Wastewater Debt

NMED – Dewatering Project – March 2018 - $82,000 ($70,079.36 grant; $11,920.64 loan)

Debt balance as of March 2022 - $7,152.38

Debt Payment Reserve balance as of March 2022 - $13,260.00

Anticipated Debt Payment Reserve Balance after payoff - $6,107.62

This funding was to aid in the design of the dewatering system project (currently being constructed). A rate increase was mandated by NMED to receive the funding, although the increase has been approved by ordinance it has not be implemented. The city may need to move forward with implementing this increase.

The debt repayment for the NMED loan would aid in the financial analysis of the 2022 Colonias Project application. Staff anticipates a swap of debt (per se) so the city will not be forced to make any additional increase to rates for the proposed application (non-construction portion).

The City of Bayard has submitted a Colonias Infra-structure application for a total of $100,000 for the planning and preliminary design for facility problems related to electrical service to facility; and electrical components of facility, evaluation and selection of disinfection system, and solar infrastructure for facility.

Funding requirements are to obtain a 10% loan and contribute a 10% cash match. Project funding request $100,000 ($10,000 loan; $10,000 cash match). Loan of $10,000 would have a 20 year repayment of $500.

Both of the debts discussed above are calculated at a 0% interest and it is in the best interest to pay these debts as soon as possible.

Water and Sewer Debt

The city has three Colonias Loans for water system improvements: Annual payment total $4,852; debt balance $72,864.

> 2013 Well Field and Transmission Line Improvements $41,781; balance as of March 2022 $27,158. Annual payment amount $2,089
>
> 2015 Water Storage Tank $38,142; balance as of March 2022 $28,606. Annual payment amount $1,907
>
> 2019 Well #3 Rehabilitation $17,100; balance as of March 2022 $17,100. Annual payment amount $855

The City of Bayard has submitted two Colonias Infra-structure applications for:

Water System Improvements - $127,400 funding request ($12,740 loan, $12,740 cash match). Annual payment $637.00

Project is for the design of water system improvements for well field and pressure reducing valve improvements for back-up power supply for the well field, SCADA improvements, and replacement of seven pressure reducing valves (vaults).

Sewer System Improvements - $121,300 funding request ($12,130 loan; $12,130 cash match). Annual payment $606.50

Project is for the design of sewer system improvements for the Oak Street Lift Station; new gravity sewer main, force main line, SCADA system, and back-up power supply for lift station.

The city currently has an infrastructure reserve fund of $406,070 ($223,338 water; $182,731 sewer) and $7,317 (Colonias Debt Payment fund - water). These reserves do not include the require USDA-RUS reserve funds of $278,446.86 (water).

Water Reserve evaluation:

Balance $223,338; Payment of one loan ($17,100) = $206,638 - $12,740 (new application) = $193,498.00

OR

<u>Balance of $223,338; Payment of two smaller loans ($17,100 and $28,606) = $177,632 – $12,740 (new application) = $164,892.00</u>

The reserve total of $406,070 is not solely dedicated to the current (55/45; water/sewer split). The reserve fund is generated by gross receipts taxes for infra-structure improvements. For planning purposes with funding agencies we implement the 55/45 split.

Staff recommendation is to consider payment of the two smaller loans to avoid any further rate increases for the new funding applications.

All three 2022 Colonias funding applications are for professional services; construction is not included into the cost estimates. The construction portions will require an increase to utility rates.