

Council Meeting Staff Report

January 20, 2021

Agenda No.:	6.C
Indexes (Council Goals):	DPU FY2022 - 1.0 Provide Safe and Reliable Utility Services
Presenters:	James Alarid
Legislative File:	OR0875-20

Title

Incorporated County of Los Alamos Ordinance No. 706; Loan/Grant Agreement with the New Mexico Finance Authority for Otowi Well #2 Pump House and Equipment and Otowi Well #4 Motor Control Center Project

Recommended Action

I move that the Board of Public Utilities approve Incorporated County of Los Alamos, New Mexico Ordinance No. 706 Authorizing The Execution And Delivery Of A Loan And Subsidy Agreement ("Loan Agreement") By And Between the Incorporated County Of Los Alamos, New Mexico (The "Governmental Unit") And The New Mexico Finance Authority, Evidencing A Special Limited Obligation Of The Governmental Unit To Pay A Principal Amount Of No More Than \$2,773,418, Together With Expenses, If Any, And Administrative Fees, Thereon, And To Accept A Loan Subsidy Of No More Than \$79,832, For The Purpose Of Financing The Costs Of (I) Designing And Constructing A Well House, Pumps And The Associated Equipment For Otowi Well #2 And (Ii) Replacing The Motor Control Center To Otowi Well #4; Providing For The Pledge And Payment Of The Principal, Administrative Fees And Interest Due Under The Loan Agreement Solely From The Net Revenues Of The Joint Utility System Of The Governmental Unit; Setting An Interest Rate For The Loan; Approving The Form Of And Other Details Concerning The Loan Agreement; Ratifying Actions Heretofore Taken; Repealing All Action Inconsistent With This Ordinance; And Authorizing The Taking Of Other Actions In Connection With The Execution And Delivery Of The Loan Agreement, and forward to Council with a recommendation for approval. I further move to authorize the County Attorney to make nonsubstantive changes to the documents prior to Council approval.

Staff Recommendation

Staff recommends that the Board approve as presented

Body

On September 16, 2020, staff presented to the Utility Board the details of two low interest loan programs available to the DPU through the New Mexico Finance Authority. In addition, the economics were presented for financing some planned capital improvement projects through these loan programs. The Utility Board authorized staff to proceed with financing some large capital improvements through these programs. This loan is issued through the Drinking Water State Revolving Loan (DWSRL) Program administered by the New Mexico Finance Authority. The proceeds will pay for construction of a well house and equipping the recently drilled Otowi Well #2 and the replacement of the motor control center at Otowi Well #4. Otowi Well #2 will serve as replacement well for one of wells in the Pajarito Well Field that are nearing the end of their useful life. Otowi Well #2 will produce 1,300 gallons per minute, which will make it one of the best producing wells in the system. Otowi Well #2 has an estimated useful life of 40-50 years and replacement of the motor control center in Otowi Well #4 will ensure another 20 years of reliable operation.

The loan amount is \$2,773,418, over a 25 year term, at an interest rate of 1%. The annual payment will be \$125,932 for this loan beginning in July 2022. An additional \$79,832 will be granted to DPU

as a subsidy which will not have to be paid back. The subsidy is a fortunate bonus to the DPU available at the time of our application. The ordinance will be introduced in the February 2, 2021 Council meeting and a public hearing on the Ordinance is scheduled in the February 23, 2021 Council meeting. The closing of the loan agreement is scheduled to take place on April 9, 2021 and the project will be advertised for bids soon after closing.

Alternatives

If the ordinance is not approved staff will bring the project for approval at a future date funded by water production capital funds.

Fiscal and Staff Impact

None

Attachments

A - Ordinance No. 706