

## Council Meeting Staff Report

June 20, 2018

---

<b>Agenda No.:</b>	7.B
<b>Indexes (Council Goals):</b>	BCC - N/A
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	OR0815-18

---

### Title

Approval of Incorporated County of Los Alamos Code Ordinance No. 683, An Ordinance to Authorize the Refinance and Reissuance of Amended Loan and Promissory Note Agreements with the New Mexico Environment Department to Reflect a Reduction of the Prior Loan Principal Balance, Lowered Interest Rate and Extension of the Payment Term

### Recommended Action

**I move that the Board of Public Utilities approve Incorporated County of Los Alamos Code Ordinance No. 683, An Ordinance to Authorize the Refinance and Reissuance of Amended Loan and Promissory Note Agreements with the New Mexico Environment Department to Reflect a Reduction of the Prior Loan Principal Balance, Lowered Interest Rate and Extension of the Payment Term, as presented and forward to Council for adoption.**

### Staff Recommendation

Staff recommends the motion be passed as presented.

### Body

In January/February 2018 the BPU and Council enacted an ordinance and resolution authorizing transfer of excess cash reserves from the Gas fund to the Wastewater fund. \$2.5 million was transferred and in February those funds were used to pay down the balance of the outstanding loan that was used for construction of the Los Alamos Wastewater Treatment Plant. Without refinancing, that action would simply serve to shorten the life of the loan, but would not do anything to lower annual debt service payments. By refinancing, we can return the loan to its original term or extend for a slightly longer term, and by doing so reduce annual debt service requirements, improving cash flow and establishing some flexibility for future capital planning or rate actions.

In addition, in 2017 NMED adopted new, lower rates for loans of this type, and we have the opportunity to refinance the existing debt, which is at a rate of 3% annual interest & administrative fees, to a revised combined rate of 2 3/8%, providing for further cost savings to the utility and rate payors.

Over the past several months the Board has considered several refinance options, including refinancing at the lower rate for the new shorter term established by the \$2.5M paydown, extending the term back out to the original twenty-year term, or extending further to 25 or 30 years total repayment period. While total cost of the longer term is slightly higher, annual cash flow is significantly improved by extending. After considering the various alternatives, the Board elected to pursue the twenty-five-year repayment schedule for the loan. This ordinance authorizes and effects that refinancing option.

### Alternatives

Several alternative financial scenarios were presented and discussed by the Board at the May, 2018 regular meeting. Any of those scenarios could be reconsidered as an alternative to the proposal presented here.

### Fiscal and Staff Impact

---

The net effect of this refinance is to lower the annual payments from \$964,888.54 to \$507,403.58, an annual reduction in debt service of \$457,484.96. The total cost of financing (total of all payments) increases from \$18,272,608.89 to \$18,844,969.19, or by \$572,360.30. In addition, there is a 2% refinance fee which amounts to \$140,590.09.

**Attachments**

- A - Incorporated County of Los Alamos Ordinance No. 683
- B - LAC Amended Refinance Loan Agreement
- C - LAC Amended Refinanced Promissory Note
- D - Final Promissory Note, dated February 28, 2011