
Meeting Date: April 22, 2020
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: R-20-3 – Confirming Approval of the Execution and Delivery of a Loan and Subsidy Agreement by and Between the Albuquerque Bernalillo County Water Utility Authority and the New Mexico Finance Authority

ACTION: Recommend Approval

BACKGROUND:

This funding would construct waterlines for Phase 2c of the Carnuel Water System Improvements Project. This project has already been awarded and is scheduled to begin construction in March 2020. This project should be completed in approximately six months. The community of Carnuel mostly obtains their water from private wells and disposal through septic systems and is in urgent need of a central public water and wastewater system. In addition, the Carnuel community's private wells are shallow and often co-exist in the same areas with poorly functioning, aging septic systems which have led to nitrate contamination in many of the wells. Moreover, the Carnuel community has seen a serious decline in the quality of water coming from private wells and, in some areas, it does not meet the mandates of the Safe Drinking Water Act.

In November 2008, the Water Authority and the Carnuel Mutual Domestic Water Consumer Association entered into an agreement for the Water Authority to act as fiscal agent and extend water infrastructure using federal and state grants and loans.

The extension of the water system to the Carnuel community is an eight-phase project which will connect about 800 existing households. Phase 1 extended water service from an existing Water Authority reservoir to the High Priority area; the project was completed in November 2010. Phase 2a, which included a 387,000-gallon water tank, was completed in September 2015. The water tank provides water storage capacity, fire flow protection, and redundancy to the project area. Phase 3a continued the extension of the water distribution lines through the High Priority area; this project was completed in September 2016. Phase 2b continued extension of water distribution lines and was completed in 2019, except for various items including hydrostatic testing of the water lines, which are being completed under Phase 2c.

The Water Authority will own and operate the system. Residents who connect to the system will pay Water Authority Ordinance rates and fees. System expansion is guided by the Bernalillo County Tijeras Canyon/Carnuel Plan which identifies priority areas for water and wastewater service.

SUMMARY:

This legislation is the ratification, approval and confirmation of the actions taken by the Board and the officers of the Water Authority toward the financing of a loan/grant subsidy with the New Mexico Finance Authority in the amount of \$2,020,000. The ratification, approval and confirmation include the execution of a Loan Agreement, the pledge of the Pledged Revenues and the adoption of Ordinance O-20-1. All capitalized terms shall have the same meaning as such terms have in Ordinance O-20-1.

FISCAL IMPACT:

The fiscal impact with this legislation is the repayable loan component of \$1.5 million with an annual debt service payment of \$58,703, commencing on November 1st and May 1st of each year through fiscal year 2052, with an effective interest rate of 1%, which includes the Administrative Fee. Gross Revenues, all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System, are pledged as security for this loan. Connection fees are projected to pay the outstanding debt service over the term of this agreement.

COMMENTS:

This Resolution is subject to the adoption by the Water Authority Board of Ordinance O-20-1, authorizing the execution of a \$2,020,000 loan/grant agreement by and between the Water Authority, and the New Mexico Finance Authority. The Loan authorized by Ordinance O-20-1, will provide financing assistance to complete Phase 2c of the Carnuel Water System Improvements Project.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-20-3

1 **RESOLUTION**

2 **CONFIRMING APPROVAL OF THE EXECUTION AND DELIVERY OF A LOAN AND**
3 **SUBSIDY AGREEMENT (THE "LOAN AGREEMENT") BY AND BETWEEN THE**
4 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE**
5 **"WATER AUTHORITY") AND THE NEW MEXICO FINANCE AUTHORITY**
6 **EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE WATER AUTHORITY TO**
7 **PAY A PRINCIPAL AMOUNT OF NO MORE THAN ONE MILLION FIVE HUNDRED**
8 **FIFTEEN THOUSAND DOLLARS (\$1,515,000), TOGETHER WITH INTEREST,**
9 **COSTS OF ISSUANCE AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT**
10 **A LOAN SUBSIDY OF NO MORE THAN FIVE HUNDRED FIVE THOUSAND**
11 **DOLLARS (\$505,000); AND RATIFYING ACTION PREVIOUSLY TAKEN IN**
12 **CONNECTION THEREWITH**

13 WHEREAS, pursuant to Section 72-1-10 NMSA 1978, the Board (the "Board") of
14 the Water Authority adopted Ordinance No. O-20-1 on April 22, 2020 (the "Ordinance")
15 authorizing the execution and delivery of the Loan Agreement to finance improvements
16 to the Water Authority's joint water and sanitary sewer system as described therein;
17 BE IT RESOLVED BY THE WATER AUTHORITY:

18 SECTION 1. The execution and delivery of the Loan Agreement in an aggregate
19 principal amount of \$2,020,000 is authorized. All action heretofore taken by the Board
20 and the officers of the Water Authority directed toward the financing of the Project, the
21 execution and delivery of the Loan Agreement, the pledge of the Net Revenues and the
22 adoption of the Ordinance be, and the same hereby are, authorized, ratified, approved
23 and confirmed. All capitalized terms shall have the same meaning as such terms have
24 in the Ordinance.

25 SECTION 2. If any section, paragraph, clause or provision of this Confirming
26 Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or
27 unenforceability of such section, paragraph, clause or provision shall not affect any of
28 the remaining provisions of this Confirming Resolution.

1 SECTION 3. This Confirming Resolution shall be in full force and effect
2 immediately upon adoption.

3 SECTION 4. Pursuant to the general laws of the State, the title and general
4 summary of the subject matter contained in this Confirming Resolution shall be
5 published in substantially the following form:

6 ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
7 LEGAL NOTICE

8 Notice is hereby given that the Board of Directors of Albuquerque Bernalillo
9 County Water Utility Authority did on the 22nd day of April, 2020, adopt a resolution
10 entitled:

11 **CONFIRMING APPROVAL OF THE EXECUTION AND DELIVERY OF A LOAN AND**
12 **SUBSIDY AGREEMENT (THE "LOAN AGREEMENT") BY AND BETWEEN THE**
13 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE**
14 **"WATER AUTHORITY") AND THE NEW MEXICO FINANCE AUTHORITY**
15 **EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE WATER AUTHORITY TO**
16 **PAY A PRINCIPAL AMOUNT OF NO MORE THAN ONE MILLION FIVE HUNDRED**
17 **FIFTEEN THOUSAND DOLLARS (\$1,515,000), TOGETHER WITH INTEREST,**
18 **COSTS OF ISSUANCE AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT**
19 **A LOAN SUBSIDY OF NO MORE THAN FIVE HUNDRED FIVE THOUSAND**
20 **DOLLARS (\$505,000); AND RATIFYING ACTION PREVIOUSLY TAKEN IN**
21 **CONNECTION THEREWITH.**

22 The Confirming Resolution authorizes the execution and delivery of the Loan
23 Agreement. Complete copies of the Confirming Resolution are available for public
24 inspection during normal and regular business hours at the offices of the Water
25 Authority, One Civic Plaza, NW, Albuquerque, New Mexico.