$7,029,504.37.

Staff recommends two actions associated with funding the new plant. The first is to refinance the existing loan now that interest rates are lower, and the second is a new loan for design and construction of the new plant. Both loans will be through the Clean Water State Revolving Loan (CWSRL) fund, administered by the New Mexico Environment Department Construction Programs Bureau.

Refinance Existing Loan

We are presenting our options to refinance and a staff recommendation for Board acceptance for the term of the loan to refinance. CWSRL interest rates are 2.38% now, and our existing loan is at 3.0%. There is a refinance fee in the amount of 2% of the loan amount due at the time of execution of the loan agreement. In our case this fee is \$140,590.09. The variable of significance is the term of the loan which establishes the interest savings and annual payments. We must balance the annual payments of this loan combined with the annual payments of the new construction loan to maintain a sustainable wastewater fund. Four scenarios are summarized below to demonstrate the benefit of refinancing the loan.

Term	Interest Rate	Loan Amount	Payoff Date	2% Fee	Annual Payment	Interest Saved
No Refinance	3%	\$7,029,504.37	2027	n/a	\$964,888.54	n/a
12 Year	2.38%	\$7,029,504.37	2030	\$140,590.09	\$680,110.00	\$842,342.00
15 Year	2.38%	\$7,029,504.37	2033	\$140,590.09	\$562,540.00	\$565,554.00
17 Year	2.38%	\$7,029,504.37	2035	\$140,590.09	\$507,403.00	\$377,801.00

Staff recommends refinancing the existing loan for 12 years. The ordinance in place for our existing loan is still valid and a new ordinance will not be required to refinance.

Design & Construction Loan

We are presenting three options to finance the new White Rock plant and a staff recommendation for Board acceptance for the term of the loan to finance. The estimated cost of the new plant design and construction are as follows.

Design	\$ 1,000,000
Engineering During Construction	\$ 520,000
Construction	\$ 13,000,000
Total	\$ 14,520,000

In April of 2017 the DPU applied for a CWSRL to preserve the opportunity to secure a loan at 2.38%. First payment on the loan will be due one year after the project is completed. Staff has evaluated financing the design and construction for the terms of 20, 25 and 30 years and a summary is provided below.

Term	Interest Rate	Loan Amount	First Payment	Payoff Date	Annual Payment
20 Year	2.38%	\$14,520,000.00	2021	2040	\$920,454.00
25 Year	2.38%	\$14,520,000.00	2021	2045	\$776,862.00
30 Year	2.38%	\$14,520,000.00	2021	2050	\$682,220.00

Staff recommends financing the design and construction for 25 years. A schedule showing the financing, design and construction is attached.

Alternatives

If proceeding with the two loans is not approved, staff will re-evaluate the loan options and continue to work with the Board on replacing the White Rock Wastewater Plant.

Fiscal and Staff Impact

An evaluation of the wastewater fund rate impact and cash reserves for the various loan combinations is provide in Attachment B. A detailed cash flow graph of the recommended loan terms is also provided in Attachment B. Similar detail will be presented for all alternatives in the Board presentation.

Attachments

- A - Schedule for White Rock Wastewater Treatment Plant Replacement
- B - Rate Impact and Cash Reserve Evaluation