



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, CFO; Susan Eicher, Accounting and Treasury Supervisor
DATE: August 26, 2016
SUBJECT: Electric Utility June 2016 Financial Statements
OBJECTIVE: Information Only

Statement of Revenues, Expenses, and Changes in Net Position (Income Statement)–Page 4

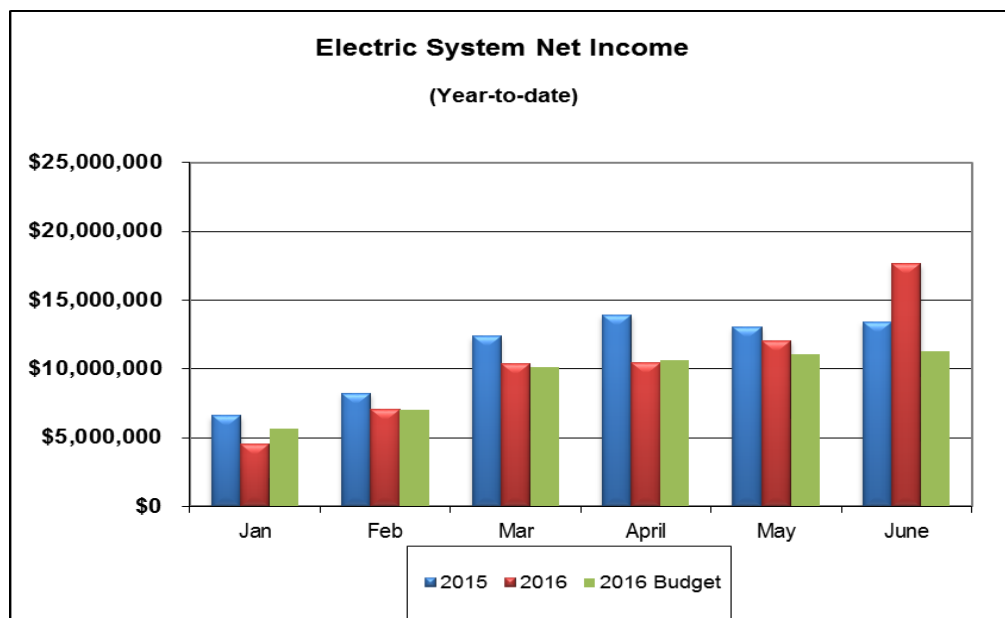
Income before capital contributions (Net Income)

Net income for the electric utility is \$17.6 million. The variance of Net Income to the Year to Date (YTD) seasonally shaped budget is a favorable \$6.4 million.

The variance breakdown is as follows: (Millions)

- Retail Revenue under budget \$(5.9)
 - Wholesale and Other revenue over budget 7.1
 - Operating Expenses over budget (2.8)
 - Gain on Sale of Smith Creek Hydro Project 4.9
 - Other Non-operating revenues over budget 3.1
- \$ 6.4

For purposes of analysis, the budget has been modified to reflect seasonal fluctuations.



Operating Revenues

Residential sales to electric residential customers are \$5 million lower than the seasonally shaped budget. The YTD lower consumption is driven by significantly fewer heating days than anticipated in the budget for January through May.

Compared to 2015, residential revenue is basically unchanged.

Commercial and industrial sales are not as subject to variation due to weather conditions, and are tracking with the seasonal budget.

Sales for resale represents sales of power in excess of our need for load and some sales related to hedging activity. With hedging activities and more power available for resale due to lower retail consumption, sales for resale are \$7 million above the YTD seasonally shaped budget. Currently, wholesale market prices per MWH are approximately 11% higher as compared to budget.

Other operating revenue includes customer account related fees, conservation reimbursements and billable operations & maintenance (O&M) work. Other operating revenues are in line with the seasonal budget.

Operating expenses

Operating expenses are \$2.8 million over the YTD seasonally shaped budget. **Purchased power** expense is over the YTD seasonally shaped budget by \$3.4 million. This increase is due to additional market purchases to take advantage of bookout (non-physical delivery) positions in the hedging program. Also contributing to the variance are higher than expected WGA purchases and BPA Slice True-up payable. Purchased power includes all purchases from BPA, other contracted resources and market purchases. Market purchases include purchases to serve load and purchases related to the hedging program.

Overall non-power operating expenses are under the YTD seasonally shaped budget by \$814 thousand. **Generation** is under budget by \$946 thousand, in part due to lower fuel costs for IP generation. **System control** is under budget due to lower costs in power planning, due primarily to a vacant position. The power planning budget also includes consulting expenses that will be incurred later in the year. **Transmission and distribution** costs are tracking lower than the YTD seasonally shaped budget in labor. **Customer accounting** is under budget due mostly to lower than expected costs in customer service contact center and meter reading. **Administrative and general (A&G) expense** is higher, largely due to increases in outside services, such as consulting, licensing and legal fees, particularly for work on large software conversion projects. Additionally, prior to WAM implementation overhead was applied to capital work and credited to a single account in the A&G group, reducing total A&G. Now overhead is credited to the functional areas that generated the overhead expense, including customer accounting, and engineering supervision, thereby reducing those expenses.

Non-power operating expenses combined are higher compared to 2015 primarily due to a shift in work from capital to O&M. At this time last year, the electric utility had spent a larger portion of the capital budget.

Contribution margin

Contribution margin (CM) is a measure of the amount power activity contributes to the fixed costs of the utility. CM is made up of retail, wholesale and other sales, net of the cost of purchased power, transmission and fuel. The CM revenues and expenses are shaped seasonally based upon forecasts and historical experience. At this time, the CM is forecasted to be \$6.1 million under budget at year end. The lower than budget retail sales and higher than budget purchased power costs discussed above are the primary drivers of the variance. The Board approved \$5 million above target for the Power Reserve fund to help mitigate the impact of lower sales.

Non-operating Revenues and Other Non-operating Expenses

Other non-operating revenues consist of investment earnings and miscellaneous revenues that are not related to the core business of the utility, such as rental income and sale of assets. As noted above, a \$4.9 million gain was recognized on the sale of Smith Creek Hydro Project. **Investment earnings** include interest on investments, and changes in fair market value of investments, as well as changes in the fair value of investment derivatives of \$932 thousand. Investment derivatives are a type of hedging trade. Investment market yields have slowly improved over the past three years, and unrealized fair market value changes have had a positive impact on investments and revenue since the beginning of the year.

Other expenses include non-debt related amortization, donations, the costs of environmental remediation at the former coal/gas site, and ongoing work at the riverfront property. Other expenses are low compared to the seasonally shaped budget due to changes in the accounting for pensions.

Contributions in Aid of Construction (CIA) / Contributed plant assets

Contributions in aid of construction received YTD is \$4.2 million; a \$443 thousand favorable variance to the seasonally shaped budget. The budget anticipates a total of \$10.1 million in CIA, including CIA related to the EmX project. The utility also recognized \$604 thousand in assets contributed by developers, for which there is no budget, due to the variable nature of this activity.

Eugene Water and Electric Board
Electric Utility
Statement of Revenues, Expenses, and Changes in Net Position
for the six months ended June 2016

	<u>Prior Year Comparison</u>		<u>YTD Budget Comparison</u>			
	<u>2016</u>	<u>2015</u>	<u>Annual Working Budget</u>	<u>Seasonal Budget \$</u>	<u>Seasonal Budget %</u>	<u>Seasonal Budget Variance</u>
Residential	\$ 47,869,157	\$ 47,132,297	\$ 103,236,829	\$ 52,895,000	90.50%	\$ (5,026,000)
Commercial and industrial	49,350,050	48,624,815	102,528,476	50,282,000	98.15%	(932,000)
Sale for resale and other	26,114,467	28,540,420	35,070,774	19,041,000	137.15%	7,073,000
Operating revenues	<u>123,333,674</u>	<u>124,297,532</u>	<u>240,836,079</u>	<u>122,218,000</u>	100.91%	<u>1,115,000</u>
Purchased power	55,728,900	53,053,999	106,407,402	52,288,000	106.58%	(3,441,000)
System control	2,994,565	2,952,655	6,537,435	3,263,000	91.77%	268,000
Wheeling	6,406,644	6,257,011	12,761,904	6,236,000	102.74%	(171,000)
Generation	5,478,312	5,767,742	13,052,855	6,424,000	85.28%	946,000
Transmission and distribution	10,389,896	10,401,308	21,697,711	10,334,000	100.54%	(56,000)
Customer accounting	4,169,545	4,001,765	9,508,596	4,343,000	96.01%	173,000
Conservation expenses	1,871,598	1,584,186	4,425,040	1,961,000	95.44%	89,000
Administrative and general	10,526,994	9,717,670	21,288,182	10,004,000	105.23%	(523,000)
Depreciation on utility plant	12,077,149	11,708,770	23,345,307	11,994,000	100.69%	(83,000)
Operating expenses	<u>109,643,603</u>	<u>105,445,106</u>	<u>219,024,432</u>	<u>106,847,000</u>	102.62%	<u>(2,798,000)</u>
Net Operating Income	<u>13,690,071</u>	<u>18,852,426</u>	<u>21,811,647</u>	<u>15,371,000</u>	89.06%	<u>(1,683,000)</u>
Investment earnings	2,181,050	288,372	861,695	237,000	920.27%	1,944,000
Interest earnings, Water	551,594	562,203	1,097,691	520,000	106.08%	32,000
Other non-operating revenue	6,871,352	224,553	2,911,855	810,000	848.32%	6,061,000
Non-operating Revenues	<u>9,603,996</u>	<u>1,075,128</u>	<u>4,871,241</u>	<u>1,567,000</u>	612.89%	<u>8,037,000</u>
Other expenses	541,900	595,260	1,847,645	801,000	67.65%	259,000
Interest expense and related amortization	5,119,530	5,898,520	9,430,063	4,876,000	104.99%	(244,000)
Other Non-operating Expenses	<u>5,661,430</u>	<u>6,493,780</u>	<u>11,277,708</u>	<u>5,677,000</u>	99.73%	<u>15,000</u>
Income before capital contributions	<u>17,632,637</u>	<u>13,433,774</u>	<u>15,405,181</u>	<u>11,261,000</u>	156.58%	<u>6,372,000</u>
Contributions in aid of construction	4,208,551	795,421	10,125,000	3,766,000	111.75%	443,000
Contributed plant assets	604,145	150,000	-	-		604,000
Increase in Net Position	<u>\$ 22,445,333</u>	<u>\$ 14,379,195</u>	<u>\$ 25,530,181</u>	<u>\$ 15,027,000</u>	149.37%	<u>\$ 7,419,000</u>

Net utility plant in service

The removal of the Smith Creek Hydro Project from plant in service resulted in a decrease in **utility plant in service**. A total of \$30 million of historical costs and associated accumulated depreciation was removed.

Cash and cash equivalents

Working cash balances include cash in the bank and investments. The balances in working cash are available for the day-to-day operating expenses of the utility and are, at this time, above the Board performance standard. The sale of the Smith Creek Hydro project is final. The proceeds from the sale of the Smith Creek Hydro Project in the amount of \$22.1 million remain in working cash as of July 31st and were used to defease debt on August 1st along with an additional \$5 million working cash.

Restricted cash and investments

Restricted cash and investments are primarily investments for debt service, and proceeds from bond issuance that are restricted for capital work, or Carmen Smith relicensing. Investments for debt service are accumulated to pay interest and principal to bondholders. The required February payment of interest to bondholders has been made, and balances will increase until the August payment of principal and interest.

Designated cash and investments

All reserves with Board approved performance standards are at, or above the performance standards. The Board approved the transfer of an additional \$5.0 million above the performance standard to the power reserve in anticipation of lower than expected operating results. In 2017, Finance will be discussing with the Board ways to pursue the highest level and best use of excess funds.

Investment in WGA

The **investment in WGA** represents EWEB's ownership interest in the Western Generation Agency, an intergovernmental agency with Clatskanie PUD. The balance of EWEB's investment in WGA increases when EWEB records a share of net income of WGA, and decreases when recognizing a net loss from WGA. In 2013, WGA experienced significant net loss due to a "steam hammer event" that resulted in an extended generation outage, and unexpected repair and maintenance expense. After repairs were completed, WGA returned to normal operations, and EWEB recorded net income from WGA.

Net pension asset or Net pension liability

The **Net pension asset** or **Net pension liability** represents EWEB's proportionate share of PERS system net pension liability or asset. In 2014, PERS system actuarial valuation resulted in a **net pension asset**. The 2014 valuation included cost saving changes to the PERS system that were subsequently overturned by the Oregon Supreme Court. As a consequence of the court decision, and other changes in actuarial assumptions, the 2015 PERS valuation resulted in a **net pension liability**.

Other assets

Other assets include the accumulated costs to date for Carmen Smith relicensing, and the EWEB share of certain non-cash pension expenses relating to changes in the actuarial valuation of the PERS System. EWEB has elected to use regulatory accounting to defer non-cash pension expenses, and will recognize pension expense as required employer contributions are paid.

Deferred inflows of resources

Changes in **Deferred inflows of resources** are primarily due to the deferral of non-cash pension expenses, as discussed above.

Long-term debt

The Electric Utility is required to defease bonds for the Smith Creek Hydro Project. Opportunities to defease and refund additional bonds are being pursued, and combined with the Smith Creek defeasance, debt service savings of approximately \$40 million over the lives of the bonds will be realized. The Board approved the resolution for defeasance at the April 5th meeting. A resolution to approve refunding up to \$156 million in bonds was presented to the Board, and approved at the June meeting. The refunding is expected to close in early September, with debt service savings of \$11 million, mostly concentrated in the next five years.

Recommendation/Requested Board Action

None at this time. This information is provided for informational purposes only.

**Eugene Water and Electric Board
Electric System
Statement of Net Position
June 30, 2016 and 2015**

	2016	2015	December 2015
Assets			
Capital assets			
Utility plant in service	\$ 723,622,618	\$ 730,470,098	\$ 752,863,250
Less - Accumulated depreciation	(392,359,169)	(383,830,375)	(393,797,388)
Net utility plant in service	331,263,449	346,639,723	359,065,862
Property held for future use	827,449	827,449	827,449
Construction work in progress	14,279,792	15,678,013	5,505,140
Net utility plant	346,370,690	363,145,185	365,398,451
Current assets			
Cash and cash equivalents	34,290,769	6,019,307	7,239,776
Short-term investments	28,864,480	31,295,244	16,165,484
Restricted cash and investments	47,504,581	49,645,395	42,121,803
Designated cash and investments	101,384,102	92,193,702	58,915,274
Receivables, less allowances	27,194,955	29,771,038	31,603,034
Due from Water System	897,325	877,209	887,148
Materials and supplies, at average cost	4,248,067	5,185,682	4,286,899
Prepays	7,186,819	6,865,722	6,931,033
Total current assets	251,571,098	221,853,299	168,150,451
Non-current assets			
Long-term receivable, conservation and other	5,166,508	4,822,675	5,160,480
Due from Water System	16,923,252	17,604,141	17,266,499
Long-term investments	-	-	43,657,619
Investment in WGA	3,443,437	955,010	2,786,808
Investment in Harvest Wind	24,295,199	25,624,563	25,067,481
Nonutility Property	7,830,500	7,930,604	7,830,500
Net pension asset	-	16,010,707	-
Other assets	63,442,819	58,944,197	64,320,426
Total non-current assets	121,101,715	131,891,897	166,089,813
Deferred Outflows			
Deferred outflows of resources	8,245,275	5,786,882	8,936,627
Total Assets and Deferred Outflows	\$ 727,288,778	\$ 722,677,263	\$ 708,575,342
Liabilities			
Current liabilities			
Payables	\$ 17,175,857	\$ 17,866,243	\$ 18,892,593
Accrued payroll and benefits	5,256,752	4,679,073	4,909,776
Accrued interest on long-term debt	4,616,586	4,829,232	4,616,586
Long-term debt due within one year	13,510,000	12,700,000	13,510,000
Total current liabilities	40,559,195	40,074,548	41,928,955
Non-current liabilities			
Long-term debt	232,242,858	247,039,842	232,865,868
Net pension liability	37,311,057	-	37,311,057
Other liabilities	9,830,535	10,082,717	10,339,481
Total liabilities	319,943,645	297,197,107	322,445,361
Deferred Inflows			
Deferred Inflows of resources	12,502,019	58,442,235	13,732,200
Net Position			
Net investment in capital assets	149,999,320	157,371,780	169,832,994
Restricted	24,395,383	24,229,865	17,528,492
Unrestricted	174,394,704	185,436,276	185,036,295
Total net position	394,843,114	367,037,921	372,397,781
Total Liabilities, Deferred Inflows, and Net Position	\$ 727,288,778	\$ 722,677,263	\$ 708,575,342

Capital Budget Comparison

The electric utility has spent \$5.7 million, net of contributions in aid, on capital work, compared to \$8.8 million in 2015. The largest balances were expended for improvements to the distribution system, AMI, Carmen Smith relicensing, and work for the EmX project. All project types are significantly under budget.

Note: the capital budget is approved by the Board as the maximum amount allowed for all capital work. Annual budgets by type and by individual projects are prepared for planning and reporting purposes, but overall budget accountability to the board remains at the total capital expense level.








Eugene Water and Electric Board Electric Utility Capital Budget Comparison for the six months ended June 2016

	<u>Current Month</u>	<u>Year to Date</u>	<u>Annual Working Budget w/Amendment</u>	<u>% of Budget</u>
Type 1 Capital				
Building & Land	3,157	212,742	510,720	41.7%
Distribution	761,946	3,645,192	8,200,000	44.5%
Electric Fleet	179,014	280,378	1,227,148	22.8%
Generation	46,186	152,462	915,999	16.6%
Information Technology	8,161	218,888	1,130,001	19.4%
Substation	504,617	693,294	1,650,001	42.0%
Transmission	23,931	167,345	150,001	111.6%
Total Type 1 Capital	<u>1,527,012</u>	<u>5,370,301</u>	<u>13,783,870</u>	39.0%
Type 2 Capital				
AMI	35,183	913,418	2,527,001	36.1%
CIS	-	-	1,230,001	0.0%
Downtown Network	-	7,103	2,000,000	0.4%
Holden Creek Substation	22,130	166,095	1,500,000	11.1%
Leaburg Dam Rollgate #2	9,989	37,715	1,570,000	2.4%
LTD West Side EMX	734,344	2,266,547	6,175,093	36.7%
Total Type 2 Capital	<u>801,646</u>	<u>3,390,878</u>	<u>15,002,095</u>	22.6%
Type 3 Capital				
Carmen Smith Relicensing	227,765	1,118,999	10,590,000	10.6%
Total Type 3 Capital	<u>227,765</u>	<u>1,118,999</u>	<u>10,590,000</u>	10.6%
Total Capital before CIA	<u>2,556,423</u>	<u>9,880,178</u>	<u>39,375,965</u>	25.1%
Contributions in aid	<u>(354,416)</u>	<u>(4,208,551)</u>	<u>(10,125,000)</u>	41.6%
Grand Total	<u>\$ 2,202,007</u>	<u>\$ 5,671,627</u>	<u>\$ 29,250,965</u>	19.4%

Ratios

The current ratio, a measure of current assets compared to current liabilities, increased significantly after the payoff of the Harvest Wind note in 2015, and is well above the board target. The annualized debt service coverage ratio is above performance standards at 2.25. This ratio should improve with the defeasance and refunding of bonds as mentioned on Page 5. All other ratios, including days cash, are performing better than the board targeted levels.

Electric System Financial Ratios June 30, 2016

	<u>June</u> <u>2016</u>	<u>Status</u>	<u>December</u> <u>2015</u>	<u>Performance</u> <u>Standard</u>
Current Ratio	6.203		4.010	≥ 3.250
Debt to Total Assets	0.457		0.474	≤ 0.600
Debt Service Coverage	2.251		2.048	≥ 1.750
Operating Ratio	0.791		0.811	
Days Unrestricted Cash	307		237	
Days Available Cash	212		148	≥ 90
Debt to Equity	68%		73%	≤ 91%

Notes:

Effective, 9/30/2015 - Rate Stabilization Fund was added to the calculation for Days Available Cash. While Board approval is required - this fund would be available for use in an emergency.

See next page for Ratio definitions and benchmark sources

Current Ratio

Total current assets to total current liabilities.

This ratio measures the utility's short-term liquidity (ability to pay bills).

Debt to Total Assets

Long-term debt plus current liabilities to total assets.

This ratio measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

Debt Service Coverage

Ratio of annualized net revenues available for debt service to total long-term debt service for the year. This ratio measures the utility's ability to meet its annual long-term debt obligation.

Operating Ratio

Total electric operation and maintenance expenses to total electric operating revenues.

This ratio measures the proportion of revenues received from electric sales and other electric activities required to cover operation and maintenance costs associated with producing and selling electricity.

Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents

to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year).

This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs.

Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves) to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves, including the power and rate stabilization reserves).

Debt to Equity

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage.

If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets).

Benchmark Derived From

APPA - American Public Power Association Financial Ratios. The ratio information is taken from the most current report on standard utility ratios (2003 data, published May 2005).

Days Unrestricted Cash

Standard and Poor's Industry Standards for Investment Grade ratings

(Investment Grade Standard is 60 to 90 days unrestricted cash)

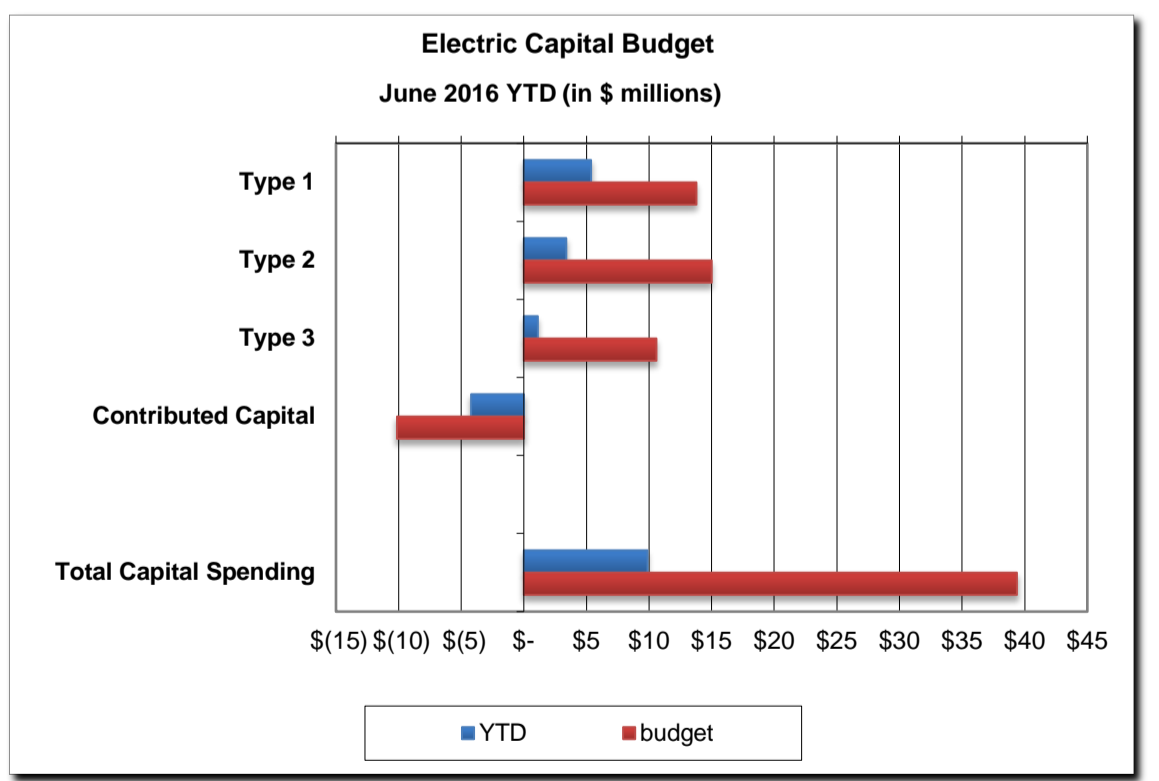
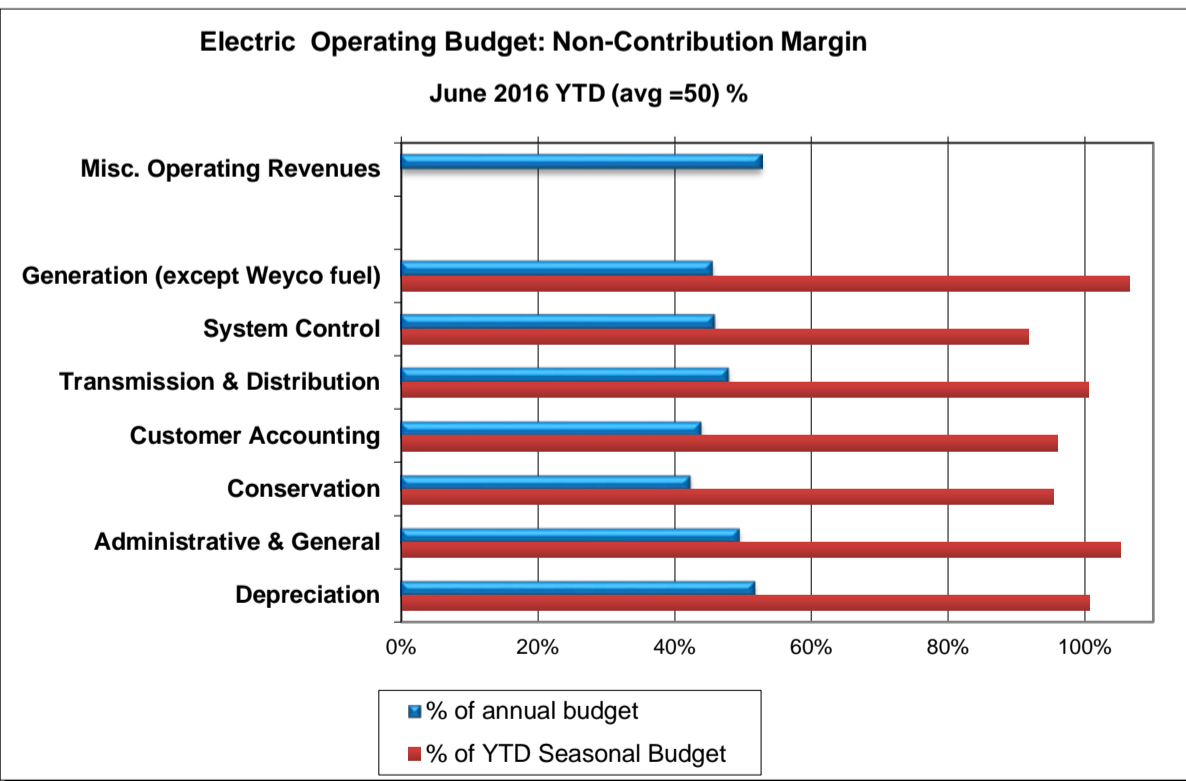
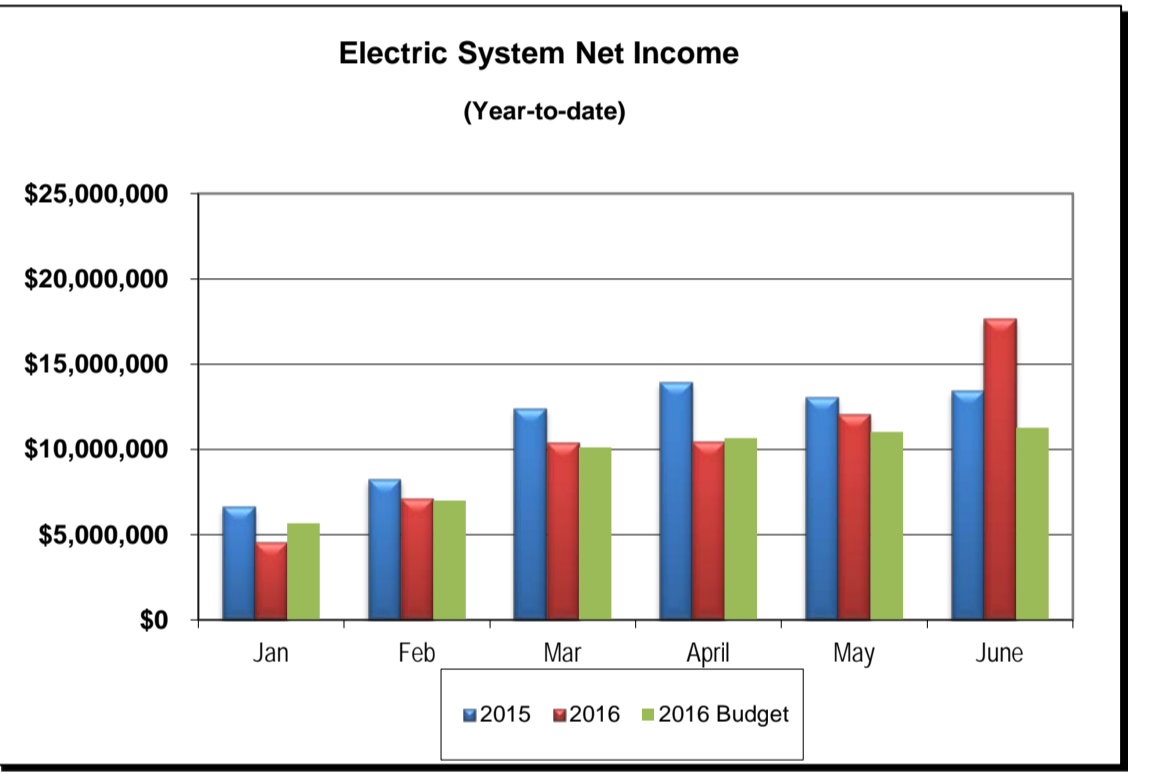
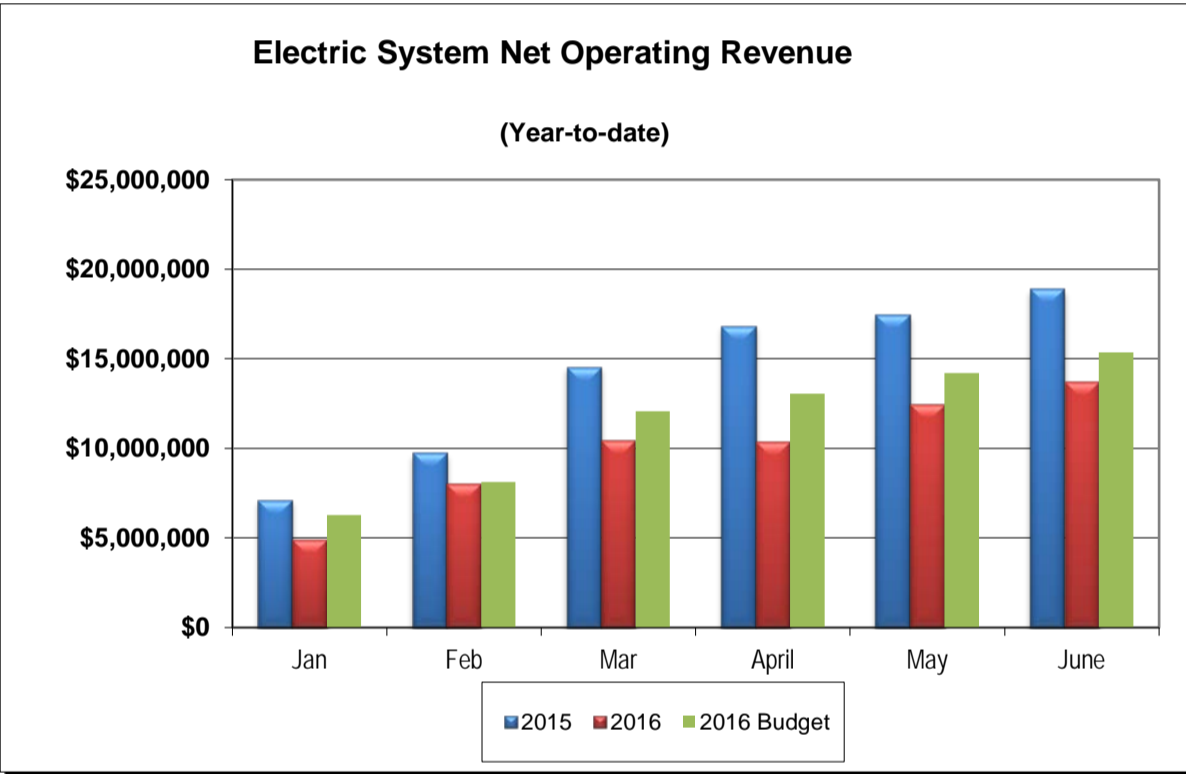
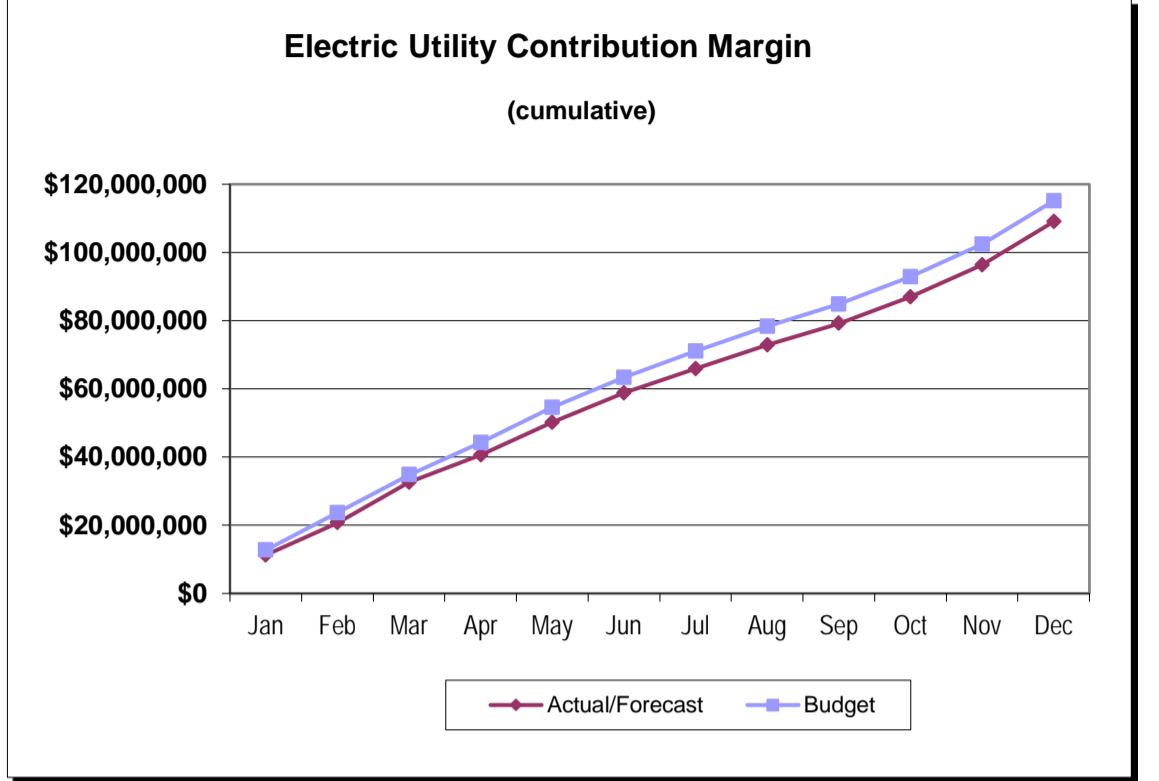
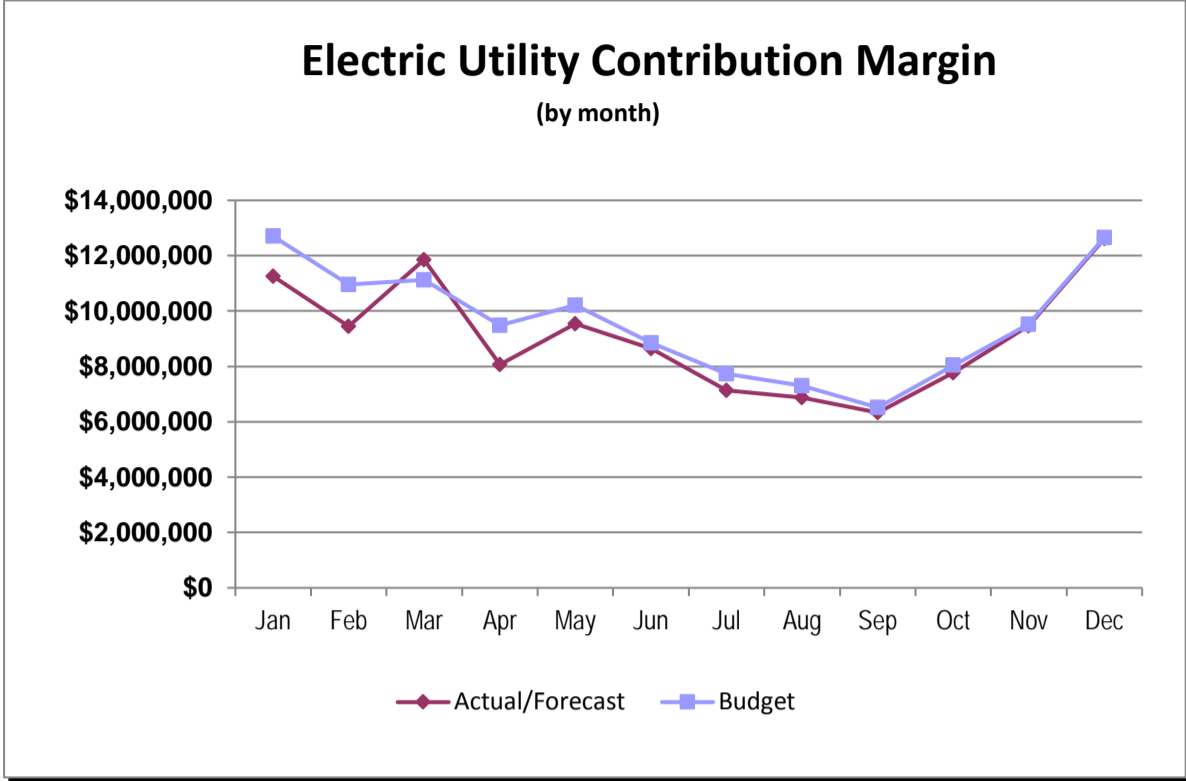
Days Available Cash

Set by management as minimum desirable level of available cash reserves

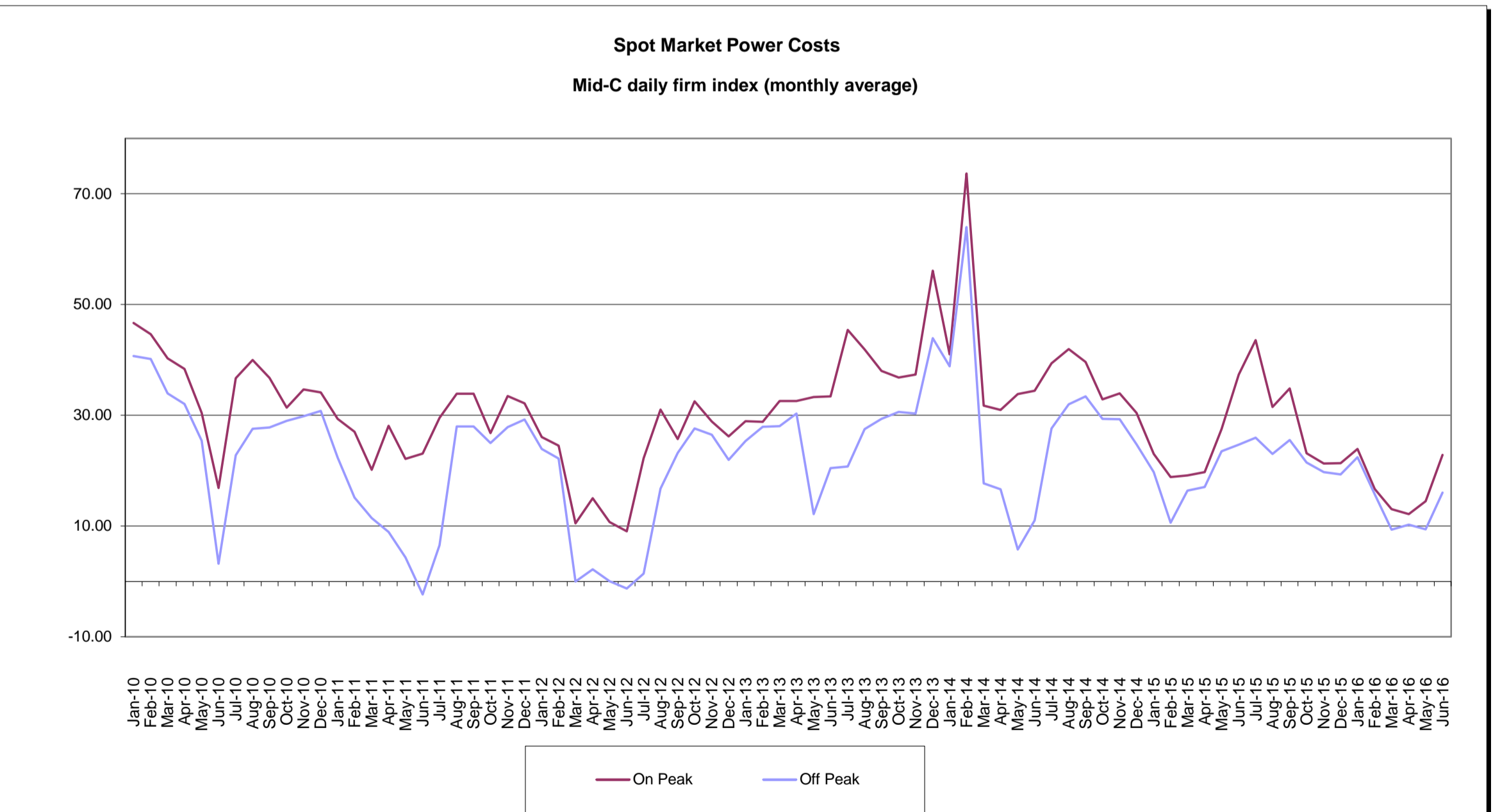
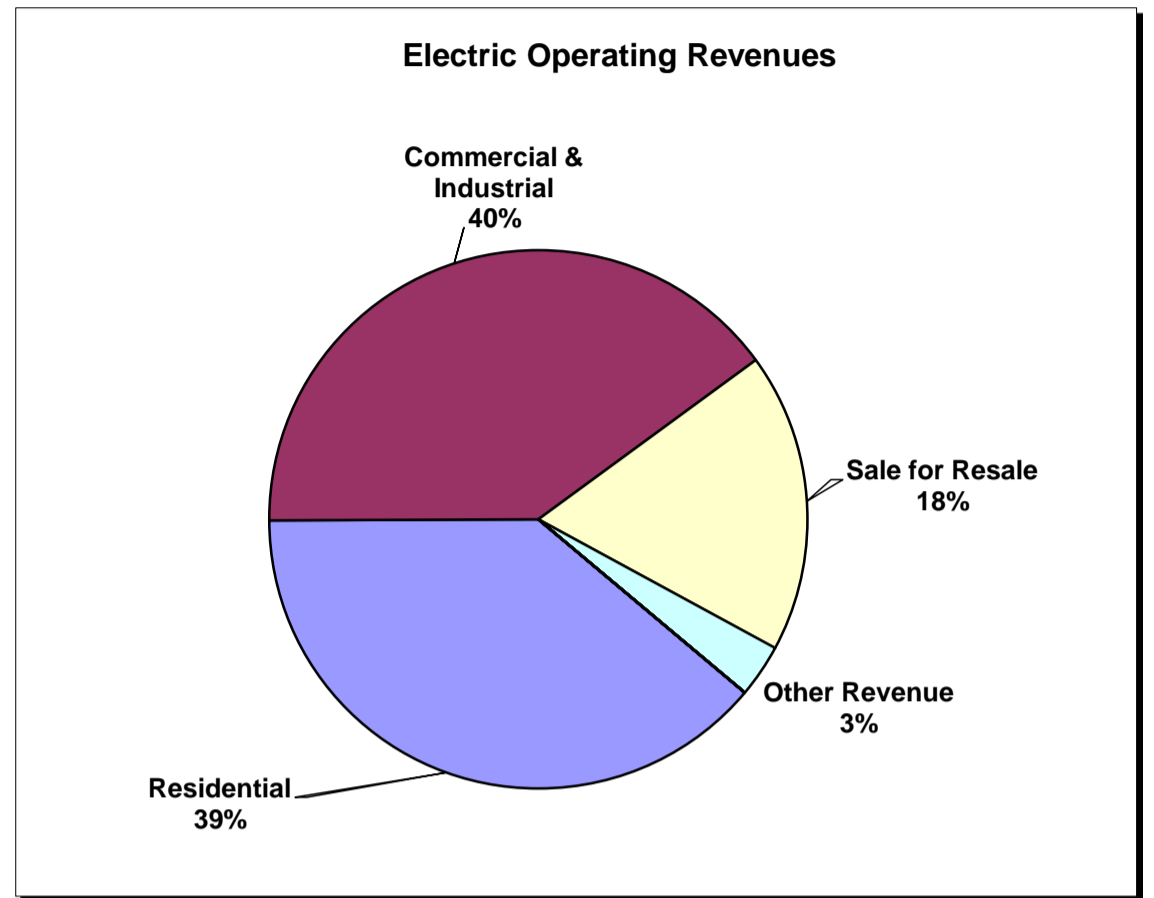
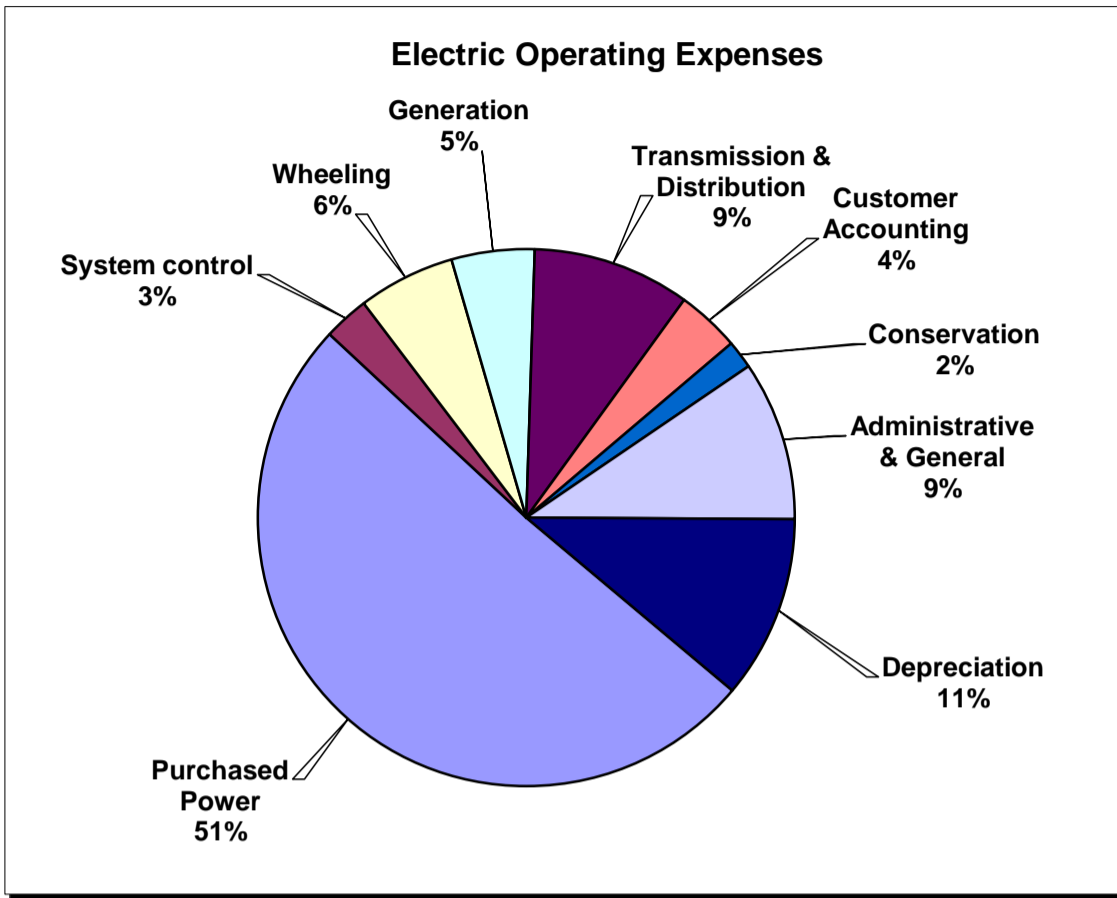
Eugene Water & Electric Board

Financial Graphs - Electric Utility

June 2016



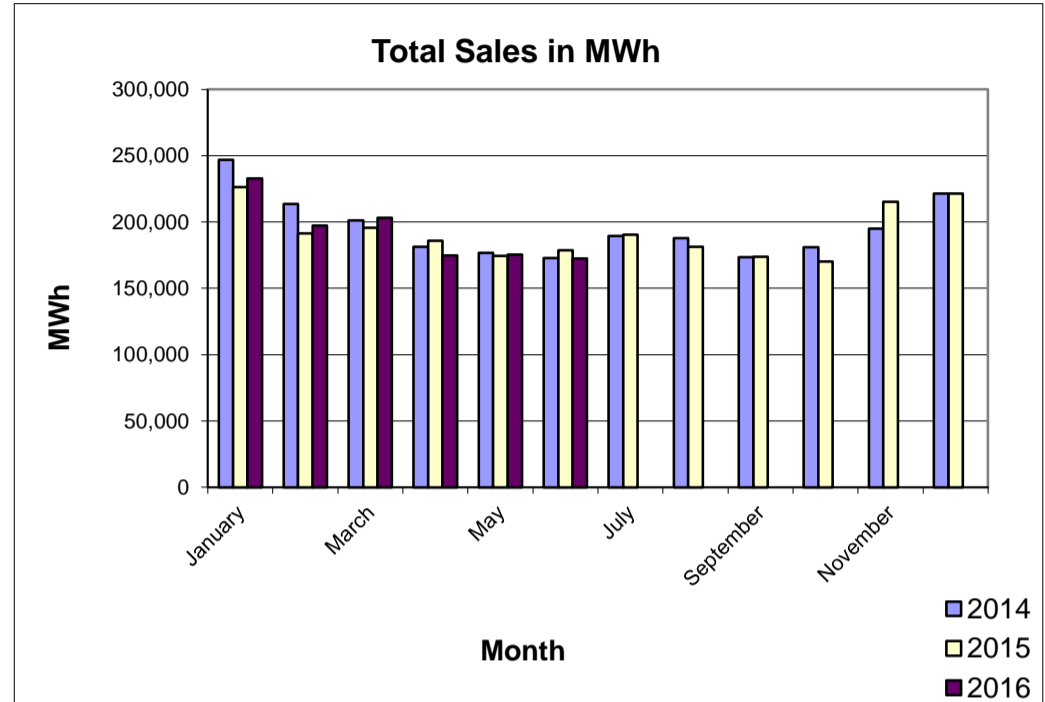
**Eugene Water & Electric Board
Financial Graphs-Electric Utility
June 2016**



Electric Utility Sales in MWh June 2016

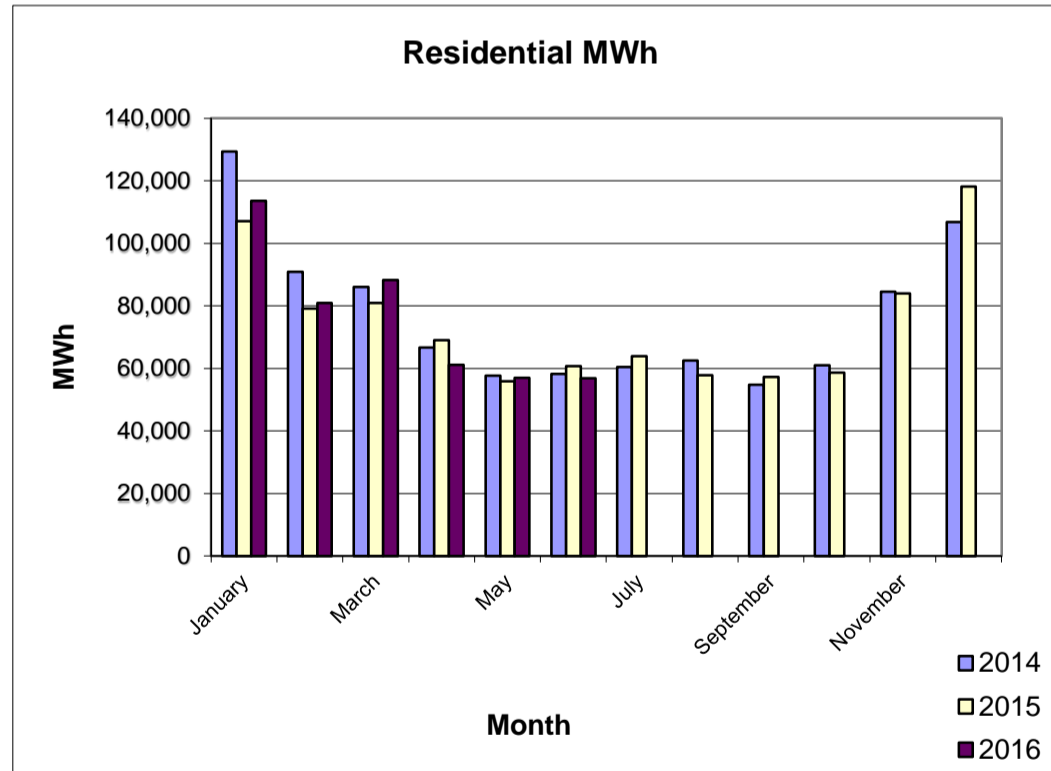
Total Electric Utility Sales in MWh

	2014	2015	2016
January	246,897	226,208	232,720
February	213,721	191,281	197,213
March	201,085	195,492	203,114
Q1 total	661,703	612,981	633,046
April	181,338	185,698	174,835
May	176,849	174,491	175,391
June	172,861	178,629	172,339
Q2 total	531,048	538,818	522,565
July	189,368	190,535	0
August	187,651	181,414	0
September	173,396	173,902	0
Q3 total	550,415	545,851	0
October	180,848	170,136	0
November	194,991	215,218	0
December	221,321	221,322	0
Q4 total	597,160	606,676	0
Annual total	<u>2,340,326</u>	<u>2,304,326</u>	<u>1,155,612</u>



Residential Sales in MWh

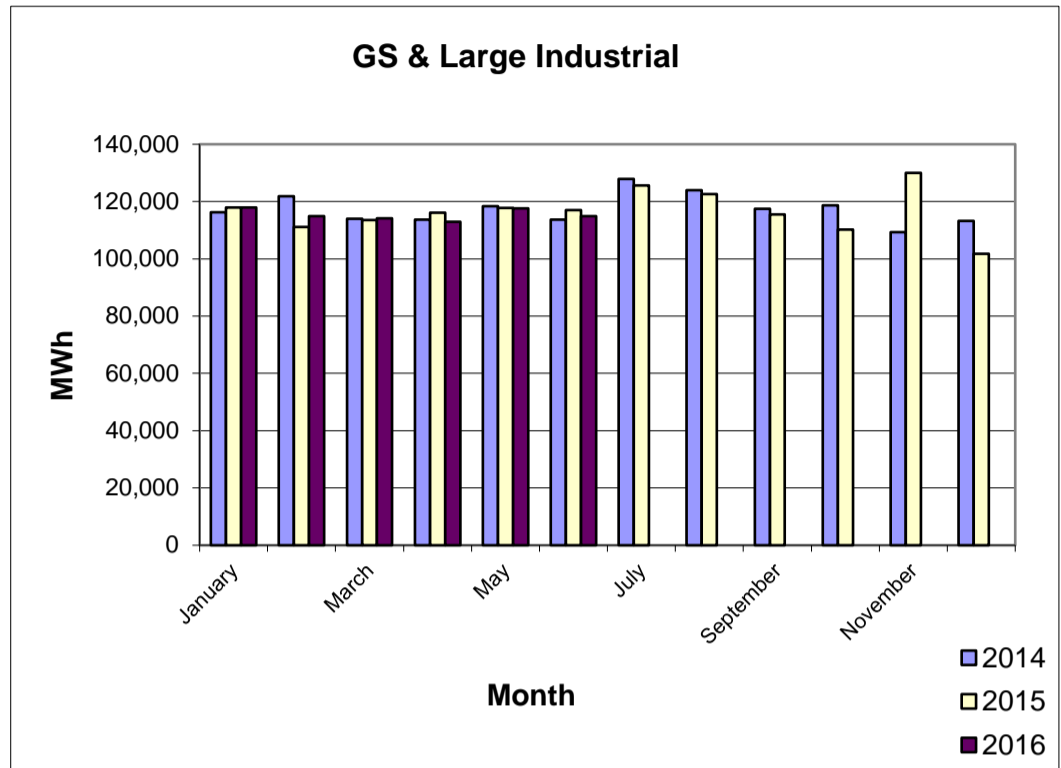
	2014	2015	2016
January	129,434	107,136	113,589
February	90,865	79,168	80,958
March	86,008	81,006	88,256
	306,307	267,310	282,803
April	66,739	69,023	61,190
May	57,652	55,898	57,055
June	58,311	60,721	56,918
	182,702	185,642	175,163
July	60,462	63,866	0
August	62,552	57,890	0
September	54,751	57,313	0
	177,765	179,069	0
October	61,020	58,717	0
November	84,506	84,028	0
December	106,876	118,236	0
	252,402	260,981	0
Total	<u>919,176</u>	<u>893,002</u>	<u>457,965</u>



Electric Utility Sales in MWh June 2016

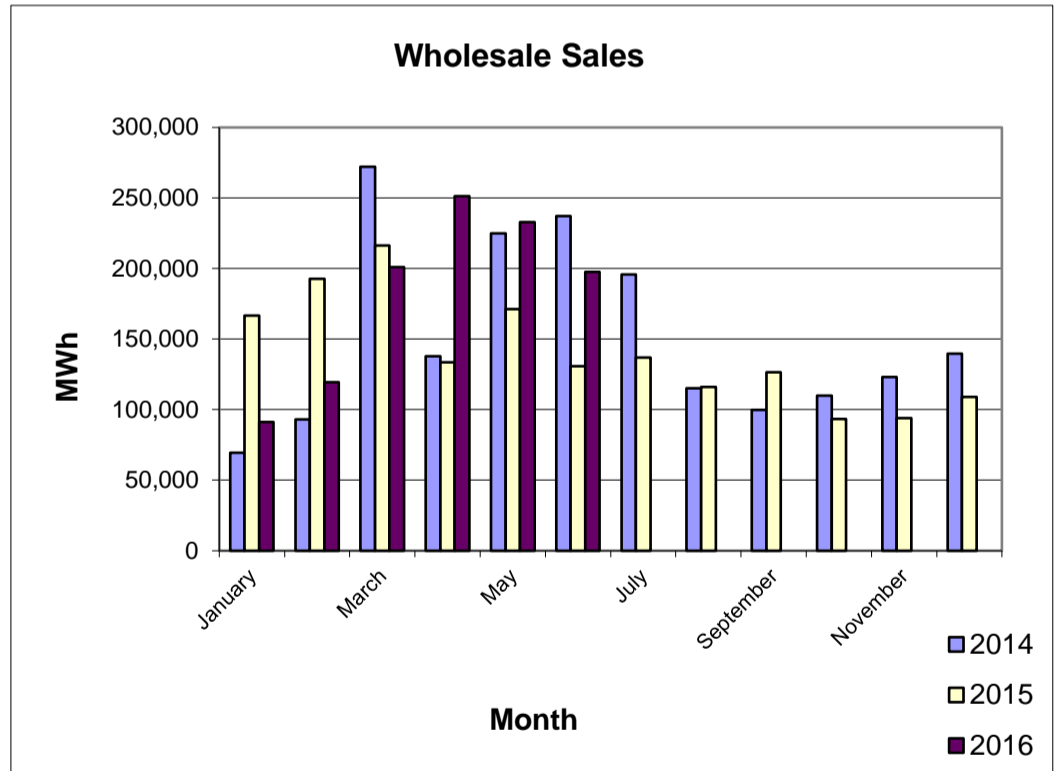
General Service & Large Industrial Sales in MWh

	2014	2015	2016
January	116,239	117,866	117,905
February	121,842	111,091	114,969
March	114,007	113,463	114,088
	<u>352,088</u>	<u>342,420</u>	<u>346,962</u>
April	113,740	116,038	112,987
May	118,322	117,742	117,677
June	113,703	117,015	114,827
	<u>345,765</u>	<u>350,795</u>	<u>345,491</u>
July	127,947	125,672	0
August	124,008	122,673	0
September	117,531	115,459	0
	<u>369,486</u>	<u>363,804</u>	<u>0</u>
October	118,635	110,229	0
November	109,278	130,010	0
December	113,195	101,752	0
	<u>341,108</u>	<u>341,991</u>	<u>0</u>
Total	<u><u>1,408,447</u></u>	<u><u>1,399,010</u></u>	<u><u>692,453</u></u>



Total Wholesale Sales in MWh

	2014	2015	2016
January	69,372	166,562	91,229
February	93,166	192,878	119,306
March	272,177	216,315	200,903
	<u>434,715</u>	<u>575,755</u>	<u>411,438</u>
April	137,930	133,635	251,173
May	224,853	171,384	233,001
June	237,088	130,835	197,619
	<u>599,871</u>	<u>435,854</u>	<u>681,793</u>
July	195,718	136,993	0
August	115,137	116,194	0
September	99,891	126,384	0
	<u>410,746</u>	<u>379,571</u>	<u>0</u>
October	110,036	93,491	0
November	123,128	94,117	0
December	139,559	109,166	0
	<u>372,723</u>	<u>296,774</u>	<u>0</u>
Total	<u><u>1,818,055</u></u>	<u><u>1,687,954</u></u>	<u><u>1,093,231</u></u>



Average Price Per MWh	\$ 31.75	\$ 22.96	\$ 20.29
Generation %	97%	85.5%	90.0% at 5/31/2016



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, CFO; Susan Eicher, Accounting and Treasury Supervisor
DATE: August 26, 2016
SUBJECT: Water Utility June 2016 Financial Statements
OBJECTIVE: Information Only

Statement of Revenues, Expenses, and Changes in Net Position (Income Statement)–Page 4

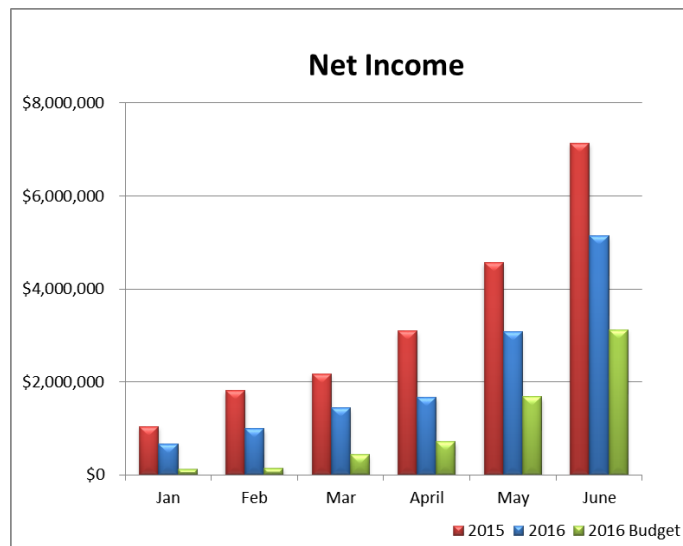
Income before capital contributions (Net Income)

Net income for the Water Utility as of June is \$5.1 million and is favorable to the seasonally shaped budget by \$2.0 million. This is due to a combination of higher than average revenues and lower than normal expenses for this point in the year.

The variance breakdown is as follows: (in thousands)

- Retail Revenue over budget \$ 583
 - Wholesale and Other revenue over budget 402
 - Operating Expenses under budget 762
 - Non-operating revenues over budget 109
 - Non-operating expenses under budget 157
- \$2,013

For purposes of analysis, the budget has been modified to reflect seasonal fluctuations. The comparison to annual budget in the chart below is seasonally shaped.



Operating Revenues

Residential sales to water customers are tracking slightly above the YTD seasonally shaped budget, but are slightly below prior year levels. **Residential** sales are dependent on weather patterns and, consumption is down compared to the prior two years due to the milder weather experienced in June of 2016.

Sales for resale and other includes sales to Water Districts and the Willamette Water Company, as well as sales to the City of Veneta. Other operating revenue includes revenues from customer account related fees and reimbursements for billable Operations and Maintenance (O&M) work. Revenues from billable work related to capital activity are recorded as **Contributions in Aid of Construction** and are mentioned below. **Sales for resale and other** is currently 34.6%, or \$402 thousand above the seasonally shaped budget. This is due to larger amounts of billable O&M work being performed.

Operating expenses

Operating expenses are 93.5% compared to the seasonally shaped budget. They have also increased compared to 2015, reflecting a shift in work from capital to O&M. At this time last year, the water utility was performing significant amounts of transmission and distribution capital work for the EmX project.

Source of supply and pumping is below the seasonally shaped budget by \$368 thousand, due to wage and benefit expenses being lower than budgeted. Expenses related to maintenance and construction services are also below budget for this point in the year, and are lower compared to the prior year. This is largely due to a higher percentage of wages from Water Distribution Operations & Maintenance posting to **transmission and distribution** expense. Finance is continuing to research these variances.

Transmission and distribution (T&D) is below the seasonally shaped budget by \$690 thousand due to lower wage and benefit expense, and lower equipment usage than was budgeted. Maintenance and construction expenses for **T&D** are also below budget for the year. The **T&D** budget includes the Water Utility contingency budget, which when used is transferred to a departmental budget. Compared to the prior year, **T&D** expense has increased. This is due to higher wages mentioned above, and a correction in recording equipment charges from vacuum trucks and other equipment that was made in October of last year. The prior year comparison variance will persist until October.

Customer accounting expense is lower than the seasonally shaped budget by \$363 thousand. The seasonally shaped budget comparison includes some years when certain shared services expenses were charged directly to **customer accounting**. A larger amount of shared services expenses is now charged only to **administrative and general (A&G)** expense, and is no longer charged directly to **customer accounting**. Compared to the prior year, **Customer accounting** expense is up due in part to lower transfers of overhead to capital work. Prior to WAM implementation, overhead was applied to capital work, and offset by a credit to a single account in the **A&G** group, reducing overall **A&G** expense. Now overhead is credited to the functional areas generating the overhead expense, including **customer accounting**.

Administration and general expense is higher than seasonally shaped budget by \$523 thousand, largely due to increases in outside services, such as consulting and legal fees. Specifically, consulting related to a storm water wetland project, and software consulting and licensing fees. Also, overhead transfers are lower due to reduced capital work compared to both the budget and prior year. And, as mentioned above, shared services labor is no longer charged directly to other areas, and credits for overhead are no longer applied to the **A&G** expense line.

Depreciation is a non-cash transaction that allocates the amounts spent to build or acquire capital assets over the useful lives of those assets.

Non-operating revenue

Other revenue, consisting of **investment earnings** and miscellaneous non-operating revenue is \$109 thousand over the seasonally shaped budget. Market yields have slowly improved over the past three years, and unrealized fair market value changes have had a positive impact on investments and revenue since the beginning of the year.

Non-operating expense

Year-to-date **Interest expense and related amortization** is below budget, and is expected to end the year below budget due to the better than expected interest rate for the water bond issuance.

Contributions in Aid of Construction (CIA) and System Development Charges (SDCs)

CIA is 108.5% of seasonally shaped budget. CIA is lower than 2015, primarily due to EmX work winding down.

SDCs are collected in advance of qualifying work, and revenue is recognized as projects qualifying for **SDCs** are completed. At this time, **SDC** revenue is \$805 thousand, which is 454.7% of the seasonal adjusted budget.

**Eugene Water & Electric Board
Water System
Statement of Revenues, Expenses and Changes in Net Position
for the six months ended June 30, 2016**

	<u>Prior Year Comparison</u>		<u>YTD Budget Comparison</u>			
	<u>2016</u>	<u>2015</u>	<u>Annual Working Budget</u>	<u>Seasonal Budget \$</u>	<u>Seasonal Budget %</u>	<u>Seasonal Budget Variance</u>
Residential	\$ 9,561,500	\$ 9,972,503	\$ 20,218,693	\$ 9,338,000	102.4%	\$ 223,500
Commercial and industrial	6,577,228	6,812,221	13,288,646	6,218,000	105.8%	359,228
Sale for resale and other	1,563,148	1,361,397	3,019,313	1,161,000	134.6%	402,148
Operating revenues	<u>17,701,876</u>	<u>18,146,121</u>	<u>36,526,652</u>	<u>16,717,000</u>	105.9%	<u>984,876</u>
Source of supply, pumping and purification	2,411,901	3,193,234	5,878,221	2,780,000	86.8%	368,099
Transmission and distribution	2,788,463	1,404,228	8,513,117	3,478,000	80.2%	689,537
Customer accounting	651,187	458,216	2,056,744	1,015,000	64.2%	363,813
Conservation expenses	109,269	45,319	250,793	113,000	96.7%	3,731
Administrative and general	2,012,252	1,301,582	3,188,058	1,489,000	135.1%	(523,252)
Depreciation on utility plant	3,041,050	2,837,137	5,827,124	2,901,000	104.8%	(140,050)
Operating expenses	<u>11,014,122</u>	<u>9,239,716</u>	<u>25,714,057</u>	<u>11,776,000</u>	93.5%	<u>761,878</u>
Net operating income	<u>6,687,754</u>	<u>8,906,405</u>	<u>10,812,595</u>	<u>4,941,000</u>	135.4%	<u>1,746,754</u>
Investment earnings	222,768	46,649	99,522	54,000	412.5%	168,768
Other revenue	65,803	35,970	315,200	126,000	52.2%	(60,197)
Non-operating revenues	<u>288,571</u>	<u>82,619</u>	<u>414,722</u>	<u>180,000</u>	160.3%	<u>108,571</u>
Other revenue deductions	191,346	82,193	207,277	226,000	84.7%	34,654
Interest expense and related amortization	1,096,554	1,106,760	2,465,265	1,243,000	88.2%	146,446
Interest expense, Electric	551,594	562,204	1,097,691	520,000	106.1%	(31,594)
Non-operating expenses	<u>1,839,494</u>	<u>1,751,157</u>	<u>3,770,233</u>	<u>1,989,000</u>	92.5%	<u>149,506</u>
Income before capital contributions	5,136,831	7,237,867	7,457,084	3,132,000	164.0%	2,004,831
Contribution in aid of construction	593,748	2,463,739	1,273,000	547,000	108.5%	46,748
Contributed plant assets	102,213	124,390	-	-	0.0%	102,213
System development charges	804,765	657,542	412,000	177,000	454.7%	627,765
Increase in net position	<u>\$ 6,637,557</u>	<u>\$ 10,483,538</u>	<u>\$ 9,142,084</u>	<u>\$ 3,856,000</u>	172.1%	<u>\$ 2,781,557</u>

Cash and reserve balances

Cash and cash equivalents of \$1.6 million are below the Board target of \$3.4 million. Staff anticipate cash levels returning to the performance standard over the summer months when monthly revenues typically peak and generate the highest cash inflows. Lower consumption in June as compared to prior years has impacted revenue and cash generation, but the water utility typically continues to generate significant cash well into the fall months as customer bills are paid from the last days of summer.

Restricted cash is higher at the end of June due to the 2016 water bond issuance. Investments for debt service are accumulated to pay interest and principal to bondholders. The required February payment of interest to bondholders has been made, and balances will increase until the August payment of principal and interest. The SDC reserve has increased \$450 thousand since year-end.

Designated cash balances are \$24.8 million, an increase of \$10.5 million compared to June of 2015. The changes are due to increases in the Alternative Water Supply fund, budgeted transfers to the Capital improvement reserve, and the creation of the Rate Stabilization, and Pension funds approved by the Board in May of 2015. The Alternative Water Supply reserve increases monthly based on 3% of residential and commercial sales. The capital reserve is funded by monthly transfers from rate revenue, and is drawn down as qualifying project expenses are incurred.

Net pension asset or Net pension liability

The **Net pension asset** or **Net pension liability** represents EWEB's proportionate share of PERS system net pension liability or asset. In 2014, PERS system actuarial valuation resulted in a **net pension asset**. The 2014 valuation included cost saving changes to the PERS system that were subsequently overturned by the Oregon Supreme Court. As a consequence of the court decision, and other changes in actuarial assumptions, the 2015 PERS valuation resulted in a **net pension liability**.

Other assets

Other assets include the EWEB share of certain non-cash pension expenses relating to changes in the actuarial valuation of the PERS System. EWEB has elected to use regulatory accounting to defer non-cash pension expenses, and will recognize pension expense as required employer contributions are paid.

Deferred outflows of resources

Changes in **Deferred inflows of resources** are primarily due to the deferral of non-cash pension expenses, as discussed above.

Debt and financing

Long-term debt includes bonds and amounts payable to the Electric Utility. The Water Utility issued bonds in May to fund ongoing capital work, and to take advantage of the current interest rate environment to refinance bonds and achieve debt service savings. The bonds provided \$16 million in new money and refinanced \$29 million of existing debt. The refinancing will result in debt service savings of approximately \$4.0 million. All three ratings agencies reviewed and affirmed their "double A" (AA) ratings of the Water Utility bonds.

Recommendation/Requested Board Action

None at this time. This information is provided for informational purposes only.

Eugene Water and Electric Board
Water System
Statement of Net Position
June 30, 2016

	2016	2015	December 2015
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 254,647,514	\$ 236,009,541	\$ 254,512,937
Less - Accumulated depreciation	(108,589,038)	(103,472,496)	(105,624,389)
Net utility plant in service	146,058,476	132,537,045	148,888,548
Property held for future use	1,156,424	968,578	1,137,570
Construction work in progress	10,645,271	16,387,215	4,040,590
Net Utility Plant	157,860,171	149,892,838	154,066,708
<u>Current assets</u>			
Cash and cash equivalents	1,582,686	3,090,204	8,357,179
Restricted cash and investments	19,897,843	8,044,876	7,142,756
Designated cash and investments	24,750,930	14,221,612	9,702,084
Receivables, less allowances	5,020,621	6,435,688	3,353,602
Material and supplies, at average cost	1,018,618	885,694	1,011,704
Prepayments and special deposits	1,454,851	1,417,263	1,340,697
Total current assets	53,725,549	34,095,337	30,908,022
<u>Non-current assets</u>			
Long-term investments	-	-	6,735,916
Long-term receivables, conservation and other	176,016	205,282	196,101
Net pension asset	-	3,514,544	-
Other assets	2,294,262	874,563	2,145,501
Total non-current assets	2,470,278	4,594,389	9,077,518
Deferred Outflows of Resources			
Deferred Outflows of Resources	3,740,358	1,872,629	2,237,313
Total Assets & Deferred Outflows	\$ 217,796,356	\$ 190,455,193	\$ 196,289,561
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 548,629	\$ 654,175	\$ 1,200,732
Accrued payroll and benefits	1,326,439	1,208,507	1,181,216
Accrued interest on long-term debt	504,973	870,072	840,235
Long-term debt due within one year	425,000	1,840,000	1,920,000
Due to Electric System	897,325	877,210	887,148
Total current liabilities	3,702,366	5,449,964	6,029,331
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	61,354,839	45,855,477	43,925,956
Due to Electric System	16,923,252	17,604,141	17,266,499
Net pension liability	8,190,233	-	8,190,233
Other liabilities	283,522	417,802	385,843
Total liabilities	90,454,212	69,327,384	75,797,862
Deferred Inflows of Resources			
Deferred inflows of resources	2,160,135	12,041,796	1,947,248
Net Position			
Net invested in capital assets	94,537,138	85,158,593	90,478,405
Restricted	6,229,300	6,307,839	6,142,255
Unrestricted	24,415,571	17,619,581	21,923,791
Total net position	125,182,009	109,086,013	118,544,451
Total Liabilities, Deferred Inflows & Net Position	\$ 217,796,356	\$ 190,455,193	\$ 196,289,561

Capital

The capital budget is approved by the Board as the maximum amount allowable for all capital work. Annual budgets by type and by individual project are prepared for planning and reporting purposes, but overall budget accountability to the board remains at the total capital spending level. Year-to-date, the water utility has spent \$6.2 million, net of contributions in aid, on capital work. The largest balances were expended for improvements to the distribution system, distribution facilities, and source of supply. As of June, total capital spending, before CIA, is 45.1% of the annual capital budget. The 2016 capital budget net of contributions in aid is \$746 thousand higher than in 2015.








Eugene Water and Electric Board Water Utility Capital Budget Comparison for the six months ending June 30, 2016

	<u>Current Month</u>	<u>Year to Date</u>	<u>Annual Working Budget</u>	<u>% of Budget</u>
Type 1 Capital				
Buildings & Land	693	46,700	49,024	95.3%
Distribution Facilities □	231,408	688,396	1,355,056	50.8%
Distribution Pipe & Services □	686,398	2,958,342	5,916,000	50.0%
Information Technology	(2,095)	58,021	198,912	29.2%
Source Of Supply	2,252	20,309	312,032	6.5%
Water Fleet	59,816	59,816	494,976	12.1%
Total Type 1 Capital	<u>978,472</u>	<u>3,831,584</u>	<u>8,326,000</u>	46.0%
Type 2 Capital				
AMI	7,723	200,506	450,004	44.6%
CIS	-	-	270,048	0.0%
Distribution Facilities □	22,478	104,851	308,992	33.9%
Distribution Pipe & Services □	832	832	-	0.0%
LTD EMX - Water	70,495	310,145	140,000	221.5%
Source Of Supply	501,958	2,225,048	3,746,949	59.4%
Total Type 2 Capital	<u>603,486</u>	<u>2,841,382</u>	<u>4,915,993</u>	57.8%
Type 3 Capital				
Source Of Supply	24,513	118,773	1,814,949	6.5%
Total Type 3 Capital	<u>24,513</u>	<u>118,773</u>	<u>1,814,949</u>	6.5%
Total Capital before CIA	1,606,471	6,791,739	15,056,942	45.1%
Contributions in aid	<u>(128,200)</u>	<u>(593,748)</u>	<u>(1,273,000)</u>	46.6%
Grand Total	<u>\$ 1,478,271</u>	<u>6,197,991</u>	<u>\$ 13,783,942</u>	45.0%

Ratios

The current ratio, a measure of current assets compared to current liabilities, is well above the board performance target of 3.25, due primarily to the deposit of water bond proceeds in May. The measurement of days available cash is also very strong for this reason. Prior increases in rates and conservative budget measures are allowing the utility to accumulate cash and reserves. The debt service ratio continues to be well above the target of 2.0. All other ratios are performing better than the board performance standards.

**Eugene Water and Electric Board
Water Utility
Financial Ratios
June 30, 2016**

	<u>June 2016</u>	<u>Status</u>	<u>December 2015</u>	<u>PERFORMANCE STANDARD</u>
Current Ratio	14.511		6.243	≥ 3.250
Debt to Total Assets	0.425		0.396	≤ 0.600
Debt Service Coverage - Annualized	4.412		5.336	≥ 2.000
Operating Ratio	0.450		0.415	≤ 0.570
Days Unrestricted Cash	478		581	
Days Available Cash	178		306	≥ 90
Debt to Equity	63%		46%	≤ 89%

Notes:

Effective 9/30/15, the Rate Stabilization Fund was added to the calculation for Days Available Cash. While board approval is required, this fund is available for use in an emergency.

See next page for Ratio definitions

Definitions

Current Ratio

Ratio of current assets to total current liabilities. Measures the utility's short-term liquidity (ability to pay bills).

Debt to Total Assets

Ratio of long-term debt plus current liabilities to total assets. Measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

Debt Service Coverage

Ratio of annualized net revenues available for debt service to total long-term debt service for the year. This ratio measures the utility's ability to meet its annual long-term debt obligation.

Operating Ratio

Ratio of total water operation and maintenance expenses to total water operating revenues. This ratio measures the proportion of revenues received from water sales and other water activities required to cover operation and maintenance costs associated with producing and selling water.

Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents, net of designated SDC reserves, to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs (ie SDC reserves)

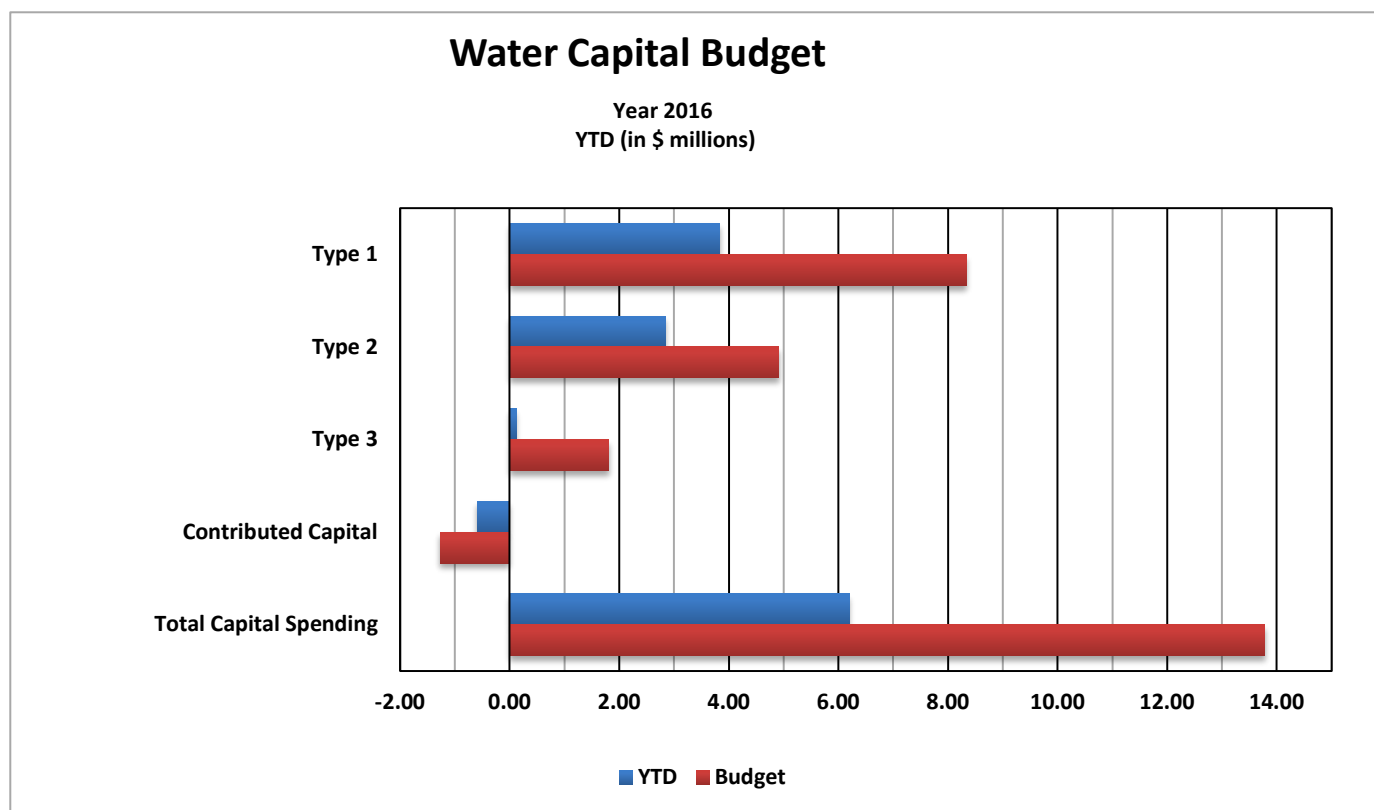
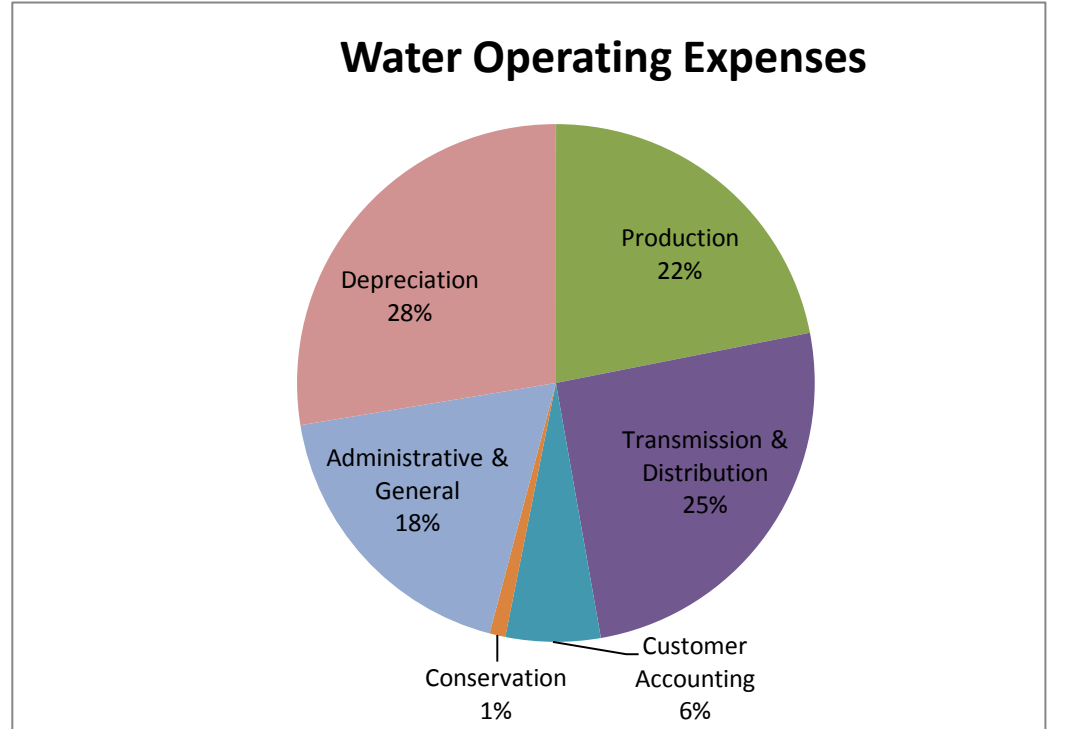
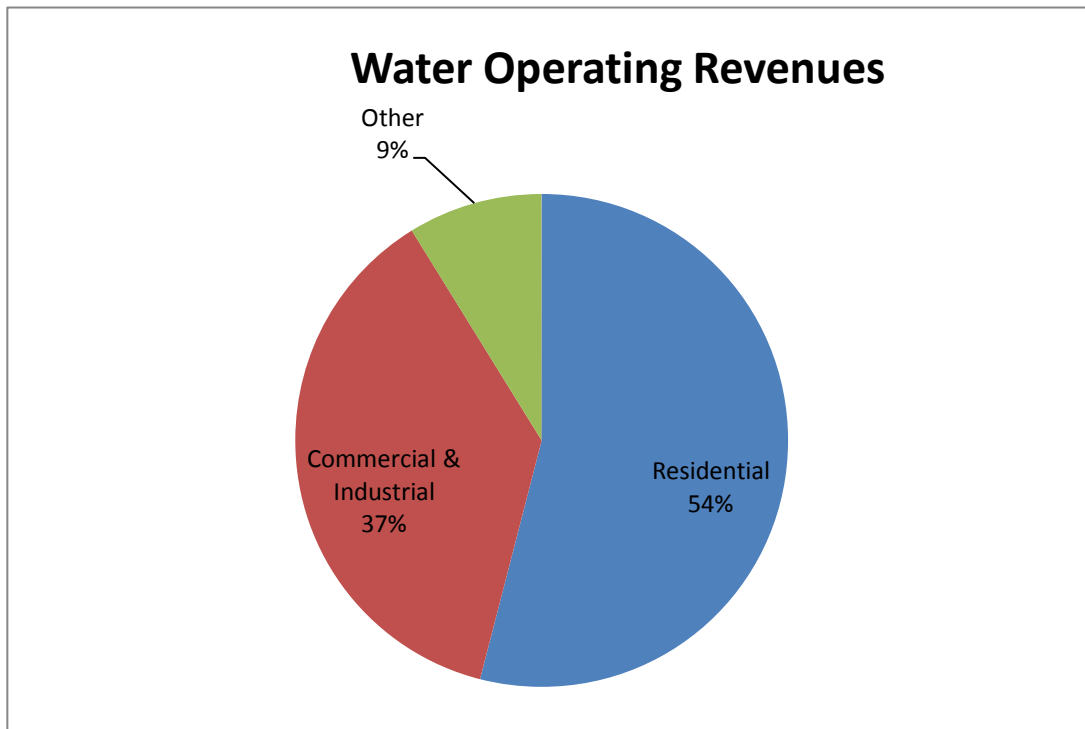
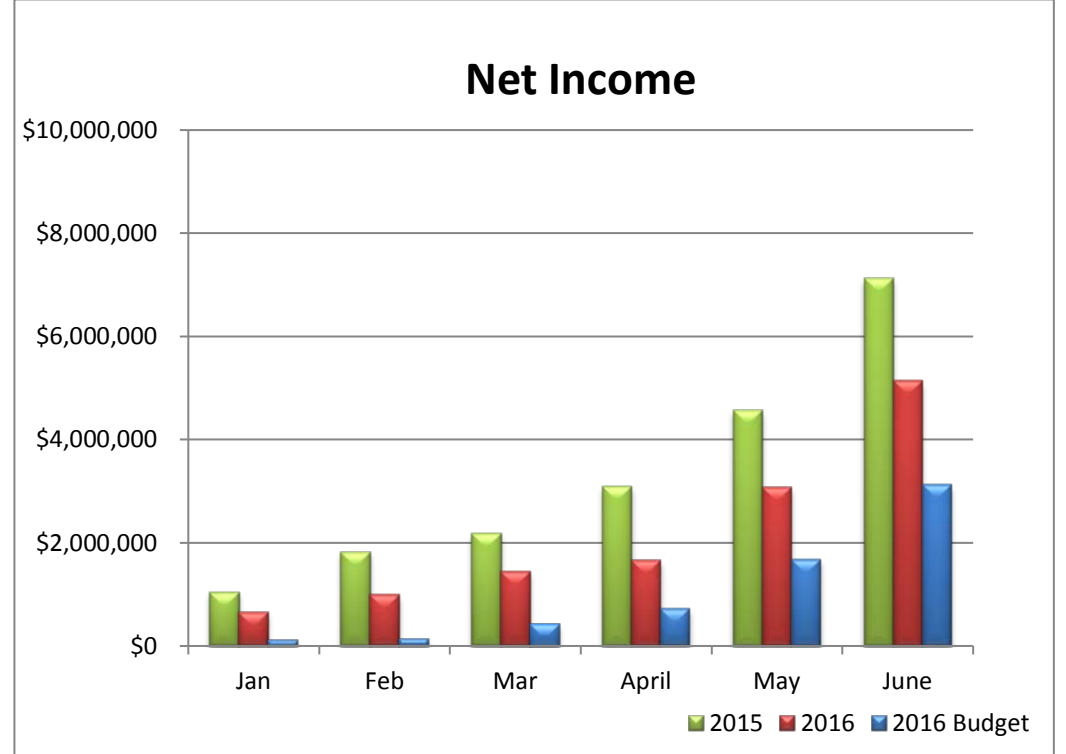
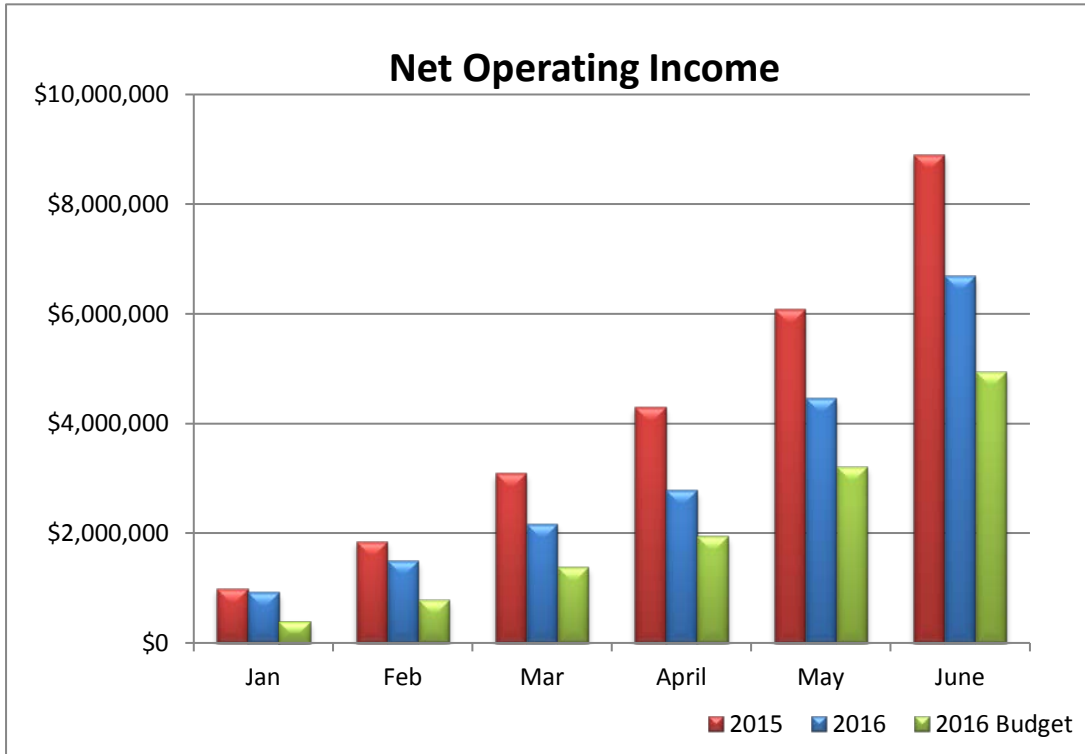
Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves) to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves, and the rate stabilization reserves)

Debt to Equity

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage. If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets)

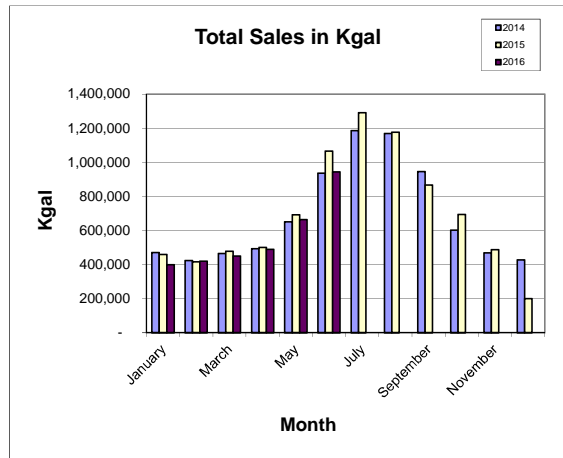
Eugene Water & Electric Board
Financial Graphs - Water Utility
JUNE 2016



Water Utility Sales in Kgal 2016

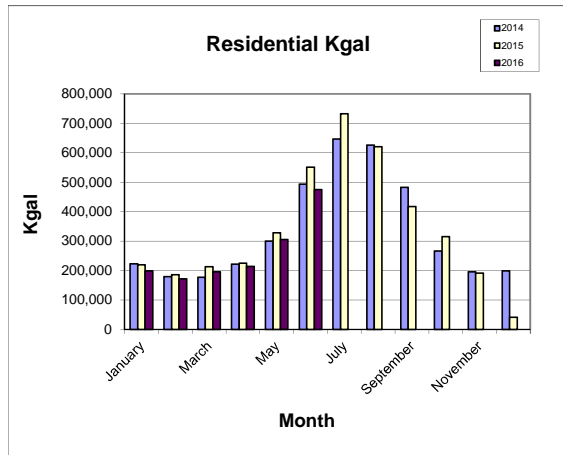
Total Water Sales in Kgal

	2014	2015	2016
January	469,967	459,108	399,369
February	424,408	404,303	419,161
March	463,973	467,462	450,547
Q1 total	1,358,348	1,330,873	1,269,077
April	493,852	487,636	488,756
May	650,078	679,838	662,977
June	935,507	1,051,349	942,995
Q2 total	2,079,437	2,218,823	2,094,728
July	1,185,522	1,255,528	0
August	1,168,830	1,145,986	0
September	946,113	840,585	0
Q3 total	3,300,465	3,242,099	0
October	601,568	674,261	0
November	468,583	473,737	0
December	427,484	187,717	0
Q4 total	1,497,635	1,335,715	0
Annual total	8,235,885	8,127,510	3,363,805



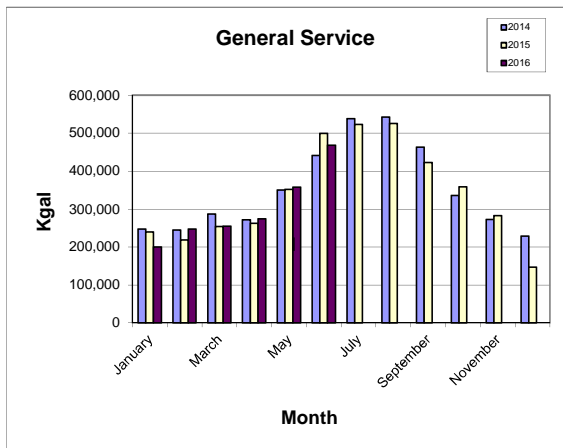
Residential Sales in Kgal

	2014	2015	2016
January	222,490	219,363	199,360
February	179,454	186,053	172,258
March	176,867	213,577	195,684
Q1 total	578,811	618,993	567,302
April	221,689	225,226	214,567
May	300,111	328,179	305,247
June	493,850	551,652	474,954
Q2 total	1,015,650	1,105,057	994,768
July	647,084	732,314	0
August	626,527	620,535	0
September	482,893	417,603	0
Q3 total	1,756,504	1,770,452	0
October	266,075	315,532	0
November	195,852	191,016	0
December	198,845	41,102	0
Q4 total	660,772	547,650	0
Total	4,011,737	4,042,152	1,562,070



General Service in Kgal

	2014	2015	2016
January	247,477	239,745	200,009
February	244,954	218,250	246,903
March	287,106	253,885	254,863
Q1 total	779,537	711,880	701,775
April	272,163	262,410	274,189
May	349,967	351,659	357,730
June	441,657	499,697	468,041
Q2 total	1,063,787	1,113,766	1,099,960
July	538,438	523,214	0
August	542,303	525,451	0
September	463,220	422,982	0
Q3 total	1,543,961	1,471,647	0
October	335,493	358,729	0
November	272,731	282,721	0
December	228,639	146,615	0
Q4 total	836,863	788,065	0
Total	4,224,148	4,085,358	1,801,735



Capital "EL1" Report: Electric, 2016 -Q2

Type 1 - General Capital	2016 thru Q2			Note - Changes from previous report(s) are in BOLD	
	Capital Category	Budget	YTD Actual	Year-End Projection	Status/Comments
Electric Infrastructure - Generation	\$916,000 (Note 2)	\$152,462	\$650,000	●	Public safety cable installed at Leaburg Lake, LB Dam fish ladder improvements, and WV pond modifications complete. Other miscellaneous Type 1 improvements at LB-WV and Carmen-Smith progressing slightly slower than anticipated (ZINNIKER)
Electric Infrastructure - Substations & Telecom	\$1,650,000	\$693,295	\$1,920,000	●	Major planned project work includes transmission and distribution breaker replacements at Monroe Substation (Friendly Street Area), an RTU replacement at Spring Creek Substation (River Road), as well as replacement of five station battery banks. A telecommunications enhancement includes the design for a future tower at ROC (planned for 2017). Emergent work includes replacement of a leaking SF6 breaker at the Bethel Substation, replacment of deteriorating 115kV switches at Weyco 1 substation, a sound deadening wall at the Spring Creek substation, and a Micro-Grid Battery and solar pilot project (design 2016). Schedule and budget targets are on track on a per project basis, however, overall capital spending is projected to be over due to emergent work related to condition. (NICE)
Electric Infrastructure - Transmission & Distribution	\$8,350,000	\$3,814,784 (1)	\$7,600,000	●	PUC and basic compliance work is slightly behind of estimated pace YTD, partially due to ongoing work on LTD EmX. Customer-Driven Capital is behind pace for the year at a run rate of 21% through Q2. (NICE)

These categories match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to \$1.2-\$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.

Type 2 Rehabilitation & Expansion Projects	2016 thru Q2			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Leaburg Roll Gate #2 Re-Build	\$0	\$13,020	\$200,000	\$1,600,000	\$3,027,080	\$2,950,000	Jul-2012	Jun-2014	Feb-2015	● Substantial completion attained in February 2015, final construction work and system adjustments to occur in Fall 2016. (ZINNIKER)
Leaburg Roll Gate #1 Re-Build	\$0	\$12,081	\$70,000	\$2,000,000	\$1,927,427	\$2,000,000	Mar-2015	Nov-2015	Dec-2015	● Substantial completion attained in November 2015, punch list and final commissioning activities to complete in Fall 2016. (ZINNIKER)
Leaburg Roll Gate #3 Re-Build	\$1,550,000 (Note 2)	\$12,615	\$1,190,000	\$1,550,000	\$440,895	\$1,550,000	Dec-2015	Nov-2016	Nov-2016	● Work scheduled to start in June with final completion expected by the end of 2016. (ZINNIKER)
LTD EmX Project (Electric)	\$6,175,000	\$2,266,547	\$5,000,000	\$5,700,000	\$3,616,363	\$6,500,000	Sep-2013	---	Nov-2016	● EWEB resolved all known electric conflicts west of Seneca on W.11th ahead of LTD's work . Scheduled completion for substructure installation is Sept. 15th. Completed work continues to come in under cost previous cost estimates. (THOMAS)
Upriver Re-Configuration/Holden Ck. Substation	\$1,500,000 (Note 2)	\$166,095	\$2,000,000	\$3,000,000	\$281,060	\$5,700,000	Jan-2014	Oct-2015	Jul-2017	● Some potential delays in FERC licensing requirements may delay construction scheduled for summer 2016, however equipment procurements are still movng forward and we will receive equipment before the end of the year. That is boosting the overall spending or 2016. (Damewood).
Downtown Distribution Network	\$2,000,000 (Note 2)	\$7,103	\$500,000	\$15,000,000	\$4,594,248	\$20,000,000	Sep-2010	Dec-2015	Dec-2019	● Worked planned for 2016 is progressing: Hospital 480V network re-configuration is planned awaiting hospital for scheduling; Installation of arc-flash disconnects needed for 480V spot network; Primary conductor re-design for future year replacement. All this work is required independent of Radial versus Network decision. (FRASER)

Type 3 - Strategic Projects & Programs	2016 thru Q2			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Carmen Smith License Implementation	\$10,590,000	\$1,118,999	\$6,800,000	\$135,000,000	\$38,980,155	\$181,000,000	May-2009	Dec-2021	Dec-2025	● Settlement Agreement re-negotiation efforts (of scope) continue to move forward with expected revisions completed in fall of 2016. Project NPV projections are improved based on reduced capital costs and despite declining forward power pricing forecasts. Carmen gantry crane construction preparation on schedule for fall completion. Turbine shut-off valve procurement on schedule for delivery Spring 2017. Heavy plant upgrade planning and design efforts underway. (ZINNIKER/BOYLE)

Total Electric Capital (Excluding Shared Services) **\$32,731,000** **\$8,257,001** **25%**

Note(s) 1. Distribution transformers are being capitalized when received in inventory, therefore some projects in T&D and Downtown network are understated.

2. Budget amounts are adjusted to reflect changes presented to the Board on April 19, 2016.

Management Notes: The Electric Capital Budget expenditure rate is under projection to date, although in the last half of 2016 there should be an uptick of expenditures due to major components of the Leaburg Roll Gates, Holden Creek Substation and other Type 1 equipment being purchased. Although Carmen Smith is lagging in overall expenditures compared to 2016 budget, expenditures are picking up pace due to work being conducted by our engineering consultant and turbine shut off valve procurements. The total project-end cost for Carmen has not yet been adjusted downward to account for potential re-negotiations of settlement agreement. Year end projections of total expenditures vs. budget are hovering in the 80% range, excluding Shared Services.

Water Capital Projects Quarterly Status Report 2016-Q2

Type 1 - General Capital

Project	2016			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$312,000	\$19,000	\$170,000	● Includes painting of intakes, treatment trailer equipment, beginning work on SCADA upgrade
Mains - Replacements, Improvements, & Trans.	\$4,213,000	\$2,135,000	\$3,963,000	● Will track this area closely as overages occurred last year. Keeping slightly under
Services and Meters	\$1,703,000	\$823,000	\$1,500,000	● Includes both new services and meters as well as replacement of existing service lines
Pump Stations	\$1,322,000	\$688,000	\$1,200,000	● Bulk of work is new Shasta 1150 pump station and emergent work at Santa Clara.
Reservoirs	\$33,000	\$0	\$15,000	● Only minor work anticipated this year.

These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million.

Typical examples include "main replacements". This work typically involves dozens of jobs that add up to \$3-\$3.5 million per year.

Type 2 Rehabilitation & Expansion Projects

Project	2016			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Hayden Bridge Filter S1-S6 Upgrades	\$3,513,000	\$2,179,000	\$3,700,000	\$7,713,000	\$7,088,690	\$8,610,000	2011	YE-2017	Q4-2016	● Upgrade of Filters N1-N6 Complete. Upgrade of Filters S1-S6 in construction. Seismic upgrades added costs for S1-S6. (Initial Plan - 2011 CIP)
Hayden Bridge Seismic Upgrades	\$0	\$0	\$0	\$1,215,529	\$1,117,067	\$1,760,000	2014	YE-2015	YE-2018	● Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	\$309,000	\$105,000	\$225,000	\$3,079,780	\$422,109	\$1,970,000	2013	YE-2016	YE-2019	● Multi-Year upgrade project. Completed Crest System. Currently working on Shasta and Willamette system. (Initial Plan 2013 CIP)
Hayden Bridge Standby Power Improvements	\$213,000	\$1,800	\$100,000	\$1,728,000	\$17,466	\$1,710,000	2015	YE-2017	YE-2017	● Completed preliminary design. Currently in design for Hayden Bridge. Also working on purchase specifications for mobile generator to be shared between Santa Clara PS and Intake. (Initial Plan - 2015 CIP)
LTD EMX	\$140,000	\$310,000	\$350,000	\$0	\$2,927,862	\$2,970,000	2014	YE-2015	Q3-2016	● 2016 work turned out to be more than anticipated. Nearing completion on the water side.

Type 3 - Strategic Projects & Programs

Project	2016			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Alternative Water Supply	\$1,815,000	\$119,000	\$1,600,000	Varied from \$52M to \$120M	\$419,000	\$67,000,000	2014 with Planning	YE-2021	YE-2021	● Assumes property purchase in 2016. Currently in preliminary design for Filtration Plant and Related Facilities

Total Water Capital (Excluding Shared Services) \$13,573,000 \$6,379,800 \$12,823,000 94%

Management Notes: Water will slightly underspend in Type 1 projects this year, as slightly more EmX work than anticipated has impacted some work on Type 1. Type 2 projects are tracking well with Hayden Bridge Filter upgrades expected to be completed in Q3. Expenditures in AWS are appearing as pre-design work that is underway. Overall, looking to be in the mid-90% range of expended budget for Water Capital, excluding Shared Services Capital.

Capital "EL1" Report: Shared Services, 2016-Q2

Type 1 - General Capital		2016 - Q2			Note - Changes from previous report(s) are in BOLD				
Capital Category	Budget	YTD Actual	Year-End Projection	Status/Comments					
General Plant - Information Technology (I.T.)	\$1,328,913	\$276,908	\$900,000		Capital refreshes to Occur in Q3 and Q4 of 2016				
General Plant - Buildings & Land Management	\$557,744	\$259,441	\$557,744		EWEB HQ HVAC System is complete, and in final review and closeout phase. Staff is re-crafting the HQ elevator contracts to make use of state contracts, and is behind schedule. (Damewood)				
General Plant - Electric& Water Fleet Capital	\$1,722,124	\$816,291	\$1,722,124		All vehicles/equipment for electric operations were received and completed in 2016. All completed on Budget. (Lentsch)				

In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that add up to \$1.2-\$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.

Type 2 Rehabilitation & Expansion Projects		2016 - Q2			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion		
AMI Information Technology & Integration	\$2,977,005	\$1,113,923	\$2,977,005	\$6,475,700	\$1,962,778	\$6,475,700	May-2015	Dec-2017	May-2018	Project is progressing to field trials. Both electric and water meters have been deployed in limited quantities in the field (<100). Spending is running slightly behind schedule, with major vendor payment milestones that may occur in Q4 of this year or Q1 of next, depending on testing cycles.(Armstead)	
Customer Information System (CIS) Replacement	\$2,500,049	\$0	\$1,250,000	\$9.7M	\$0	\$9.7M	Sep-2016	Aug-2018	Jun-2018	Estimated start of capital spending is not expected to start until early 2017. Finalizing vendor selection and contract negotiations (O&M expenses) are expected to take until year-end to finalized. This is a 3 month delay over earlier projections, impacted by needs for additional due diligence prior to final vendor selection.	

Total Shared Services Capital (This Report)	\$9,085,835	\$2,466,563	\$7,406,873							
--	--------------------	--------------------	--------------------	--	--	--	--	--	--	--

Note(s) 1. Financials are based on year-end un-audited reporting. Any substantial adjustments during the year-end audit will be noted on the next EL-1 Report.

Management Notes: Delays are causing large underruns for the IT Type 1 and CIS Replacement projects, but Management is confident that recalibrating and re-organizing these areas is needed for long term success. AMI, Fleet and Buildings are moving forward with slight schedule issues.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Mike McCann, Generation & Electric Operations Manager, and Karl Morgenstern, Property & Facilities Supervisor
DATE: August 30, 2016
SUBJECT: McKenzie River Recreation Site Management
OBJECTIVE: Information Only

Issue

EWEB owns and/or has operational obligations to a number of recreation sites on the McKenzie River from approximately Hayden Bridge to Finn Rock. These sites are currently managed by a combination of EWEB personnel and Lane County, under an intergovernmental agreement (IGA). EWEB and the County seek cost savings and efficiency by consolidating operation and maintenance of all EWEB recreational responsibilities on the McKenzie River under a new comprehensive IGA.

Background

Under the terms of the federal operating license for Leaburg and Walterville, EWEB is required to operate and maintain a number of recreation sites on the McKenzie River. These sites are mostly boat ramps but also include Lloyd Knox Park.

Management of the recreation sites has varied over the years, with the County managing most, if not all, of the boat ramps along the river prior to 2002 under a joint agreement with EWEB, the Army Corps and the State of Oregon. Since 2002, the County has continued to manage some, but not all, of the boat ramps under separate agreements with these agencies. EWEB and the County currently have an IGA in place that provides for County management of most but not all of the boat ramps for which EWEB has responsibility. That IGA expires on December 31, 2016.

Lloyd Knox Park at Leaburg Lake includes fishing facilities, picnic facilities, restrooms, ball fields and a caretaker's house. The park used to be managed and maintained by an EWEB park caretaker. The caretaker position was eliminated in 2012 and the park is currently managed by EWEB's Leaburg Operations staff.

Discussion

Lane County is interested in increasing their management presence on the river for operational efficiency purposes, and seeks additional sites for management under new IGAs with EWEB and others. EWEB has been satisfied with the County's O&M of the boat ramps under the current IGA,

and EWEB and the County have developed a good working relationship through the cooperative nature of the current IGA. The cost to EWEB for the agreement is \$15,000 per year.

Lane County also operates a county park at the Old McKenzie Fish Hatchery at Leaburg Lake. This is the largest county park on the upper river. The County does not have caretaker facilities at this park, and is interested in finding and placing a caretaker on the upper river for maintenance of the recreation facilities.

Since 2012, EWEB has been maintaining Lloyd Knox Park with Hydro Plant Technician / Operators from EWEB's Leaburg facility. These journey-level represented employees are trained to run EWEB's hydroelectric facilities and are at the top of EWEB's electric utility pay scale. Leaburg employees typically spend about 20 hours per week during the summer maintaining the park.

Management believes that EWEB will realize a cost savings by turning over management of all recreation sites, including Lloyd Knox Park, to the County. EWEB's expenses for this new IGA could be further reduced by providing the County with access and use of the park caretaker house and allowing the County to charge fees for park use. EWEB will assess the cost savings of these approaches with other factors before including them in a new IGA.

EWEB has verified with the FERC that nothing in the Leaburg license prevents or limits EWEB's ability to contract park or recreation facility management to a third party like Lane County. EWEB is currently awaiting a proposal for a comprehensive IGA from the County. That proposal is expected in the fourth quarter of 2016. EWEB management believes that pursuing a comprehensive IGA with the County makes economic and operational sense for EWEB, and is looking forward to receiving and reviewing the proposal.

Requested Board Action

None. This memorandum is provided for informational purposes only. Management will keep the Board updated as discussions with the County continue.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital, and Brown
FROM: Karl Morgenstern, Property Management & Facilities Supervisor
DATE: August 25, 2016
SUBJECT: The Nature Conservancy Confluence Property Status
OBJECTIVE: For Information Only

Issue

The Board has requested an update on The Nature Conservancy (TNC) and their future plans at the confluence property upstream of EWEB's planned future Alternate Water Source intake site.

Background

EWEB has acquired land on the Willamette River below the confluence of the Middle Fork and Coast Fork Willamette Rivers for an intake for an Alternate Water Source (AWS). Upstream of the intake site there are multiple ownerships with The Nature Conservancy (TNC), Friends of Buford Park, Oregon State Parks, and Willamalane Parks that provide watershed protection of this area. TNC plans to divest from this ownership following completion of the restoration work currently underway. This provides opportunity for EWEB to be more engaged in who and how this property is managed in the future.

Discussion

The original planning for the TNC Confluence Preserve (since purchasing the property in 2010) was to divest of the Preserve after TNC completed the restoration work. TNC anticipated taking 10-15 years to complete all the floodplain and upland restoration at the site putting divestment somewhere in the 2020-2025 timeframe. TNC has had excellent partner and funding support to date for the restoration work and are on track to complete all restoration by 2021. TNC will continue monitoring the restored areas beyond the 2021 date to satisfy commitments to various funders, but do not see this activity restricting handoff of the property to a new owner. The property will remain closed to the public for general access through the completion of floodplain restoration activities.

There are currently no long-term stewardship funds set aside in an escrow-like account that a future owner could access. TNC is currently using approximately \$2.5 million in Bonneville Power Authority (BPA) settlement funds to fund most stewardship activities. TNC is using many other sources of funding (totaling approximately \$5.5 million) to support the various restoration actions, including: NOAA Restoration Center Salmon Recovery Funds, Meyer Memorial Trust, Wildlife Conservation Society, Collins Foundation, Portland General Electric, and Oregon Watershed Enhancement Board (OWEB) Focused Investment Program funds.

The TNC Confluence Preserve is secured for long-term water quality and riparian protection under two highly restrictive conservation easements (one held by BPA and the other held by OWEB).

TNC entered into a conservation easement on October 29, 2010 with BPA and OWEB as part of the legal transactions associated with the property acquisition. The conservation easement was deeded by TNC to BPA in perpetuity, for the purpose of protecting the Conservation Values associated with the site. The Conservation Values are defined in the conservation easement and summarized below.

The Conservation Values of the Protected Property, comprising of approximately 1,271 acres, meet the broad definitions of values provided by certain statutes, because they are “significant natural, aesthetic, scientific and educational” values that are part of a “relatively natural habitat of fish, wildlife, or plants or similar ecosystem” as that phrase is used in Section 170(h)(4)(A)(ii) of the Internal Revenue Code; and “natural, scenic, or open space” values, as those terms are used in Oregon Revised Statute § 271.715; and include important species, habitat, and other important ecosystem attributes protected under the ESA, NMFS’ Willamette Biological Opinion, the Council’s Program, and the Oregon Conservation Strategy. The Conservation Values of the Protected Property that either existed or currently exist specifically include the following, recognizing that such Conservation Values may periodically fluctuate or trend toward long-term change, due to natural events such as wildfire, floods, interdecadal climate events, and long-term climate change:

The property consists of six miles of river frontage at the confluence of the Middle and Coast Forks of the Willamette River, three miles of riparian corridors and interior streams, and more than 500 acres of native Willamette Valley upland prairie and oak habitats. The Property supports native priority ecological systems and at-risk plant communities, such as riparian forests and shrublands, western Oregon upland prairie and oak savanna, oak woodland, freshwater aquatic beds, freshwater emergent marsh, and western Oregon wet prairie. The Property also supports habitat for several native and federally-listed species such as Chinook salmon and steelhead, and Oregon chub, as well as habitat for state-listed species of concern such as the northern red-legged frog, Townsend’s big-eared bat, and Oregon vesper sparrow. The Fish and Wildlife Service has also identified the Property as critical habitat for bull trout. The Property provides opportunity to improve riparian forest habitats and floodplain function by re-connecting side channels between the Coast and Middle Forks of the Willamette River. Floodplain restoration of the Property would improve back water habitat for anadromous fish, water quality, and reduce downstream flood impacts.

Permitted and prohibited uses in the conservation easement that have relevance for short- and long-term management actions are summarized below.

Permitted Uses: The Conservancy:

- Shall preserve and protect the Conservation Values of the property in perpetuity;
- Shall develop a Property Management Plan that may include plans for restoring the property, will not impair any of the conservation purposes, and will fully protect the Conservation Values in perpetuity;
- May use the property for recreational and educational uses that do not impair the Conservation Values;
- May sell, exchange, or otherwise convey its interest in the property, pursuant to easement stipulations; and

- May limit public use as needed to protect the Conservation Values, to protect public safety, and to be consistent with the scope and scale of planned management of the property.

Prohibited Uses: The following uses are strictly prohibited on the property except as permitted upon approval of the Management Plan:

- All residential, commercial, or industrial uses of the property;
- Division, partition, subdivision, or *de facto* subdivision;
- Erecting any building, billboard, or sign;
- Excavating, dredging, or removing loam, gravel, soil, rock, minerals, sand, hydrocarbons or other materials;
- Otherwise altering the general topography of the property, including the building of roads, ditches, dikes, levees, berms, and flood control work, except for that work tied to restoration or habitat improvement projects; and
- Any other use that has a material negative impact on fish or wildlife habitat.

Exceptions: Several exceptions terms are enumerated in the easement. Relevant exceptions include:

- Right of the State of Oregon to the river bed below the ordinary high water mark for both the Middle Fork and Coast Fork of the Willamette River;
- Right of way to transmission lines, pipelines, and associated access roads for BPA and several other utility companies;
- Reciprocal road use between TNC and Lane County.

EWEB has made initial contact with TNC and other partners to begin conversations around what future ownership and other needs are for long-term stewardship of this area that is directly upstream of the AWS intake. At this time, EWEB plans continued engagement with TNC, McKenzie River Trust, Willamalane Parks, Oregon State Parks, Lane County and others to select the best steward for the site following TNC's divestment. This will be an ongoing discussion and analysis over the next 3-4 years to determine the appropriate organization(s) to take over management of the Preserve once TNC is no longer the landowner. For any transition/transfer to take place, each Board from TNC, OWEB, BPA and ODF&W must sign off on the chosen landowner based on their current and future capacity and past experience with conservation land management.

In recent discussions with TNC around potential opportunities for EWEB involvement, there appears to be a funding deficit for supporting riparian planting along the Middle Fork Willamette in 2018 and 2019. This aligns with the potential opportunity to use Pure Water Partner (PWP) restoration funding from existing partners for this work as EWEB expands source protection efforts upstream of the AWS intake.

Recommendation

This is for information only.

Requested Board Action

No action is requested at this time.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Karl Morgenstern, Property Management and Facilities Supervisor
DATE: August 25, 2016
SUBJECT: Update on Actions to Address Illegal Camping
OBJECTIVE: Information

Issue

Illegal camping along the McKenzie and Willamette Rivers has been increasing over the years. Illegal camping sites leave large amounts of garbage, human feces, biological hazards, and hazardous materials in areas next to waterways that can be washed downstream during fall/winter storms. EWEB has taken an active role to coordinate with other organizations to prevent camping from occurring and to clean-up those camp sites that were not able to be prevented in the first place. This is an update of these actions to date.

Background

Homelessness and illegal camping is a complex societal problem that no one entity can tackle. Multiple public agencies and non-profits in our area are struggling to manage impacts and find effective solutions with very limited resources. By all accounts, from frequent newspaper articles to partner agency and organization reports, 2016 has been the worst year for proliferation of illegal camping along waterways and in the urban areas in memory.

In the past, EWEB has been involved in coordinating and organizing periodic cleanups of illegal camps along the lower McKenzie River once or twice a year. The last cleanup in late February 2016 resulted in approximately 30 cubic yards of garbage and waste being removed from the riparian area in a well-coordinated effort among local agencies, landowners, river guides, and volunteers. EWEB realized that prevention of camps needed to take priority to reduce the need for expensive and time-consuming efforts to organize, cleanup, and dispose of large quantities of waste deposited along the river. Since this time, EWEB has taken a number of actions to develop systems that will aid in prevention and cleanup over time.

In August 2016, the Board requested that EWEB take a leadership role in coordinating community and partner efforts to prevent illegal camping along the areas waterways and cleanup camps that are discovered early in their development, realizing that in many cases, campers will return to the riverbanks. This memo is an update of those efforts to date.

Discussion

The following is a summary of efforts to date that EWEB has made to address illegal camping issues and coordinate our response and efforts with partner agencies and organizations:

1. In an effort to better track illegal camping activities, EWEB coordinated and funded LCOG to develop an application that can be used on smart phones and other mobile devices that allows for anyone to identify the location, condition, and status of illegal camps along the rivers. This allows tracking and monitoring to see over time where camping activity is occurring most frequently, and on whose property. Currently, nearly 44 illegal camps are identified and mapped, with 20 being cleaned up. EWEB was not able to track the actual costs of these cleanups, but based on past efforts likely ranges from \$30,000 - \$60,000. The camps are located on land owned by EWEB, City of Springfield, Willamalane Parks, International Paper, Wildish, City of Eugene, Oregon Parks, 4J School District, and CSC Holdings. Since many of these identified camps are on private property, access to clean up camps on private property has been limited. Funding for this application and weekly reporting by LCOG (approximately \$8,000) was not anticipated and therefore is not part of the 2016 Source Protection budget.
2. On April 28, 2016, EWEB staff organized a large meeting of agency and organization partners (Lane County, City of Springfield, City of Eugene, Sheriff's Office, ODOT, Oregon State Parks, Willamalane Parks, ODF&W, McKenzie Watershed Council, McKenzie River Trust, LCOG, Friends of Buford Park, Willamette River Keepers, Upper Willamette Soil & Water Conservation District, Springfield Utility Board, Rainbow Water District, and others) to discuss better coordination around prevention of illegal camps and establishing regular quarterly cleanups. EWEB and LCOG introduced to the group the illegal camp mapping application to train the group, get feedback on changes, and show how the group can view and track camping activity over time. The group agreed that having LCOG manage this and provide weekly email notifications to the group and landowners about the status and location of camps identified would assist in removing illegal camps early before they become established.
3. The first coordinated quarterly cleanup was conducted on the Willamette River in July 2016 with the Willamette River keepers coordinating the effort. The cleanup was from Maurie Jacob Park to I-5 Bridge in Alton Baker Park.
4. EWEB has some initial conversations with Mike Kinneson at the City of Eugene (rest stop coordinator). The general feedback was that enforcement alone is not the solution, it needs to be coordinated with more safe places for people to sleep, increased investment in resources for assistance, drug treatment, and caseworkers, effective outreach, and more diligent patrolling to prevent new camps and direct homeless to necessary resources. EWEB is continuing conversations with a number of homeless advocacy organizations to gain better understanding of what potential strategies could be put in place to discourage camping along the rivers in the areas of outreach and education, support services, security and enforcement, etc. and see if there are gaps or needs that EWEB may be in a position to support. This will be an ongoing dialogue with multiple organizations and agencies.
5. EWEB has launched a large cleanup effort at its property for the Alternate Water Source intake site. This will include using a contractor due to potentially hazardous materials and vehicle carcasses that need to be removed. This effort will be followed up with vegetation management to remove blackberries and other invasives and trimming up limbs to open these areas up for Security to safely assess future activity that can be removed before camps get established. Depending on what is found during the cleanup, the cost of this effort is estimated at \$15,000-\$18,000. This funding was not anticipated and therefore not part of the 2016 Source Protection or Property Management budget. EWEB is coordinating with Wildish to remove camps on their adjacent land at the same time. Coordination of security patrols in the confluence area has occurred and will continue.

6. EWEB is in the process of entering an agreement with Willamette River Keepers to provide funding for their public education, volunteer and agency coordination and in support of their coordination of regular illegal camp cleanups for 2016-2017. Their efforts will include the confluence area of the Middle Fork and Coast Fork Rivers. This funding is included in the 2017 budget.
7. EWEB is initiating conversations with Oregon State Parks, Friends of Buford Park, The Nature Conservancy, Willamalane Parks, and Lane County to coordinate patrols in the confluence area and share resources. This will ramp up in the fall due to the busy summer season making it hard to schedule meetings. There is potential to have better coordinated patrols of all properties, coordinated and shared resources in cleanups (e.g., regular use of Sheriff crews), making a united front when dealing with the railroad to address their illegal camping problems, common signage and coordination with Sheriff for response to occupied camps, and outreach and engagement with other agencies and organizations to develop larger solution across the region.
8. On August 22nd, EWEB's General Manager attended a Springfield "leaders" meeting specifically formed to discuss preventative approaches to keeping illegal camps and littering away from water sources. The group, including leaders from City of Springfield, Springfield Utility Board, Springfield Police Department, Willamalane, and McKenzie River Guides discussed prevention, enforcement, and response options. As a follow-up, the Springfield City Manager is scheduling a meeting between EWEB and some local land owners (e.g. International Paper) near the Hayden Bridge intake.

These multiple efforts are in their beginning stages, but building relationships and coordinating resources is helping focus disparate efforts and leverage existing assets. For example, the City of Springfield has a camp clean up trailer that they are willing to loan out with the tools needed to safely clean-up sites, while Lane County is playing an invaluable role through its connections with the waste management department and Sheriff's Office work crews. Ideally, having regular coordinated cleanups to address areas where prevention was not successful will not only reduce the magnitude of future cleanups due to shorter intervals between these efforts but potentially break a cycle of habitual nuisance activities on our riverbanks.

EWEB has fielded multiple requests to provide access to utility property or to support getting utility services to other properties being considered for legal camping sites. Determining the proper role for EWEB as the provider of safe drinking water to our community will be an important policy decision point to consider as these requests are likely to continue.

Recommendation

This is for information only.

Requested Board Action

No Board action is requested at this time.