



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital
FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor
DATE: July 3, 2013
SUBJECT: Large Projects and Unfunded Liabilities
OBJECTIVE: Update of Financial Initiatives and Projects requiring funding

Issue

In the past the Board has requested a list of future projects and unfunded actuarial liabilities to provide background for the summer financial session. Below is a list of the major projects and unfunded actuarial liabilities associated with our strategic plan and ongoing operations.

Discussion

Below is a summary of large projects and unfunded liabilities the Board has based on ongoing operations and future projects. The funding of these projects and liabilities are from either future borrowings and/or cash funds or reserves.

1. **Carmen-Smith Relicensing project** – Funding currently available for the Carmen-Smith project consists of 1) \$14.5 million of construction funds from bond financing in 2012 and 2) \$20 million in the Carmen-Smith Fund. The Carmen-Smith Fund was created based on funds received through borrowing from the reimbursement of reserves spent on the project. Included in the long-term financial plan is an additional \$125 million in revenue bonds to be issued in 2018 and 2020.
2. **Advanced Metering Infrastructure (AMI) project** - this project is funded by revenue bonds, \$12 million from Electric in 2017 and \$10 million from Water in 2015 which is included in the long-term financial plans.
3. **Water Reliability Initiatives** - \$50 million is included in the long-term financial plan in revenue bonds to be issued in 2019.
4. **Unfunded Actuarial Liabilities (UAL)** – currently EWEB has three forms of UAL's and they are as follows, A) Oregon Public Employees Retirement System (OPERS), B) Supplemental Retirement Plan, and C) Other Post Employment Benefits (OPEB).

- A) The OPERS UAL is currently \$94 million as of December 31, 2011 and EWEB's share of the plan is 69% funded. In the future, Management will be recommending depositing excess reserves in 2015 to pay down the UAL and ensure the funded status is in excess of 70% as required by the Financial Policies. Based on the current Electric long-term financial plan, if we were to deposit funds from excess reserves in 2015 (Unallocated Power Fund and Carmen-Smith Fund), we could deposit \$40 million into the PERS fund bringing it to approximately an 82% funded status. Deposits from the Water Utility would also be available based on future rate changes.
 - B) The Supplemental Retirement Plan has a UAL of \$1.7 million. Funds are set aside in the Pension & Post Retirement Medical Fund to fund this UAL.
 - C) As of January 1, 2012, the OPEB UAL is \$22.8 million. However, in May 2013 the Board deposited \$7 million into the OPEB Trust which will result in a higher funded status and a lower annual payment into the Trust to fund benefits.
5. **Steam Plant Shutdown** – Amounts in the Steam Transition Fund are expected to fully fund asbestos abatement of the building and other costs of preparing the property for sale. Those activities are expected to be substantially completed this year.
6. **Power Risk Management** – As mentioned last year, there continues to be risk in regard to counterparty credit which we are proposing to mitigate through a third party margining (clearing) account. Funds would be needed to set up the clearing account. As trades are entered into, funds are needed in the form of posting collateral. Funds would be requested by the use of the Unallocated Power Fund. The projected amount needed for this fund would range from \$6 to \$10 million depending on the trade activity. Management is currently reviewing the legal issues relating to this process and will be making recommendations to the Board in the next six months regarding mitigating risks in this area and the use of funds from the Unallocated Power Fund.

Recommendation

No recommendation requested at this time.

Requested Board Action

No Board action requested.