

The background of the slide is a collage of several US \$100 bills, scattered and overlapping. The bills feature the portrait of Benjamin Franklin and various serial numbers and security features. The text "Los Alamos County" is overlaid on the top right of this background.

Los Alamos County

Financial Report

March 5, 2025

Topics

- Key Financial Targets
 - Days Cash on Hand
 - Rate of Return
 - Debt Coverage Ratio
 - Debt to Equity
 - Age of System
 - Capital Reinvestment
 - Transfer to the County
 - Sales Mix
 - Rate Change Assessment
- Rate Observations
 - Customer Charges
 - PCA
 - EV
 - Solar
 - Connection/Impact Fees
- Summary of Indicators



Days Cash on Hand

- Key Indicator of cash flow viability of the utility (typical range is 90-150)
- The cash trend has declined over the prior three years, large settlement in FY2024.

	2021	2022	2023	2024
Cash and Cash Equiv	\$ 1,818,433	\$ 3,773,586	\$ 1,116,334	\$ (2,761,829)
Investments	-	-	-	\$ 45,216,425
Restricted Cash	14,629,857	14,354,906	14,494,653	24,820,485
With Restricted	16,448,290	18,128,492	15,610,987	67,275,081
Net of Restricted	1,818,433	3,773,586	1,116,334	42,454,596
Total Expenses	\$ 46,522,696	\$ 45,222,806	\$ 59,217,494	\$ 52,826,400
Transfer	623,658	254,000	726,983	623,361
Total Expenses	\$ 47,146,354	\$ 45,476,806	\$ 59,944,477	\$ 53,449,761
Days Cash on Hand	14	30	7	290
With Restricted	127	146	95	459



Rate of Return

- To ensure current rate payers are paying their fair share of the infrastructure they use, and not being subsidized by future rate payers (typical rate is 4-6%)
- The utility has had had operating losses for the past 3 of 4 years, current revenues are not meeting operating expenses

	2021	2022	2023	2024
Operating Income	\$ (607,015)	\$ 3,528,990	\$ (1,970,836)	\$ (1,827,020)
Transfer to City	(623,658)	(254,000)	(726,983)	(623,361)
Operating Income (Loss)	(1,230,673)	3,274,990	(2,697,819)	(2,450,381)
Net Book Value (NBV)	\$ 67,853,060	\$ 64,121,829	\$ 43,283,168	\$ 46,434,591
Rate of Return (ROR)	-1.81%	5.11%	-6.23%	-5.28%



Debt Coverage Ratio

- Measurement of debt affordability, measures cash flow from operations in each year to make debt service payment
- Can range between 1.0 and 1.25 depending on type of bond
- Utility met coverage in 1 of 4 years, did not meet ratio in 2024 after Non Operating Adjustments

	2021	2022	2023	2024
Change in Net Position	\$ (1,128,739)	\$ 695,282	(23,592,281)	\$ 56,385,618
Depreciation	3,773,140	3,193,646	2,448,402	1,852,424
Interest Expense	718,952	639,445	601,324	547,274
Non Operating Adjustments	(44,073)	1,689,499	20,976,658	(57,959,099)
Cash Flow from Operations	\$ 3,319,280	\$ 6,217,872	\$ 434,103	\$ 826,217
Debt Payment	\$ 3,864,767	\$ 1,866,246	\$ 1,598,186	\$ 1,597,296
Debt Coverage Ratio	0.86	3.33	0.27	0.52



Debt to Equity

- Indicator of the debt practices of the utility, it measures NBV with outstanding debt
- Can range from no debt, to close to full debt
- Debt to equity is acceptable at 23%

	2021	2022	2023	2024
Current of LTD	\$ 1,190,512	\$ 975,694	\$ 1,027,378	\$ 1,100,704
Long-term Debt	12,765,532	11,753,549	10,705,003	9,581,655
Total Outstanding Principal	\$ 13,956,044	\$ 12,729,243	\$ 11,732,381	\$ 10,682,359
Net Book Value (NBV)	\$ 67,853,060	\$ 64,121,829	\$ 43,283,168	\$ 46,434,591
Percent Leveraged	20.6%	19.9%	27.1%	23.0%



Age of System

- Key indicator of capital reinvestment practices of utility, compares historical investment in assets to accumulated deprivation, understanding that improvements can only be made with budgetary consideration
- If a utility invests at least at the rate of depreciation the NBV will be 50% or more, if not it will be <50% and can be an indicator of an aging system

	2021	2022	2023	2024
Land	-	-	-	-
Utility Plant in Service	178,042,885	177,922,582	130,661,896	132,802,889
Machinery and Equipment	2,794,608	2,842,730	2,290,768	1,870,324
Accum Depreciation	(118,650,775)	(121,644,073)	(91,277,602)	(92,191,904)
CWIP	5,666,342	5,000,590	1,506,038	2,357,142
Right-to-use asset			102,068	1,596,140
NBV	67,853,060	64,121,829	43,283,168	46,434,591
Historical	\$ 186,503,835	\$ 185,765,902	\$ 134,560,770	\$ 138,626,495
Remaining NBV	36%	35%	32%	33%



Capital Reinvestment

- As a general proxy, the utility should reinvest at the rate of depreciation for an average depreciated system, if the system is highly depreciated, the capital improvement plan may need to be more aggressive, if newer, can be deferred
- Utilities can artificially keep rates low, and build cash by not reinvesting
- The utility has recently reinvested at the rate of depreciation

	2021	2022	2023	2024
Capital Invested	\$ 1,098,168	\$ 1,228,328	\$ 3,055,828	\$ 2,206,395
Depreciation	3,773,140	3,193,646	2,448,402	1,852,424
	Low	Low	Acceptable	Acceptable



Transfers to the County

- This is a common operating expense for municipal utilities
- Typical range is 4.8% according to APPA's national survey

	2021	2022	2023	2024
Sales	\$ 45,915,681	\$ 48,547,321	56,999,472	\$ 50,598,367
Transfers	1,141,982	1,127,136	1,112,594	1,142,241
Actual % of Revenues	2.5%	2.3%	2.0%	2.3%
APPA country-wide	4.8%	4.8%	4.8%	4.8%



Sales Mix

- The sales mix of a utility can help assess risk to revenues should customers leave the system
- The utility has an important partnership with LANL

ELECTRIC SALES MIX

	Cust Count	FY2024 Revenue per ACFR	% of Retail Revenue	% of Total Revenue
Residential	7829	8,062,090	54.4%	15.8%
Commercial	623	4,410,353	29.8%	8.6%
Municipal	160	1,754,446	11.8%	3.4%
Educational	55	592,858	4.0%	1.2%
Subtotal	8667	14,819,747	100.0%	
Wholesale (LANL Partnership)		35,489,128		69.6%
Misc. & Lighting		690,505		1.4%
Revenue Per ACFR		50,999,380		100.0%



Five Largest Customers

CUSTOMER	TYPE OF CUSTOMER	KWH SOLD	ANNUAL ELECTRICAL BILLINGS
1. Los Alamos Medical Center	Large Commercial	3,473,760	\$325,976
2. Smith's Marketplace	Large Commercial	2,932,750	\$274,619
3. New Mexico Consortium	Large Commercial	2,387,040	\$223,258
4. LA Research Park	Large Commercial	1,758,960	\$164,779
5. Enterprise Bank & Trust	Large Commercial	1,256,520	\$117,768



Rate Observations

- The utility doesn't seem to have consistent rate adjustments, resulting in operating losses
- Residential Customer Charge
 - The monthly customer charge recovers the relative fixed cost of the system such as : meter reading, customer service, and a portion of the distribution system
 - Important to ensure that these charges can help stabilize revenues during periods of declining sales
 - National average charges range from \$15.00 and \$25.00 per month
 - The City's fixed residential charge is \$12.60. In general, for all classes, the rates are typical structure but low
 - Changes should be done incrementally, to mitigate impact



Rate Observations

- PCA
 - The utility and the Los Alamos National Laboratory are partners in an Electric Coordination Agreement (ECA) that has been in effect since the mid 1980's. The ECA acts as a PCA for the utility's electric distribution customers as the cost of power is determined by the month combined and allocated costs of the ECA.
- EV
 - The utility recently modified the Rules to include an EV rate for county owned EV chargers available to the public.
- Solar
 - Solar Rates and Policy are included in Los Alamos County Department of Public Utilities Rule E-5. Rule E-5 states "the credit to the Customer for energy supplied to the Utility will be based on the wholesale cost. The wholesale cost is the Utility's Electric Coordination Agreement (ECA) total capacity and energy costs, for a twelve-month rolling average, calculated from the Los Alamos County Resource Pool invoices."
- No Policy
 - Connection/impact fees



Summary

Financial Indicator	2023 Factor	2024 Factor	Comments
Days Cash on Hand	7	290	Was declining; large settlement increased the cash balance
Rate of Return	▼ -6.23%	▼ -5.28%	Losses in three of the past four years
Debt Coverage Ratio	0.27	0.52	Large loss on disposal of capital asset in 2023; principal payments were not levelized
Debt to Equity	▼ 27%	▼ 23%	Acceptable
Remaining NBV	▼ 32.2%	▼ 33.5%	Low; check capital plan; and large loss on disposal in 2023
Capital Reinvestment	▼ \$ 3,055,828	▼ \$ 2,206,395	Acceptable in 2023 and 2024; low in 2021 and 2022 consistent with age of system
Capital Contributions	n/a	n/a	Very small amount in 2021
Transfer to the County	2.0%	2.3%	Consistent, below industry average
Administrative Charges			The utility has an allocation study
Loans (to) from	n/a	n/a	No loans (to) from
Sales Mix			Partnership with LANL, remainders is fairly evenly distributed
System Loss Factor	▼ 0.0%	▼ 0.0%	Production provides distribution
Rate Change assessment	n/a	n/a	Low customer charges, declining cash and losses
Customer Charges	Low		Low
PCA	ECA	EC	Partnership with LANL acts as PCA
EV			Recently added EV rate to Rules for county owned EV chargers available to the public
Solar			Included in Rule E-5
Connection/Impact Fees	None Known		Not listed in financial statements



QUESTIONS
