



County of Los Alamos

Council Meeting Staff Report

January 24, 2023

Agenda No.: I.

Indexes (Council Goals):

Presenters: Heather Garcia; Helen Perraglio; Erika Thomas

Legislative File: 16876-23

Title

Approval of Budget Revisions 2023-26 and 2023-27 for Purchased Gas and the Payment of Refinancing Fee's for the Public Utility Department

Recommended Action

I move that the Council approve Budget Revision 2023-26 and 2023-27 as summarized on Attachment A and Attachment B and that the attachments be made a part of the minutes of this meeting.

County Manager's Recommendation

The County Manager recommends that Council approve the Budget Adjustments as requested.

Body

Budget Adjustment 2023-26 - Global demand on natural gas and increased reliance on gas as an alternative to coal, in addition the risk of severe weather events, has impacted supply and prices of natural gas. Estimates used during the FY 2023 budget planning period were \$5.39 per MMBTU, this included a 20% increase over the estimated cost of gas projected by Conoco Phillips. Prices have averaged \$11.08 per MMBTU for FY 2023, with prices hitting \$32.97 per MMBTU in January. Estimates for January prices were given in December at \$7.60 per MMBTU which illustrates the fluctuation in gas prices.

Because several estimates are included in the year-end projection and there is a potential for further market response, staff is recommending an expenditure budget adjustment of \$10,689,600 for gas purchases. This would make the total FY2023 budget authority for the cost of gas \$15M. Funds that are left unspent will not be carried over in to FY2024.

Budget Adjustment 2023-27 - On July 6, 2022, the board of Public Utilities approved resolution 22-13, which closed the Clean Water State Revolving Fund (CWSRF) Loan number 083 as enacted by Ordinance No. 687, and amended by Ordinance No. 689 and No. 712, and enter into Loan CWSRF 110, as proposed by Ordinance No. 720. The purpose of the closure of loan 083 was to take advantage of lower interest rates provided by the New Mexico Environment Department (NMED). Rates on loan 083 were set at 2.38% and loan 110 was 0.01%, both are set at 20-year terms. This change resulted in significant savings for the Wastewater Fund, an estimated \$6.2 million over the life of the loan.

At that time, utilities staff informed the board of their intention of refinancing loan 083 at the lower interest rate if and as soon as it was available. Proposals for refinance were received in December of 2022. Before the refinancing can begin, NMED requires a refinancing fee of 2% of the outstanding \$6.3 million. Staff is requesting that board approve the proposed budget revision that would authorize the refinancing fee payment of \$125,194. The new proposal also includes a 0% administrative fee. Total savings for refinancing loan 083 is \$1.5 million.

Both Budget Adjustments 2023-26 and 2023-27 were approved by the Public Utilities Board on 1/18/2023.

Fiscal and Staff Impact/Planned Item

The Fiscal Impact for Budget Adjustment 2023-26 is \$10.7M additional for gas commodity cost in gas. All of the gas increase will be recovered through additional revenue, although some of that recovery may cross over into next fiscal year. Utilities staff is preparing ordinances to be presented to board for the recovery of these expenses.

The Fiscal Impact for Budget Adjustment 2023-27 is \$125,194 which will be recovered through interest saving on the loan.

Attachments

A - Budget Adjustment 2023-26

B - Budget Adjustment 2023-27