



Council Meeting Staff Report

November 16, 2022

Agenda No.:	5.B.
Indexes (Council Goals):	* 2022 Council Goal - Investing in Infrastructure, DPU FY2022 - 1.0 Provide Safe and Reliable Utility Services, DPU FY2022 - 2.0 Achieve and Maintain Excellence in Financial Performance
Presenters:	James Alarid; Heather Garcia
Legislative File:	OR0963-22-a

Title

Approval of Ordinance No. 722 Authorizing the Execution and Delivery of a Water Fund Project Loan/Grant Agreement for Construction of Phase II of the Bayo New Non-Potable Water Tank and Existing Tank Upgrades.

Recommended Action

I move that the Board of Public Utilities approve Ordinance 722 and forward to Council for approval.

Utilities Manager's Recommendation

The Utilities Manager recommends that the Board approve the motion as presented.

Body

Ordinance 722 will authorize the Department of Public Utilities (DPU) to execute the attached loan/grant agreement to construct phase II of the new Bayo non-potable water tank and construct improvements to the existing storage tank. The New Mexico Finance Authority (NMFA), through the Water Trust Board (WTB) has awarded the DPU a grant in the amount of \$2,190,000 and loan in the amount of \$1,460,000 (0% interest, 0.25% annual fee, 20-year term) in the 2022 funding cycle. As a condition of the award the DPU must match \$400,000 to the cost of the project.

DPU received a loan/grant from the NMFA/WTB in 2020 in the amount of \$900,000 for the project. Inflation from the time of submitting the application to the time of award caused the price of the project to more than double, so the project was split into two phases. The 2020 award was used to fund Phase I of the project which consists of the site piping, metering and miscellaneous site improvements to accommodate the new tank. The 2022 award will fund Phase II of the project which will complete the new tank and make improvements to the existing open top tank. The storage will be increased from 190,000 gallons to 1,000,000 gallons. This will allow a full day's discharge to be captured from the plant, increasing the amount of water that can be delivered to the community for irrigation.

The ordinance is scheduled to be introduced in the November 29, 2022 Council meeting and the public hearing is scheduled on December 13, Council meeting. The loan/grant closing is scheduled for January 20, 2023. The project was designed in-house and is shovel ready. The project will be bid as soon as the loan/grant closing is complete and be constructed in the fall 2023.

Alternatives

If the ordinance is not approved staff will consider the project next year when Water Trust Board applications are due.

Fiscal and Staff Impact

The project has been budgeted in fiscal year 2023 in the amount of \$2,929,880, which meet DPU's match requirement. BPU established a goal to maintain the debt service coverage ratio of 1.6 or greater for every fiscal year. Attachment C shows the projected debt service coverage ratios are projected greater than 1.6.

Attachments

- A - Ordinance 722
- B - WPF-5673 Loan/Grant Agreement
- C - Credit & Debt Analysis