

## Council Meeting Staff Report

September 19, 2018

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<b>Agenda No.:</b>	7.C
<b>Indexes (Council Goals):</b>	BCC - N/A
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	OR0816-18

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### Title

Incorporated County of Los Alamos Code Ordinance No. 687, An Ordinance Authorizing the Incorporated County of Los Alamos to Enter Into a Loan Agreement and Promissory Note With the New Mexico Environment Department for the Purpose of Obtaining Loan Funds for the Construction of a New Wastewater Treatment Facility, Declaring the Necessity for the Loan, Restricting the Use of the Loan Funds Solely for the Project, and Pledging Loan Will be Payable from the Revenues of the Wastewater System; and Incorporated County of Los Alamos Resolution No. 18-18, a Resolution Authorizing the Utilities Manager to Execute Documents With the New Mexico Environment Department on Behalf of Los Alamos County Relating to the White Rock Waste Water Treatment Plant, Project Number CEWRF083 and Authorizes the Designation of Official Representatives and Signatory Authorities

### Recommended Action

**I move that the Board of Public Utilities approve Incorporated County of Los Alamos Code Ordinance No. 687 as presented and forward to Council for adoption. I further move that the Board of Public Utilities approve the related Resolution No. 18-18 authorizing the assignment of authorized officer(s) and Agent(s) and forward to Council for approval.**

### Staff Recommendation

Staff recommends the motion be passed as presented.

### Body

For the past two or more years the DPU and BPU have been discussing and planning for the necessary replacement of the White Rock Treatment Facility, which, built in 1965, is already operating beyond its design life expectancy. Several actions have been taken to ensure the utility is financially capable of proceeding with this badly needed project.

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. In August 2018 an ordinance was adopted for approval of refinancing that loan for a slightly longer term, and at a lower rate, further improving the financial position of the utility. That refinancing is expected to be completed in September or October.

NMED is offering long term financing for projects such as this at a 2-3/8 percent annual financing cost, and will finance the project for up to thirty-five years. In May the Board considered financing options for the new plant. While total cost of a longer term is slightly higher, annual cash flow is significantly improved by extending. After considering the various alternatives, the Board elected to

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pursue the thirty-year repayment schedule for the loan. This ordinance authorizes and effects that refinancing option.

Per the most recent engineering estimate, the project was budgeted for \$1M engineering in FY19 and \$13.5M construction in FY20. Recent industry projections indicate final costs may be somewhat higher. Please refer to the attached memorandum by Jack Richardson for discussion and analysis of these indications.

While we are still hopeful that final construction bids will come in at or near the budgeted amount, staff feels it would be prudent to ensure funding availability for a higher cost project. Our original approval from NMED was for a loan amount of \$17M, and current financial projections indicate debt service on that amount is possible, due in large part to cost savings through refinancing of the LA Plant loan, and reasonable extension of the terms of both loans. Staff is recommending authorization to proceed with a loan amount *not to exceed* that \$17M, with term length *not to exceed* the projected life of the project. The final loan amount, of course, would only be the amount required to complete the project, and any project cost over the existing budget authority would need to be reviewed and approved by both Board and Council, but as proposed the financing would already be in place upon such approvals.

Also included in this action is approval of a Resolution authorizing specific designated individuals to take such actions as are specified to complete the loan process and servicing.

### **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**

With the current interest rates and the planned thirty-year term, the financial impact of this loan would be debt service payments of \$798,743.40 if the entire \$17M was drawn. Debt service on the planned loan amount of \$14.4M would be 681,281.14.

### **Attachments**

- A - Incorporated County of Los Alamos Ordinance No. 687, NMED Project number CWSRF 083
- B - CWSRF Project Description
- C - Resolution 18-18, Resolution of Signatory Authority
- D - Engineer's Memorandum Regarding Potential Cost Escalation Due to Tariffs