

## Council Meeting Staff Report

July 9, 2019

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<b>Agenda No.:</b>	B.
<b>Indexes (Council Goals):</b>	* 2019 Council Goal - Other
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	RE0413-19

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### Title

Incorporated County of Los Alamos Resolution No. 19-16: A Resolution Supplementing Resolution No. 19-05 Relating to the Natural Gas Supply Agreement Between the Incorporated County of Los Alamos and the New Mexico Municipal Energy Acquisition Authority, as Amended by a First Amendment; Authorizing the Execution and Delivery of a Second Amendment to the Natural Gas Supply Agreement and Other Action Necessary or Advisable to Obtain a Gas Discount Pursuant to the Supply Agreement, as Amended, Including the Execution and Delivery of Certificates and Agreements Relating to the Foregoing; Ratifying, Approving, and Confirming Prior Action Taken Related to the Foregoing; and Repealing Action Inconsistent Herewith.

### Recommended Action

**I move that Council approve Incorporated County of Los Alamos Resolution No. 19-16: A Resolution Supplementing Resolution No. 19-05 Relating to the Natural Gas Supply Agreement Between the Incorporated County of Los Alamos and the New Mexico Municipal Energy Acquisition Authority, as Amended by a First Amendment; Authorizing the Execution and Delivery of a Second Amendment to the Natural Gas Supply Agreement and Other Action Necessary or Advisable to Obtain a Gas Discount Pursuant to the Supply Agreement, as Amended, Including the Execution and Delivery of Certificates and Agreements Relating to the Foregoing; Ratifying, Approving, and Confirming Prior Action Taken Related to the Foregoing; and Repealing Action Inconsistent Herewith.**

### Utilities Manager Recommendation

The Utilities Manager recommends that Council approve the motion as presented.

### Board, Commission or Committee Recommendation

The Board of Public Utilities recommends that Council approve the motion as presented.

### Body

On May 7, 2019, Council passed and adopted resolution 19-05 authorizing action necessary or advisable to obtain a gas discount pursuant to the referenced Gas Supply Agreement, as amended (The 2019 Refunding Transaction), including execution and delivery of certificates and agreements related to that action. It further delegated authority to take all action necessary to effectuate the 2019 Refunding Transaction to the Utilities Manager.

In the previously approved Resolution 19-05 there is mention of a "2019 New Money Transaction". This option provides for an additional discount on current and future gas purchases. This is available because interest rates in 2014 were significantly lower than in 2009 when the original bonds were issued, so more of the payments made on the 2014 bonds went to principal, shortening the remaining term of the deal. To a lesser degree, the same has occurred with the refinancing of the 2014 Bonds through the 2019 Refunding Transaction. To improve the discount available to the gas purchasers, RBC proposed issuing additional bonds for the purpose of increasing the prepaid gas quantities and extending the gas supply agreement back out to the original term, which action would provide a few more cents discount on the entire deal. After review of the final proposal the Tax Attorneys for the Bond Issue indicated that such action would not affect the tax-exempt status of the

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NMMEAA Bonds upon which the economics of the deal are based. NMMEAA, RBC, the Tax Attorneys, NMMEAA's general Counsel, and The Majors Group evaluated the proposal and the NMMEAA Board determined that proceeding is in the best economic interests of the participants, and thus elected to move forward. As a result, the 2019 Transaction adds quantities and extends the term of the Gas Supply Agreement, requiring the Second Amendment to the agreement.

The parties to the gas supply agreement are Los Alamos County and the New Mexico Municipal Energy Acquisition Authority (NMMEAA), but the discount results from a swap agreement between NMMEAA and Royal Bank of Canada (RBC). On review of the underlying documents, which include the Gas Supply Agreements between the Gas Purchasers (including the County of Los Alamos) and NMMEAA, it was noted that Resolution 19-05 did not specifically authorize the required Second Amendment to the Gas Supply Agreement, nor did it specifically delegate authority to execute that Second Amendment to the Utilities Manager. This resolution specifically clarifies and authorizes the Second Amendment to the Gas Supply Agreement, affirms and ratifies prior action taken, and specifically delegates Authority to the Utilities Manager to execute the necessary documents, including that Second Amendment to the Gas Supply Agreement.

### **Alternatives**

Through Resolution 19-05 The County has already committed to not make a Remarketing Election and to participate in the 2019 Refunding. As noted above, this resolution simplify clarifies the requirement for a Second Amendment to the Gas Supply Agreement and authorizes the Utilities Manager to execute that second amendment and other documents related to the transaction.

### **Fiscal and Staff Impact**

Should Los Alamos elect not to execute the Second Amendment the most likely result would be that Los Alamos would not receive a portion of the additional discount attributable to the additional Los Alamos Quantities. The discount provided under this agreement is good for five years, at which time the transaction will be refunded and the discount for another five to seven year period will be negotiated. If Los Alamos elects not to accept the discount offered at that time they could elect to make a remarketing election and exit at that time with no further obligation to purchase gas under the agreement.

### **Attachments**

- A - Resolution 19-16
- B - Resolution 19-05 Relating to the NMMEAA Gas Supply Agreement
- C - Life to date savings derived from the prepay agreement
- D - Notice of Resolution