MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Mital, Brown and Carlson

FROM: Frank Lawson, General Manager; Suzanne Adkins, Project Manager

DATE: December 23, 2016

SUBJECT: Consolidation Feasibility Analysis

OBJECTIVE: General Direction

Issue

In an effort to improve organizational efficiency and customer convenience, staff has been evaluating the feasibility of consolidating operations at the Roosevelt Operations Center (ROC) while maintaining a workforce for customer service convenience in downtown Eugene. This memo provides an initial evaluation and high-level cost estimates for preferred scenarios of a potential consolidation. Based on the analysis, and pending Board review/discussion, staff is assessing the pros and cons and scenarios related to a move from Headquarters.

Background

Consolidation of work force at ROC has been evaluated a number of times since the ROC was commissioned in 2009, but up to now, the evaluation centered on construction of a second building to house administrative functions. The cost of a second building was deemed to be cost prohibitive in previous evaluations. This analysis is different in that it contemplates the concept that unused or underutilized space within the existing footprint of ROC and other existing EWEB facilities be used to accommodate operational functions.

Discussion

To contemplate vacating or partially vacating the downtown headquarters complex, three primary issues need to be assessed: Downtown workforce and location; ROC re-configuration to add staff; and location of backup systems (trading floor, dispatch, and data). Each is described in more detail below.

Downtown Workforce and Location

After stakeholder feedback sessions with the Customer & Community Services Division Managers and Supervisors, the target downtown workforce is presently comprised of 64 FTE and occupies about 12,000 square feet. This includes the following groups:

Table 1 – Downtown Workforce	FTE
Finance Division - Cash Accounting	8
Contact Center	
• Atrium	8
• Call Center (1500 ft2)	25
Customer Operations	3
Customer Solutions	5
EMS Commercial & Residential (3,000 ft2)	15
Total	**64**

The proposed downtown staff were chosen based on attempting to provide maximum customer value and accessibility as well as preserving key functionality between groups. There was not a strong preference stated regarding what location is chosen, whether it be in the existing HQ building or elsewhere downtown. The key criteria to be considered from the customer perspective is proximity to bus lines, parking, ease of ingress/egress to conduct EWEB business, and overall long-term cost.

The groups itemized above currently occupy approximately 12,000 square feet on the first floor of the Headquarters building. With added efficiency and consolidation, this area could probably be reduced to about 10,000 square feet with careful planning.

In discussing ideas for the ideal home for the customer-facing groups, four scenarios were evaluated in this exercise.

1. Base case – keep split operations as-is;
2. All groups vacate HQ complex, customer group relocates elsewhere downtown, sell HQ complex.
3. Customer group relocates to North building, lease the HQ South building;
    a. sell the HQ South building;
4. Customer group remains on first floor of HQ South, remainder of building is leased;

Each scenario has it merits and drawbacks, and Table 2 (Page 6) provides a side-by-side summary of each as well as pros/cons, estimated costs, and triple-bottom-line considerations.

A brief review of available office space for lease in early December in downtown Eugene reveals a few possibilities that could be investigated further if this is the preferred direction, including:

Properties for Lease or Sale

- 59 E 11th; $1.83/sf/month; 10,000-15,000 sf available (1st fl)
- 432 W 11th; $1.35/sf/month; 19,000 sf available (1st fl)
- 175 W. Broadway, $1.27/sf/month; 15,0000 – 48,000 sf available (2nd or 3rd fl)
- 675 Oak St; $24/sf/year; 9,600 sf available (4th fl)
- For sale: 856 Willamette; $1.95M; $80/sf; 24,000 sf

There are considerably more options available if the search were expanded beyond "core downtown" to include the Valley River area, Chad Drive, or River Road. These areas were not considered desirable in this analysis.

ROC Reconfiguration

With the customer service employees remaining downtown and the remaining employees moving to the ROC as scenario above, the total workforce at ROC would consist of approximately 429 FTE of which 129 would be moving from HQ, including the following groups:

Table 3 - MOVING FROM HQ to ROC	FTE
Business Client Planning Services	13
Data Management	2
Environmental Management	1
Fiscal Services	3
General Manager	3
Human Resources	5

Information Technology	3
Meter Reading	20
Network Services	9
Power Planning	8
Project Office	7
Public Affairs	11
Security	8
T & D Dispatch	7
Trading and Power Ops	11
Collections & Field Services	14
Customer Operations	2
Chief Customer Operations	2
Contracted Mail Personnel	2
Total	**129**

The process of determining feasible changes to ROC to accommodate added staff included stakeholder and employee feedback to identify underutilized/unused space in conjunction with a consulting architect to ensure suggested changes would meet building system and HVAC code requirements.

When the ROC was originally designed, the building-design occupancy load was planned for 281 FTE, but even so, sewer/eco-machine and bathroom fixture capacity will not be a barrier to the addition of 129 people. Furthermore, architects confirm that the maximum allowable occupant load for the building based on square footage and space designation is more than 1,000.

A draft department layout/design is under review with ET at this time (i.e. where the various groups could be located). If primary systems (Dispatch and Trading Floor) are located at the ROC, NERC-CIP requirements may require seismic upgrades to all or part of the building. Engineering is working on the details and costs of these upgrades, which are not included in costs presented here, but can be added in a later update if determined to be needed.

Table 4 (Page 7) includes a summary of estimated costs and TBL considerations for a reconfiguration of the ROC.

Backup Systems Location

For any of the scenarios except the base case, it will be necessary to find new locations for backup systems including data, trading floor and dispatch. A number of options have been discussed including:

- Hayden Bridge (earliest 2018-19)
- New water treatment facility on Willamette (2023)
- Leased or purchased downtown space or co-locate with Customer Service location
- Mobile facilities
- Existing or renovated substation (dispatch/trading)

Table 5 (Page 9) includes a more detailed description of several potential locations. The cost estimates presented represent the highest costs because they are based on construction of a new building and purchase of all new equipment. It is anticipated that cost savings could be achieved by looking at existing substations, or alternate solutions for a warm/cold data. The space needs are

relatively small for each (about the size of a small conference room), so it would be relatively easy to find space in existing or planned buildings as long as fiber, network, and space conditioning requirements can be met.

Additionally, if any of the scenarios selected involve retaining part or all of HQ, we could consider retaining space for all backup systems. Similarly, if we were to lease or purchase an alternate location, it may be there is adequate and suitable space to co-locate backup systems. These possibilities should be explored as plans evolve.

Timing

The long lead time for vacating HQ is construction of backup redundancy systems for dispatch, trading floor and data center unless either it is determined that offsite redundancy is not needed, or if they are ultimately located in existing buildings. Ideally, all three will be constructed, commissioned, tested and operational before those groups move.

All other HQ groups can move as soon as space becomes available at ROC. If backup systems ultimately are located at a new building planned for Hayden Bridge or the new Water Treatment Facility, the time frame would likely be between 3-7 years.

The timing of a Customer Services move (if Scenario 2 or 3 are selected) could likely be completed within 1-2 years. If the North Building is chosen for the location, timing would hinge on expiration date of the EGI lease (November 2018) and then time to complete renovations. If another location is leased or purchased, timing also hinges on lease/purchase availability and any needed renovation/construction.

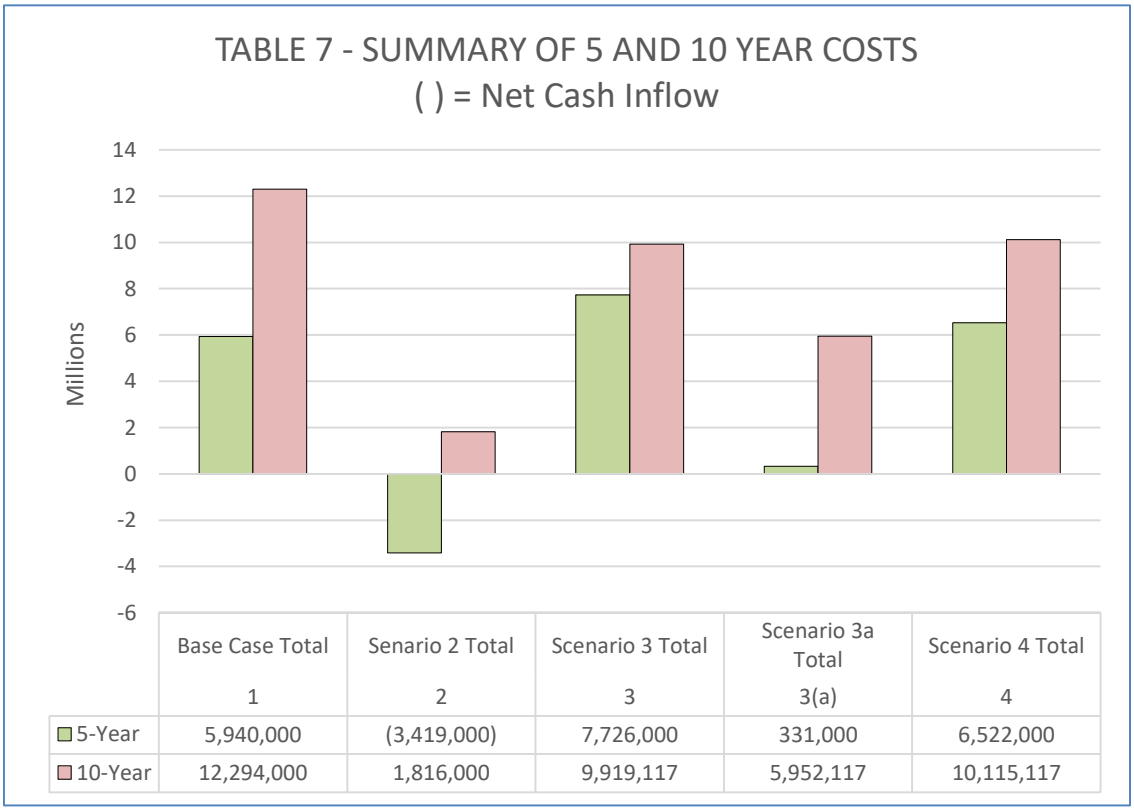
In response to the City of Eugene's evaluation of EWEB as a potential site for City Hall, the following timeline was provided as our initial estimates for timing (Table 6)

Table 6 – ESTIMATED MOVE TIMELINE	
Administrative Functions	2017
Power Trading	July 2018
Backup I.T./Data Center	July 2018
Customer Services December 2018	Dec 2018
Electric Systems Operations (4th Floor)	Dec 2018

Summary

Based on this high-level assessment, it is feasible to relocate most of the existing HQ workforce to ROC with some changes to the ROC building, while maintaining a customer downtown presence. There are a number of options available for the downtown workforce, including lease or purchase or reconfiguration of the North building.

Financially, the highest cost option is to continue the way we presently operate, while the lowest cost options favor consolidation in combination with a partial or full sale of the HQ complex. A summary of total costs (not including backup systems) is included in Table 7 below with added detail in Tables 8-12 (pages 10-12). These costs include both incremental and ongoing capital and O&M for 5 and 10 years for all estimated operating expenses. Costs could further be reduced by finding an existing building to house a backup control center and cold/warm data site.



	Base Case Total	Senario 2 Total	Scenario 3 Total	Scenario 3a Total	Scenario 4 Total
	1	2	3	3(a)	4
5-Year	5,940,000	(3,419,000)	7,726,000	331,000	6,522,000
10-Year	12,294,000	1,816,000	9,919,117	5,952,117	10,115,117

Recommendation

EWEB should pursue consolidation of operations at our Roosevelt Operations Center. It is recommended that the Executive Team and Staff hone in on a preferred option for downtown location and backup systems, and develop more a more detailed plan and schedule. In the meantime, phased reconfiguration can begin at any time to start moving the remaining groups from HQ to ROC.

Requested Board Action

None

TABLE 2 - DOWNTOWN WORKFORCE				
Description	**1 - Base Case**	**2 - Relocate Customer Service downtown (purchase or lease), sell HQ Complex**	**3 - Customer Service relocates to North building, lease south building; 3(a) sell south building**	**4 - Occupy 1st floor, lease other floors & North Bldg.;**
Estimated Costs (Rounded)	5 YR: $3,052,000 10 YR: $6,471,000	5 YR: $(10,126,000) 10 YR: $ (8,241,000)	Lease HQ South 5YR: $1,019,000 10 YR: $ (138,000) 3(a) Sell HQ South 5YR: $(6,376,000) 10 YR: $ (4,105,000)	5YR: $ 6,522,000 10YR: $10,115,117
Time frame	NA	2-7 years based on backup systems location option	2-7 years to complete based on backup systems location option	2-7 years based on backup systems location option
Pros/Cons	Pros • Building is owned • No disruption to employees or customers • Data center and control center redundancy are already in place.	Pros • Facilities and maintenance requirements significantly reduced if sold • Can opt for better customer access (bus route) • Achieves vision of vacating HQ property	Pros • Building is owned • Customers know location • Could potentially retain board room?	Pros • Building is owned • Minimal customer disruption • Good income from leasing • Board Room in North Building • Good parking/customer access • Preserves work flow of Customer division • Opportunity for co-location with City • Could retain HQ complex now and sell later after riverfront redevelopment complete to maximize income potential • Potential for avoiding cost of constructing new backup systems by retaining 4th floor as well as 1st.
	Cons • Significant upgrades needed to upgrade building systems and other maintenance that has been deferred • Inefficiencies related to split operations ongoing	Cons • Over the long-term, leasing can be expensive compared to ownership • Less flexibility on configuration of space	Cons • Not large enough without complete gut and remodel to make efficient use of space; • HQ South less attractive sell – side agreements needed to make it work for parking, egress and access • Need to install independent heating/cooling, or require	Cons • Must retain facilities/security presence for care/feeding of HQ campus • Doesn't achieve vision of vacating HQ property • Long term investments needed in building (updating heating/cooling/office space)

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	• Continued environmental expense due to driving between buildings		commitment from new owner if sold • Limited ADA access for customers • Not on bus route • Facilities needed for systems and grounds maintenance • New data center and control center redundancy needed unless we keep the 4th floor.	• Would continue to be landlord (not core business) • New data center and control center redundancy needed unless we keep the 4th floor
TBL Analysis				
Financial	• Highest cost scenario • Loss of staff time due to extra travel time and driving	• Lowest cost scenario	• Lower cost than base case	• Lower cost scenario than base case
Social	• Customers know the HQ location • EWEB legacy maintained • Lost collaborative opportunity between work groups due to separation	• Opportunity to locate at a more optimal location based on customer needs and proximity to other services and bus line	• Familiar location • Long distance from parking difficult for physically challenged	• Customers know the HQ location • EWEB legacy maintained
Environmental	• Increased carbon footprint from driving between locations • Less energy efficient building (HQ) • Best supply-chain scenario – no construction	• Fewer car trips between locations than base case • Energy efficiency might be improved depending on location • Scenario could be improved by implementing investment recovery program to deal with surplus	• Fewer car trips between locations than base case • Could install energy efficient heating/cooling • Scenario could be improved by implementing investment recovery program to deal with surplus	• Fewer car trips between locations than base case • Scenario could be improved by implementing investment recovery program to deal with surplus

TABLE 4 - ROC RECONFIGURATION	
Description	Reconfigure ROC to make space for approximately 130 additional FTE.
Estimated Cost	Base Case 5 YR: $2,888,000 10 YR: $5,823,000 Reconfigured 5 YR: $6,707,000 10 YR: $10,057,000
Time frame	Can start at any time once programming decisions finalized. Completion requires backup systems to be fully functioning prior to relocation of Data, Dispatch and Trading functions which would move last.
Pros/Cons	Pros: • Achieves vision of more efficient operations by having functions together Cons: • Cost of construction, but likely offset by HQ building sale or leases. • Loss of space for some groups at ROC
TBL Analysis	
Financial	• Short term costs associated with construction, added parking, and moving.
Social	• Neutral from a customer perspective since customers will not be going to ROC; • Potential backlash or morale issues from impacted employees some of which are more impacted than others
Environmental	• As currently designed, we won't impact LEED Gold rating (i.e. light wells, recycle storage, etc.) • Less driving between locations • Loss of wetlands and more impervious area with added parking

TABLE 5 - BACKUP SYSTEMS				
Description	1 - Hayden Bridge	2 - New Water Treatment Facility	3 - Co-locate with Downtown group or agency partner	4 - Mobile Trailer or existing substation (Control Center)
Estimated Cost	Backup Control: $1,015,000 Data Center: $3,070,000	Backup Control: $1,015,000 Data Center: $3,070,000	Backup Control: $ 800,000 Data Center: $2,500,000	Backup Control: $ 700,000 Data Center: $?
Time frame	2018-19	2023-24	2018	2017-2018
Pros/Cons	Pros • Efficiency of locating in planned building • Location is secure and relatively resilient • Meets seismic standards • Property is owned, building is already planned • Technology needs adequate Cons • Located across river from other operations, more difficult to access in emergencies • Schedule subject to delays beyond control of move • Need to address power and emergency generators	Pros • Efficiency of locating in planned building • Located on this side of the river – easier access in emergencies • Above flood plain and damn break scenarios • Location is secure and relatively resilient • Meets seismic standards • Property is owned, • Technology needs adequate Cons • New building not planned until 2023 and would be subject to planning/construction delays • No ring fiber planned at this location	Pros • Easier access and proximity than scenarios 1&2 • Downtown electric network provides high reliability • No new building needed • Proximity with other operating work groups may be desirable • May be able to implement sooner than scenarios 1&2 Cons • If we don't own building, we may pay for significant technology upgrades for building we don't own, maybe even more expensive than new construction • Space would need to be adequate to fit. • May incur costs again if we decided to relocate again after lease expires • Critical asset not in EWEB ownership creates compliance and administrative complexities.	Substation Pros • Efficiency of locating in an owned/existing building • High degree of security Substation Cons • Access needed for many IS personnel • Potential conflict with phone lines • Would need water supply Mobile Unit Pros • Very flexible and desirable • Can purchase and configure to meet needs • Ability to move to preferred location in emergency Mobile Unit Cons • Assets can't readily be utilized in normal operations • subject to vandalism and theft • High cost
TBL Analysis				
Financial	High cost for network modifications and building construction.	High cost for network modifications and building construction.	Moderate to high cost for network modifications.	Low cost for network modifications if located in a smart place (e.g. Willamette substation).
Social	Distance to access for employees in emergencies	Distance to access for employees in emergencies	Neutral	Neutral
Environmental	Embedded energy of materials	Embedded energy of materials	Embedded energy of materials	Embedded energy of materials

*Compared to a no-build option

TABLE 8			
SUMMARY HQ-ROC Consolidation			
( ) = Net Cash Inflow			
		5-Year	**10-Year**
1	**Base Case - Split Operations As-is**		
	Downtown Costs	3,052,000	6,471,000
	ROC Costs	2,888,000	5,823,000
	Base Case Total	**5,940,000**	**12,294,000**
2	**Fully Vacate HQ (Sell HQ Complex)**		
	Downtown Costs	(10,126,000)	(8,241,000)
	ROC Costs	6,707,000	10,057,000
	Senario 2 Total	**(3,419,000)**	**1,816,000**
3	**Move CS to HQ North (Lease HQ South)**		
	Downtown Costs	1,019,000	(138,000)
	ROC Costs	6,707,000	10,057,117
	Scenario 3 Total	**7,726,000**	**9,919,117**
3(a)	**Move CS to HQ North (Sell HQ South)**		
	Downtown Costs	(6,376,000)	(4,105,000)
	ROC Costs	6,707,000	10,057,117
	Scenario 3a Total	**331,000**	**5,952,117**
4	**CS HQ remains on 1st Floor - Lease Remainder HQ**		
	Downtown Costs	(185,000)	58,000
	ROC Costs	6,707,000	10,057,117
	Scenario 4 Total	**6,522,000**	**10,115,117**
New Bldg for Backups			
	Backup Control (yr 1 or 2)	1,015,000	1,015,000
	Backup/Warm Data (yr 1 or 2)	3,070,000	3,070,000

Notes:

Discount Rate (for future cash flows)	2.5%
O&M Escalation	3.0%
Capital Escalation	3.0%
Lease Revenue Escalation	2.0%
CS = Customer Service	
Seismic upgrades to ROC not included	
Property sale timing (2 and 3a)	Year 3
ROC reconfiguration	Years 1-3
Ongoing costs escalated and discounted to NPV	
Sale proceeds and moving costs not escalated or discounted	
Backup Control & Data not escalated or discounted	
Backup costs represent worst case/all new construction	
Labor not included in backup costs in summary	

TABLE 9 - DOWNTOWN SCENARIO COST DETAIL
( ) = Net Cash Inflow

			5-YR		10-YR	
		Capital	O&M	Total	O&M	Total
1	**Base Case - Split Operations As-is**					
	O&M		3,196,503	3,196,503	6,422,104	6,422,104
	Cost Savings or Revenue Additions		(1,969,446)	(1,969,446)	(3,877,684)	(3,877,684)
	Projected Capital (ongoing so different 5-yr & 10-Yr)	3,926,456		1,824,841		3,926,456
	Present Value of Net Cash Flows	**3,926,456**	**1,227,057**	**3,051,898**	**2,544,420**	**6,470,876**
2	**Fully Vacate HQ (Sell HQ Complex)**					
	O&M		2,372,957	2,372,957	4,258,049	4,258,049
	Moving Costs		100,000	100,000	100,000	100,000
	Projected Capital	901,000		901,000		901,000
	Building Sale	(13,500,000)		(13,500,000)		(13,500,000)
	Present Value of Net Cash Flows	**(12,599,000)**	**2,472,957**	**(10,126,043)**	**4,358,049**	**(8,240,951)**
3	**Move CS to HQ North (Lease HQ South)**					
	O&M		2,212,964	2,212,964	4,446,072	4,446,072
	Moving Costs		100,000		100,000	
	HQ Lease Revenue		(6,487,588)	(6,487,588)	(12,773,548)	(12,773,548)
	Projected Capital	8,189,946		5,294,061		8,189,946
	Present Value of Net Cash Flows	**8,189,946**	**(4,174,624)**	**1,019,437**	**(8,227,476)**	**(137,530)**
3(a)	**Move CS to HQ North (Sell HQ South)**					
	O&M		1,065,501	1,065,501	2,140,701	2,140,701
	Moving Costs		100,000		100,000	
	HQ Lease Revenue		(721,315)	(721,315)	(694,886)	(694,886)
	Projected Capital	5,449,082		4,279,646		5,449,082
	Building Sale	(11,000,000)		(11,000,000)		(11,000,000)
	Present Value of Net Cash Flows	**(5,550,918)**	**444,186**	**(6,376,168)**	**1,545,815**	**(4,105,103)**
4	**CS HQ remains on 1st Floor - Lease Remainder HQ**					
	O&M		2,212,964	2,212,964	4,446,072	4,446,072
	HQ Lease Revenue		(4,222,724)	(4,222,724)	(8,314,211)	(8,314,211)
	Projected Capital	3,926,456		1,824,841		3,926,456
	Present Value of Net Cash Flows	**3,926,456**	**(2,009,761)**	**(184,920)**	**(3,868,139)**	**58,317**

TABLE 10 - ROC Reconfiguration and O&M Cost Detail

			5-YR		10-YR	
		Capital	O&M	Total	O&M	Total
A.	**Base Case (ROC as-is)**					
	O&M		1,904,705	1,904,705	3,846,879	3,846,879
	Regular Capital	1,976,032		983,539		1,976,032
	Present Value of Cash Flows	**1,976,032**	**1,904,705**	**2,888,244**	**3,846,879**	**5,822,911**
B.	**Reconfigure Building for Addl Occupants**					
	O&M		2,369,288	2,369,288	4,722,085	4,722,085
	Moving Costs (O&M)		103,000	98,017	103,000	103,000
	New Construction Capital	3,050,000		3,050,000		3,050,000
	Purchases (furniture/fixtures)	206,000		206,000		206,000
	Regular Capital	1,976,032		983,539		1,976,032
	Present Value of Cash Flows	**3,050,000**	**2,472,288**	**6,706,844**	**4,825,085**	**10,057,117**
	DIFFERENCE b/t as-is and reconfigured			**3,818,599**		**4,234,206**

TABLE 11 - Backup Control Center Cost Detail			
Purchases			
Category	**Unit**	**Extended Cost**	
SCADA Software			$86,575
SCADA Hardware			$27,000
BCC Construction			$499,000
Networking Hardware			$100,500
Networking Software			$80,000
	Purchases	**Overhead**	**Total Purchases**
	$793,075	**$222,061**	**$1,015,136**
Labor			
Category	**Hourly Rate**	**Cost**	
Planning			$67,361
Execution			$191,837
	Labor	**Overhead**	**Total Labor**
	$259,198	**$72,576**	**$331,774**
			Total Project Cost
			$1,346,910

TABLE 12 - Backup Data Center Cost Detail			
Purchases			
Category	**Material Costs**	**Labor Cost**	**Total**
Engineering And Preperation			$132,399
Building Construction			$253,000
Power Equipment			$1,567,112
Environmental Controls			$341,614
Security And Monitoring			$33,386
Network			$70,785
	Purchases	Overhead	Total Purchases
Subtotals	**$2,398,296**	**$671,523**	**$3,069,819**
Labor			
Category			
Planning			$29,952
Execution			$86,606
Labor Subtotals	Labor	Overhead	Total Labor
	$116,558	**$32,636**	**$149,194**
			Total Project Cost
			$3,219,013