Los Alamos County
Drinking Water State Revolving Loan Fund
Denver Steels Waterline Replacement Phase II & III
Amended and Restated

Board Date: 5/28/2026 **App #** DW-6651 & DWL-6651

Lending Officer: Carmela Manzari

A. EXECUTIVE SUMMARY

Interim Period		Term: 2	N/A	
DW-6651 Loan:	$2,102,000	Term: 20	Net Interest Cost:	0.26%
DWL-6651 Loan:	$525,000	Term: 20	Net Interest Cost:	0.26%
DW-6651 Principal Forgiveness:	$625,000	Term: N/A	Net Interest Cost:	N/A
Total Amount:	**$3,252,000**	**Total Term: 22 years**		

Pledged Revenue	Net System Revenue of the County Utility	
Coverage	1.93x (1.20x required)	
Compliance with NMFA Policies	Yes ☒	No ☐
Waiver Request	None	

Project Description

Los Alamos County applied to the Drinking Water State Revolving Loan Fund (DWSRLF) to finance Phases II and III of the Denver Steels Waterline Replacement Project. The initial loan closed on June 27, 2025, for a total of $2,727,000, comprising $2,102,000 in loan financing and $625,000 in principal forgiveness. A subsequent loan request of $525,000 will provide the additional funding necessary to replace lead service lines identified during construction. The new funding for the lead service line replacement is provided through the Infrastructure Investment and Jobs Act.

The project is located in the Denver Steels neighborhood, named for the prefabricated steel homes manufactured in Denver and installed in Los Alamos during the late 1940s and early 1950s as part of post-war housing development.

The initial phase of the project involved replacing approximately 3,300 feet of 70-year-old cast-iron water main with lead joints. During Phase II construction, the contractor, TLC Plumbing, identified the need to replace the associated water service lines. The existing galvanized service lines were found to be severely corroded, actively leaking, and in many cases deteriorating or failing during mainline replacement activities.

The additional funding will support several key improvements, including but not limited to:

- Installation of new PEX service lines originating from existing meter locations near residences.
- Extension of service lines to connect to new water meters located within the public right-of-way.
- Transfer of long-term ownership and maintenance responsibility for the portion of the service line between the new meter and the residence to the homeowner upon project completion.
- Replacement of 78 water service connections and six fire hydrants.

Approval of Loan DWL-6651 for an additional $525,000 will enable the County to proceed without delay with the required service line replacements. The County will also be eligible for reimbursement of payments already made to the contractor for completed infrastructure work.

NMFA staff have coordinated with the Drinking Water Bureau, which has confirmed that amending Loan DWL-6551 to reflect the expanded project scope is acceptable. The Drinking Water Bureau supports the amendment and has approved the revised funding structure.

Strengths	Weaknesses
• Increases construction efficiency by completing service line and mainline replacements at the same time. • Improves public health by removing lead and galvanized service lines, reducing leaks and outages, and increasing long-term system reliability. • Ensures federal compliance and reduces County costs by leveraging IIJA and LSLR funding. • Enhances fire protection through hydrant replacements. • Removes utility easements from private property, clarifies maintenance responsibilities, and supports a historically significant neighborhood.	N/A

This is the second time this project has appeared before the NMFA Board.

<u>Recommendation:</u> Staff recommends approval of the amended scope and additional loan funding.

PROJECT FINANCING

1. PROPOSED SOURCES AND USES:

Sources:		**Amount**
	DWSRLF Rate Loan	$2,102,000 $525,000
	DWSRLF Principal Forgiveness	$625,000
	Total Sources	$3,252,000

Uses:		**Amount**
	Deposit to Project Fund	$2,627,000
	Principal Forgiveness	$625,000
	Total Uses	$3,252,000

SECURITY

Pledged Revenue:	Net System Revenue of the County Utility	$4,498,651
	Total Revenue	**$4,498,651**
Distributing Entity:	Los Alamos County	
Distribution Timing:	Interest monthly on amounts drawn during the first 24 months of the loan commencing one month after the first incurred cost and ending no later than 24 months after the date of the loan agreement; thereafter monthly principal and interest payments commencing one month after the loan amount has been finalized and ending on the final maturity date of the loan.	
Lien Status	**Subordinate**	
	Senior Lien Total Outstanding Debt	$5,858,856
	Subordinate Lien (Parity) Total Outstanding Debt	$15,454,802
	Super Subordinate Lien Total Outstanding Debt	$42,554,162
Additional Bonds Test	120%	

3. CONTINGENCIES

Readiness to Proceed	
1.	Executed Copy of the Binding Commitment Letter;
2.	Estimated Cost Breakdown;
3.	Detailed drawdown schedule for project payments;
4.	Executed Copy of EPA form 4700-4;
5.	Verified System Award Management form 5700-9;
6.	Compliance with the State Environmental Review Process (SERP);
7.	Approval of Plans and Specifications by NMFA including confirmation that the existing Statement of Finding remains valid for the expanded scope of work;
8.	Approval of Plans and Specifications by NMED Drinking Water Bureau prior to construction start;
9.	Approval of Bids by NMED and NMFA;
10.	Approval of Contract Award by NMFA;
11.	Any additional information requested by the NMFA; and
12.	Loan documents shall conform to NMFA standard forms and policies.

4. BORROWER ATTRIBUTES

Priority Rank	#2 2025 Mid-Year Supplemental list		
Number of Users	18,500		
System Designation	Large		
MHI	$143,188	% Of National MHI	179.19%
Disadvantaged Status	N/A		
Principal Forgiveness Source	DW-6511 FY24 Base Capitalization Grant & DWL-6511 LSLR Capitalization Grants		
Principal Forgiveness Determination	Compliance with Federal requirements		

All Outstanding Loans in Compliance with Terms?	**Yes**	☒	**No**	☐	**N/A**	☐