

## Council Meeting Staff Report

January 30, 2018

---

<b>Agenda No.:</b>	B.
<b>Indexes (Council Goals):</b>	2018 Council Goal – Quality Governance – Operational Excellence – Maintain Quality Essential Services and Supporting Infrastructure Including Updated Enterprise Software and Permitting
<b>Presenters:</b>	Tim Glasco
<b>Legislative File:</b>	10327-18

---

### Title

Transfer of Funds from the Gas Fund to the Wastewater Fund

### Recommended Action

**I move that Council approve the transfer of \$2.5 million from the gas fund to the wastewater fund for the purpose of advance payment on the Los Alamos Wastewater Treatment Plant construction debt. I further move that Council approve Budget Revision 2018-10 as summarized on attachment C and that the attachment be made a part of the minutes of this meeting.**

### Utilities Manager Recommendation

The Staff recommends approval of the fund transfer, budget amendment and pay-down of the Los Alamos Wastewater Treatment Plant indebtedness.

### Board, Commission or Committee Recommendation

The Board of Public Utilities recommends approval of the fund transfer, budget amendment and pay-down of the Los Alamos Wastewater Treatment Plant indebtedness.

### Body

The Department of Public Utilities faces the cost of replacement of the White Rock Wastewater Treatment Plant while still paying debt service on construction of the Los Alamos Wastewater Treatment Plant. In order to be able to pay the debt of both plants, estimated at approximately \$2.1 million per year, sewer rates for our customers would have to be increased significantly, or alternatively, construction of the White Rock plant delayed until 2029 when the LA Plant debt is retired. In previous BPU meetings, numerous scenarios of debt restructuring, alternative financing, and delay of construction have been examined. The final recommendation of the Board was to pursue immediate construction of the White Rock plant, refinance existing debt, phase in a series of small rate increases and transfer excess funds from the gas fund to the wastewater fund in order to pay down the debt.

Staff have evaluated the existing status of the gas reserves, requirements to comply with the financial reserves policy, future capital and operational needs, and the long-range forecast of gas demand and have determined that \$2.5 million could be transferred to the wastewater fund without compromising the gas fund.

Attached is a fund flow showing anticipated gas reserves out 10 years into the future at the present gas rate and expected gas sales volumes. This analysis shows that, after transfer of the \$2.5 million, the fund would still have an excess cash balance of approximately \$339,000. However, with the warm weather we have been experiencing this year, sales volume is currently down approximately 20%, with resulting income down approximately 10%. To be conservative, yet still transfer the maximum amount that can prudently be spared, staff recommends transfer of \$2.5 million.

---

In order for the wastewater fund to then spend the \$2.5 million on debt repayment, a budget adjustment to the wastewater budget in the same amount is necessary. County Finance also recommends a gas budget adjustment to transfer funds to wastewater.

### **Alternatives**

The County can decide not to transfer the funds, and continue payment of the LA WWTP debt at the existing rate. This would in all likelihood require delay in construction of the White Rock WWTP, and/or a significant increase in the sewer rate.

### **Fiscal and Staff Impact**

Reduction of the gas fund by \$2.5 million, temporary increase in the wastewater fund by \$2.5 million, followed by a decrease in indebtedness of the wastewater fund by the same amount after expenditure of the transferred funds.

### **Attachments**

A - LADPU 10-year Financial Forecast - FY2018 through FY2027 Gas Reserve Analysis

B - Average Gas Revenue FY13-FY17 vs. Actual Gas Revenue FY18

C - Budget Revision 2018-10

D - Summary of Recommended Path Forward