



Albuquerque Bernalillo County Water Authority

Albuquerque/Bernalillo
County
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Legislation Details (With Text)

File #: OB-15-9 **Version:** 1 **Name:**
Type: Other Business **Status:** Filed
File created: 8/14/2015 **In control:** Albuquerque Bernalillo County Water Utility Authority
On agenda: 8/19/2015 **Final action:** 12/2/2015
Title: Future Debt Maturity and Revenue Implications
Sponsors: Albuquerque Bernalillo County Water Utility Author
Indexes:
Code sections:
Attachments: 1. OB-15-9

Date	Ver.	Action By	Action	Result
8/19/2015	1	Albuquerque Bernalillo County Water Utility Authority	Postpone	

Future Debt Maturity and Revenue Implications.

During the discussion on the Water Authority's 10-year financial plan, Commissioner O'Malley requested an analysis of extending the term of the debt as a strategy to offset the need for future rate increases to fund the adopted increases in infrastructure spending.

RBC Capital Markets, as financial advisor to the Water Authority was requested to undertake this analysis. They evaluated the existing policy and term of 12 years as well as terms of 20, 25 and 30 years for basic capital spending. For each scenario, they identified the potential annual savings as well as the increased cost of funds and interest costs over the life of the debt. The report also identifies the criteria which is utilized by the rating agencies since any change would likely affect the Water Authority's credit rating.

The conclusion is simply that extending the term of the Water Authority's debt would have nominal savings in annual debt service. However, the increased cost of funds, increased cash reserves required and additional interest costs would out way the savings. The Water Authority's current conservative basic capital model of 12-year terms with 50% cash match requirement is a best practice and allows for rapid pay down and sustained investment in infrastructure spending.