



County of Los Alamos

Los Alamos, NM 87544
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Council Meeting Staff Report

May 16, 2018

Agenda No.:	7.B
Indexes (Council Goals):	BCC - N/A
Presenters:	James Alarid
Legislative File:	10740-18

Title

Wastewater Loan Discussion

Recommended Action

None

Staff Recommendation

None

Body

In April staff presented options to refinance the existing debt on the Los Alamos wastewater treatment plant and for a new construction loan for the design and construction of a new White Rock wastewater treatment plant. Supplemental information considering the time value of money is now provided to assist in the determination of which loan terms provide DPU the most value. In April staff recommended refinancing the existing debt for the same length of time (total of 20 years) as the original loan. Staff recommended a 25 year term for the new construction loan for the White Rock wastewater treatment plant. The consensus of the Board was to finance both loans for longer terms to lower the annual debt service payments.

The evaluation provided with this agenda document focusses on longer term loans than recommended by staff in April for two reasons. First of all, shorter term loans and the higher payments are not sustainable in our wastewater fund. Second, the board requested staff provide additional information about longer term loans to see if the lower payments would free up funds for capital improvements or to supplement cash reserves.

We have provided for comparative purposes a present value cash flow evaluation of the following three scenarios:

- 20 year refinance / 30 year construction loan
- 25 year refinance / 30 year construction loan
- 30 year refinance / 30 year construction loan

Pertinent data:

- Interest rate 2.375%
- Maximum term allowed by the Clean Water State Revolving Loan program is 30 years.
- Balance of existing loan as of April, 2018 is \$7,029,504.37
- 2% refinance fee
- Construction loan amount \$14,500,00.00
- Inflation used in evaluation is 1.5%

Attachment #1 has a present worth evaluation of the three loan scenarios listed above with a comparison to what we identify as the "baseline" loan combination. The baseline loans are the 20

year refinance and 25 year construction loan. The evaluation has quantified 1) the additional funds that become available annually, as compared to the baseline and 2) the total cost of the loans with inflation considered. We have provided the payment terms of the various loans and back-up information to the present value evaluation in Attachment #2.

Alternatives

N/A

Fiscal and Staff Impact

N/A

Attachments

A - Present Value Evaluation

B - Loan Payment Worksheets