



## Council Meeting Staff Report

October 26, 2021

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<b>Agenda No.:</b>	A.
<b>Indexes (Council Goals):</b>	* 2021 Council Goal - Investing in Infrastructure, DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance, DPU FY2020 - 1.0 Provide Safe and Reliable Utility Services
<b>Presenters:</b>	Philo Shelton
<b>Legislative File:</b>	OR0917-21

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**Title**

Introduction of Incorporated County of Los Alamos Ordinance No. 712, An Ordinance Authorizing the Incorporated County of Los Alamos (County) to Amend Ordinance No's. 687 and 689 for the Purpose of Increasing the Principal Amount of the New Mexico Environment Department (NMED) Clean Water State Revolving Fund (CWSRF) Loan Number CWSRF 083.

**Recommended Action**

**I introduce, without prejudice, Incorporated County of Los Alamos, New Mexico Ordinance No. 712, An Ordinance authorizing the Utilities Manager to submit a request and necessary documents to the New Mexico Environment Department to increase the loan amount as authorized in County Ordinances 687 and 689, up to a maximum loan amount of Thirty Million Dollars (\$30,000,000.00) for the NMED Project CWSRF 083 under the same terms and conditions set forth for the original loan, and forward to the County Council for Approval.**

**Board Recommendation**

Department of Public Utilities (DPU) Staff presented this Ordinance to the Board of Public Utilities (BPU) at their regular meeting of October 20th. After careful consideration of the information presented and discussion, the Board voted 5-0 in favor, and recommends that Council approve the motion as presented.

**County Manager's Recommendation**

The County Manager recommends that Council introduce Incorporated Los Alamos Ordinance No. 712

**Body**

The Clean Water State Revolving Loan #CWSRF 083 was executed on April 12, 2019, to fund the design and construction of the project. The design contract was executed on July 31, 2019, in the amount of \$2,199,144 (including NMGRF). The remaining funds in the loan for construction is \$14,800,856 (which is the current approved budget for the project.) Upon completion of design in May 2021, the engineer's construction estimate for the project was \$16,173,717 (including NMGRF) which when combined with the design costs was \$1,384,387 over the \$17,000,000 loan. Prior to issuing the bid, staff's plan to fund the shortfall between the established budget and Engineer's Estimate was to seek \$1.3 Million in County ARPA Funds that County Council tentatively approved DPU to request and fund the remaining balance with reserves.

This year, DPU is experiencing significant cost overruns on other utility projects due to the COVID-19 pandemic. Impacts causing material shortages and supply chain delays have led to significant cost increases. DPU received two bids on October 11, 2021, for Bid No. IFB 22-27 for the purpose of the White Rock Water Resource Reclamation Facility (WRRF) Construction Project. While the bid results are still under review, both bids well exceeded the engineer's estimate and budget authority for the project. Next, DPU approached the NMED Construction Programs Bureau, who administers the CWSRF loan, about other funding opportunities and the possibility to increase the existing loan

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amount. NMED has also experienced large bid increases with other New Mexico cities and counties and per staff's request, NMED prepared the attached ordinance to increase the loan amount to a maximum of \$30 million while maintaining the original interest rate at 2.38%. \$30 million is a worst-case scenario for the purpose of establishing adequate budget authority by ordinance and avoids delays by having to revise the ordinance again in the future. The final loan amount will be established by the final actual costs for both design and construction.

DPU realizes that this is a huge cost increase and staff prepared a financial narrative in Attachment B and made a detailed presentation to the BPU to review what has occurred to date with the project and the need for additional budget authority. After careful review and consideration, the BPU unanimously approved the requested increase of the loan to \$30 Million.

Should the ordinance receive approval tonight, the public hearing will be held at the November 9, 2021, Council meeting and the amended loan documents will then be finalized, and closing will be scheduled 30-days later. Next, the bid committee would make a recommendation for an award of the bids received to the BPU at the November 17th meeting for their consideration and recommendation. Finally, the recommended bid will be forwarded to County Council for their consideration at the December 7th regular meeting.

#### **Alternatives**

If the ordinance is not approved, the project will be delayed. The existing project funding and including existing wastewater fund reserves are not sufficient to build a replacement wastewater treatment facility.

#### **Fiscal and Staff Impact**

There are \$14,800,856 budget in this fiscal year. The project intent is to finance the entire cost to design and construct the project. If progress is not made to bring the wastewater plant into compliance with the EPA discharge permit limits, there is a potential to incur fines from EPA. Given this is a plant replacement, there are no additional staff impacts. The attached budget forecast shows that there will need to be a 2% per year rate increase over the next four years to cover the increased payment for principal and interest associated with a \$30 Million loan as presented in Attachment C.

#### **Attachments**

- A - Incorporated County of Los Alamos Ordinance No. 712
- B - Financial Narrative, October 2021
- C - Budget Forecast
- D - Publication Notice of Ordinance No. 712