

## Council Meeting Staff Report

June 16, 2021

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<b>Agenda No.:</b>	7.B.
<b>Indexes (Council Goals):</b>	DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	14400-21

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### Title

Approval to take a resolution for approval by Council authorizing an application to modify loan agreement DW-5456 to increase the loan amount by \$928,000.00, for a revised loan amount of \$3,780,444.02 (which amount includes \$79,832 program subsidy which is not required to be repaid), and a revised loan ordinance and supporting loan documents in a form acceptable to the County Attorney's office, to provide increased funding for the Otowi Well #2 Pump House and Equipment and Otowi Well #4 Motor Control Center (MCC), required because the final bids came in over the original estimated project cost and loan amount.

### Recommended Action

**I move the Board of Public Utilities authorize staff to take a resolution for approval by Council authorizing an application to modify loan agreement DW-5456 to increase the loan amount by approximately \$928,000.00, for a revised loan amount of approximately \$3,780,444.02 (which amount includes approximately \$79,832 program subsidy which is not required to be repaid), and a revised loan ordinance and supporting loan documents in a form acceptable to the County Attorney's office, to provide increased funding for the Otowi Well #2 Pump House and Equipment and Otowi Well #4 Motor Control Center (MCC).**

### ..Staff Recommendation

Staff recommends approval of the motion as presented.

### ..Body

As a separate agenda item this evening, BPU will consider award of the contract with RMCI for the Otowi Well #2 Pumphouse and Equipment and Otowi Well #4 MCC. As noted in that discussion, the low bid came in significantly above the initial engineer's estimates, upon which the original loan for the project was based. The explanation for the higher project costs is discussed in that agenda item and is not repeated here. The NMFA has acknowledged that they have seen similar escalation in most of the projects they have provided funding for, have acknowledged that they have additional loan funds available, and are working to expedite modifying loan agreements so these important projects can proceed. They do require the governing body to approve a resolution authorizing the application for such funds and execution of new or revised loan documents. Staff has been working with NMFA on the specific form of those requirements, but we do not have them finalized yet. To avoid delays in obtaining this important financing and moving forward with the project, the recommendation is for the BPU to authorize staff to work with NMFA and the County Attorney's office to ensure the form and content are acceptable to the County, and then take those documents to Council for approval/execution upon receipt.

Note, as an "add/alternate" a gas-powered backup generator for the well was proposed, at an additional cost of \$668,000 plus NMGR. Staff is not proposing or recommending award of that addition at this time, but if the Board elects to approve that addition that amount should be included in the motion as well.

It is noted further that the term "approximately" is included in the motion to accommodate slight variances that may result from differences in how taxes, subsidies, or contingencies are calculated.

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The final, actual amounts will be known and included in documents provided to Council for approval.

**..Alternatives**

If the loan is not increased, we will have to fund the excess project costs by canceling or delaying other planned projects in the Capital Plan to make up the funding shortfall, or cancel this project indefinitely hoping for a better bid environment in which to pursue the project, in which case the existing loan would have to be cancelled and the favorable loan terms and subsidy may not be available later when re-bid.

**Fiscal and Staff Impact**

Increase the loan amount by \$928,000, which will increase the annual debt service for the project by approximately \$42,137.47 per year.

**Attachments**

None