

Future District Financing Referendum

Alto Lakes Water &
Sanitation District 

July 16, 2019



Purpose of Presentation

1. Review improvements District has made
2. Present the improvements needed in the future
3. Present the District's recommendation regarding future financing of improvements.
4. Explain how your input will be requested in the upcoming referendum



The District has invested \$11.5M since 2008

- | | |
|---------------------------------------|---------------|
| 1. Purchased assets of Alto Water Co. | \$2.9M |
| 2. Phase I Water Treatment Plant | \$1.3M |
| 3. Distribution System Upgrades | \$5.0M |
| 4. Wastewater System Upgrades | \$1.9M |
| 5. Solid Waste Collection Facility | <u>\$0.4M</u> |

Total

\$11.5M



Future Improvements needed

- Improve water quality Phase II \$3M to \$4M
 - Remove salts, 1800 ppm to 500 ppm TDS
 - Remove hardness, 90 grains to < 10 grains
 - Reduce or eliminate need for water softeners
 - Subject to acquisition of additional land at reasonable cost



Possible Acquisition

High Mesa Drive Property Concept Plan

Zoom in (Ctrl+Plus)



Alto, NM December 2018

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Future Improvements needed

- Replace old/undersized pipes \$15M to \$20M
 - Many pipes over 50 years old
 - Over 95,000 feet of 2" and 3" replaced with new 6"
 - Larger pipe provides needed fire flow capacity
 - Add approximately 200 more fire hydrants to the already added 137
- Add and upgrade water storage tanks \$1M



Improvements needed over next 20 years

- Water Quality \$3M to \$4M
- Piping Replacements \$15 to \$20M
- Water Storage \$1M
- Total \$19M to \$25M



Financing Recommendations

- Available Financing Sources
 - Grant from NM Water Trust Fund 40 to 60%
 - Loan from NM Water Trust Fund – ¼% interest 20 years
 - Trust Fund financing is very competitive
 - **All require 20% cash from District reserves**
 - Loan from NM State Revolving Fund (SRF) – 2% interest 20 to 30 years



Financing Recommendations

- The District recommends pursuit of all available financing sources
- We must have matching funds available to apply for any low-cost financing.
- We have provided this in the past with the customer approved System Upgrade Fee which will expire 1/1/2020



Current System Upgrade Fee

- The System Upgrade Fee at present is \$9.00/mo. for all customers.
- Will lower to the amount necessary to fund the interest payments on existing loans (about \$3.50/mo) on 1/1/20.
- Will continue until 2034 until all existing loans are amortized.



Your Choices for the future District Upgrades

- Option 1.** Accomplish all needed improvements, \$15M to \$20M in 10 years.
- Option 2.** Continue the current approach of about \$5M to \$8M every five to six years. – Will allow the District to take advantage of the low interest loans and grants.
- Option 3.** Make minimal improvements - The maximum improvements will be less than 10% of the need.



Cost of choices

- Option 1.** It would take about **\$50 per month** to fund this option. This includes existing loans and borrowing an additional \$20M with few grants.
- Option 2.** Continue current approach. System upgrade fee could be extended at **\$9 per month**. This would fund from \$5M to \$8M depending upon level of grants obtained.
- Option 3.** Discontinue system upgrade fee except for the **\$3.50 per month** currently allocated to debt service. Less than 10% of needed improvements made from earnings.

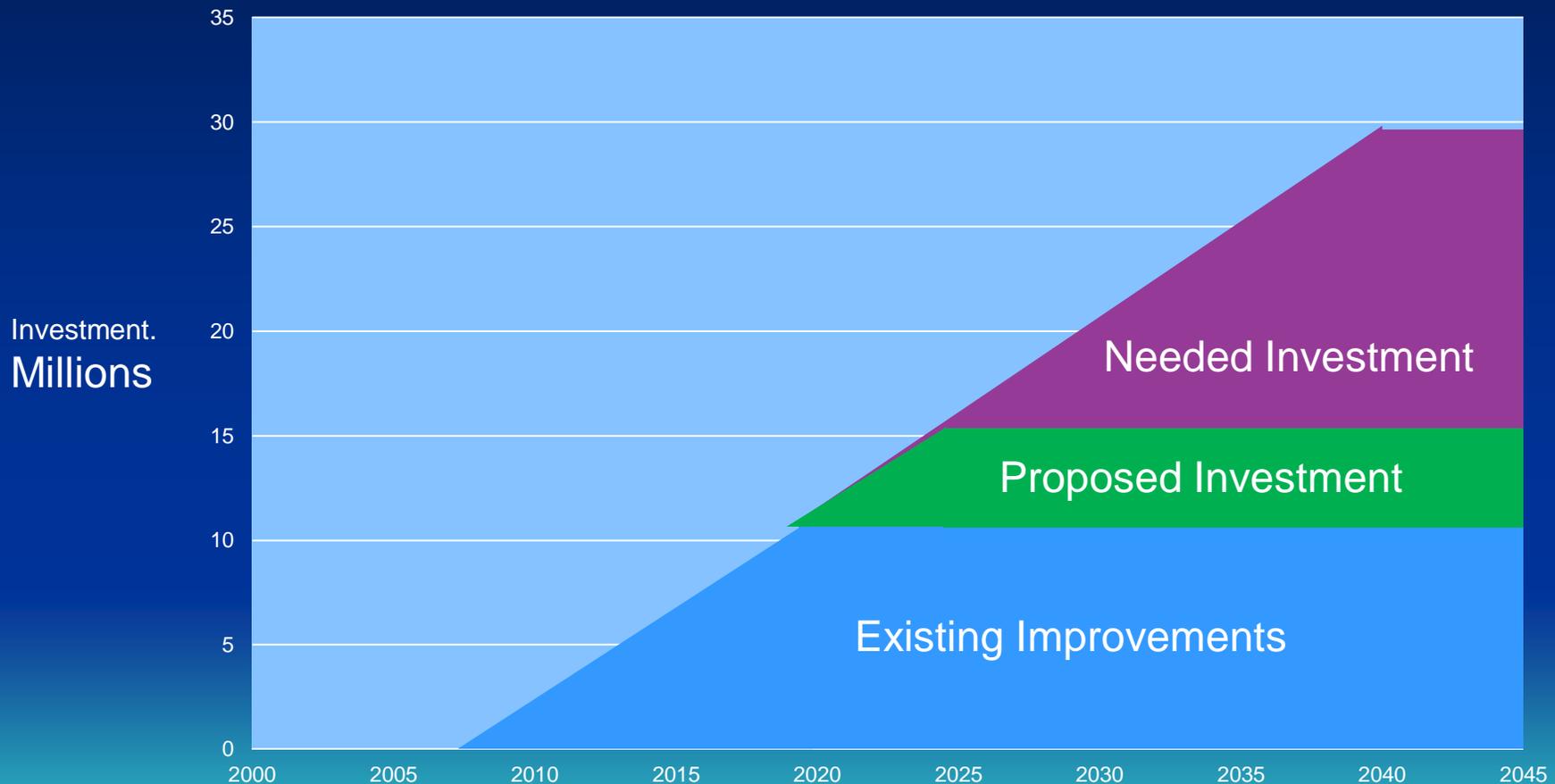


District Recommendation

- **Option 2.**
Extend the use of **System Upgrade Fee at \$9.00 per month** with annual CPI adjustment through 2028. After 2028 it will drop as necessary to pay debt service.
- A referendum asking which of the 3 options customers prefer will be mailed to all of the ALWSD customers in August for return in October.



The extended Upgrade Fee keeps our investment on track



The District Recommends extending the Upgrade Fee

- Keeps us gradually improving the system
- Depending upon funding source, up to \$8M of improvement may be added.
- All Upgrade Fees are reserved for capital improvements.
- **DOES NOT INCREASE YOUR WATER BILL.**



Questions?

