

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
NOVEMBER 22, 2005  
5:30 P.M.

Commissioners present: Ron Farmer, Sandra Bishop, Mel Menegat, John Simpson, and Patrick Lanning.

Others present: Randy Berggren, Debra Smith, Mel Damewood, Dick Varner, Krista Hince of the EWEB staff; Eric Gunderson, Mark Young, WBGS Architects.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB).

### **Agenda Check**

There were no changes to the agenda.

### **Public Input**

**David Hinkley** asked, regarding the proposal, if the Board had sought the best product when one that was merely good would do. He called the numbers estimated for the move and a new facility “extremely high,” particularly if one added the cost of relicensing the Carmen-Smith facility and necessary upgrades to the water system, currently thought to be below the needs of the community. He felt EWEB needed money for a lot of things and should not ask for money for anything more. He related that he had participated in many campaigns. He predicted that a bond measure to move the entire facility would lose because he did not believe the public felt the need to replace the existing building. He said EWEB may make an argument that the property could be sold, but the existing offers to date had been less than the public thought it was worth. He asserted that financing the move by selling would not work. He recommended EWEB split the operation and go back over everything and ensure that what it was getting was the amount needed. He also advised the Board to straighten out the College Hill issue as there were a “whole lot of irritated people” in that neighborhood. He averred that the only thing people looked at was the building and their bills and only one of the two was “looked at favorably.”

### **ITEMS FROM BOARD MEMBERS**

Commissioner Simpson proposed that the December 20 meeting be moved to December 21. He noted that both he and Vice President Bishop would be unavailable on December 20.

Commissioner Lanning was amenable to the change. He had conflicts for the first meeting in December, however, and noted that this could cause a loss of the quorum.

President Farmer ascertained that everyone could come to a meeting held on December 21.

General Manager Randy Berggren said Commissioners Menegat and Simpson and President Farmer would be available for the first meeting in December.

### **UPDATE ON THE HEADQUARTERS MASTER PLAN – 30 PERCENT DESIGN RESULTS ON THE HEADQUARTERS FACILITY RELOCATION COSTS**

Assistant to the General Manager Debra Smith said it was worth noting that staff had created a 30 percent design that was consistent with the values of the Board. She stated that the 30 percent design and the numbers associated with it represented a point in time. She underscored that the decisions that needed to be made did not imply a request from staff that the Board approve a specific budget amount or building. She said there was a lot of room to go from 30 to 100 percent design and to continue to look at choices to be made and the values involved in those choices.

Ms. Smith noted that additional information had been requested in two areas.

President Farmer related that he had sent an email regarding what he considered to be “the perfect storm” of the Carmen-Smith relicensing project, the potential building project, and the power reallocation that EWEB could be facing in 2011. He felt it important in the thought process to understand where these projects could be taking the utility relative to its internal financial policies, guidelines, and targets.

Fiscal Services Supervisor Dick Varner related that he took the financial models and tried to get an idea of what a 2008 rate action would look like, a rate action that would make the EWEB reserve position in 2015 roughly equivalent to what had been discussed as a base case scenario one month earlier. He wanted to see what would happen to the debt-to-assets ratio. He observed that the current long-term forecast considered a three percent annual rate change. He stated that the split move would likely be 4.5 percent and the combined move rate might be 4.8 percent. He projected that the highest debt-to-assets ratio would surpass EWEB’s target of 60 percent, to nearly 63 or 64 percent in 2011 or 2012. He thought by 2015 EWEB would be inside of that target with ending reserves, while not quite the same under each scenario, were under the same order of magnitude and close to the \$60 million target for the combined reserve funds.

President Farmer said in looking at the long-term forecasts and the information provided at the previous evening’s meeting, he was uncertain as to how Mr. Varner had arrived at a 1.5 percent on a split move rather than over 5 percent. Mr. Varner replied that staff had already built into the model an assumption that there would be a gap of approximately \$25 million.

President Farmer averred that it was important for people to understand this.

Mr. Varner stated that what had been looked at in the original had been at the low end of the cost of the split move scenario, “something in the upper-60s.”

President Farmer surmised that the three percent that was currently being looked at already contained an increase for a move. Mr. Varner affirmed this.

Ms. Smith said WBSG architects Eric Gunderson and Mark Young had provided follow-up information on the Leadership in Energy and Environmental Design (LEED) standards. She did not think it needed to be discussed. She said it provided a total of the certified projects in the United States and a smaller list limited to Oregon and Washington. She added that it contained interesting background information on the Northwest's role in energy efficiency building.

Ms. Smith related that Mr. Gunderson had checked on some comparative building information. She asked Mr. Gunderson if he wished to speak about it.

Mr. Gunderson stated that he had researched a variety of local projects that had been recently completed, both in the immediate area and throughout the Northwest. He said he had tried to help form a basis of comparison between the differing ways of determining square foot cost. He and his staff had put some of this information together and hoped to be able to provide the Board with a tool that would demonstrate that the range of costs he was showing were consistent with other projects.

President Farmer commented that he had departed the previous meeting with some frustration that he did not have a better understanding of the costs. He related that he had spoken with most of the major builders, developers, and bankers in the community in order to try to understand how EWEB could be paying \$400 per square foot. He underscored that the Board would be asked to defend those numbers should the project be undertaken. He had asked staff to discuss with consultants a process to help the Board understand this better. He hoped the Board would be amenable to taking some time, he suggested several weeks, to truly understand the numbers and what justified them so the Board could talk intelligently about them. He stressed that once the decision had been made to go forward or not to go forward, the Board would be setting public perceptions. He noted a peer review process had been suggested by builders.

Commissioner Menegat acknowledged President Farmer's concerns. He felt it appeared that this item would not be before the Board for discussion prior to January. He did not want to wait longer than this. He agreed that he was not ready, at this point, to explain to his constituents "what \$99 million is going to buy them." However, he anticipated that by the time the value engineering and other components had been completed, he would have a greater grasp of the information and would be prepared to move forward in the process. He would not oppose continuing for a peer review or another sort of review staff might recommend.

Commissioner Lanning fully supported having a process that would ground all of the Board members in making a good decision, given the magnitude of the current projections. He did not believe it would be an easy decision as the complexities of the situation were numerous. He said he did not come to the meeting to make that decision at this time. He indicated that he fully supported the process that President Farmer had discussed.

Commissioner Simpson wanted to have the opportunity to discuss when the appropriate time would be to make the decision of whether to split the administration offices and the operations facility or whether to move both and the possible determination of the construction start dates. He did not believe a delay would cause problems, given the value of the information that would come to the Board in the interim. He underscored the importance of understanding the roots of the projected costs.

Vice President Bishop averred that the project was not priced out at \$400 per square foot. She maintained that the project was actually priced at between \$160 and \$180 per square foot. She stressed the importance of being clear on this. She felt it was clear that the Board was not ready to decide whether to move the whole utility or only the operations arm of it. She thought the only conclusion that could be arrived at, however, was a decision for a split move that would move the industrial portion from the riverbank. She believed that it was very important for EWEB to always have some sort of presence in the downtown area to facilitate public access to EWEB.

Vice President Bishop asked what a delay in the decision process would do to the timeline. Mr. Damewood replied that it would push the timeframe out proportionally.

Mr. Berggren commented that the schedule in the *Schematic Design Executive Summary* spoke to designing and building the structure, but did not address the other elements of the project such as authorization and bond approval. He did not think that taking up to sixty days to get a stronger sense of the information, ownership and credibility on the Board's part would necessarily set the process back any farther. He believed that rushing forward with any question of confidence on the Board's part on the numbers would create some significant liability. He agreed that it would be prudent to look further into the numbers. He recommended that the Board take some time to ensure that the ratepayers were receiving a good value.

President Farmer remarked that "at the end of the day" the cost would be the rate increase assessed to the ratepayers. He reiterated that he, as a Board member and layperson, needed help to understand the foundation for the numbers presented to the Board.

Commissioner Menegat was concerned that the project not be compromised. He thought the Board should look at the project and then farther into the project there would be a time for value engineering and the consideration of financing options. He hoped that the Board would not "destroy the project" in trying to explain it or get so much information that it lost track of it.

Mr. Berggren stressed that the assessment would be aimed at the original concept. He wanted to validate the quality of the estimates and work with the consultants so the Board could be confident that these were the best numbers given the design concepts.

Commissioner Lanning said in fairness to the project the Board members should not advocate for a certain position while continuing to receive information and help in understanding the data. He averred that while one may have reached a conclusion as to how he or she would decide,

every time the Board put information out to the public it would appear that minds were made up and this was counterproductive to the process. He stressed that he was open to what was in the best interest to the ratepayers and the utility in this community.

Commissioner Simpson remarked that there was a vast difference between \$400 per square foot and \$160 to \$180 per square foot. He asked Vice President Bishop to explain how she arrived at the lower amount and for President Farmer to explain how he arrived at the higher amount.

President Farmer responded that he took the total project cost and divided it by the total projected square footage of the planned buildings.

Master Plan Project Manager Mel Damewood explained that the grand total square footage included buildings and canopies that were within the project.

In response to a question from Commissioner Simpson, it was affirmed that the cost of the project did not include the preparation the land on which it would be built would have to undergo. Commissioner Simpson surmised that ultimately the cost would be higher than the numbers that had been presented to the Board.

Commissioner Simpson asked what the scope was of what the Board was asking for. Mr. Gunderson cited the Pierce County Environmental Services Building as an example. He said the site requirements there were very different than the site requirements were for the EWEB utility, such as the need for 13-acres of paved area to store materials. He wished to point out the challenge in finding good comparators.

Vice President Bishop requested that comparisons include the breakdown of actual construction costs and any additional costs that would be included. She thought the utility would be hard-pressed to find a configuration of land such as that found at the Roosevelt Boulevard site and a construction project as unique as a utility for purposes of comparison.

President Farmer observed that if the costs were too high, the Roosevelt site might not be the appropriate piece of property for this use.

Ms. Smith thought it would take a month to conduct the comparative cost analysis and further develop the scope and cost of the project.

President Farmer indicated his support for doing so.

Vice President Bishop asked the architects how much contact they had with experts on EWEB staff in regard to the environmental projects. Mr. Gunderson replied that they had been in contact with them a lot and staff had been very helpful in continuing that work. He said they were working with staff on the ability to get tax credits and grants in order to reduce the initial investment and shorten the payback period.

Vice President Bishop asked how the architects were going to “value whether or not those comparator projects have these kinds of environmental projects in their design.” Mr. Gunderson responded that it would be difficult to find a project that would directly compare to EWEB. He said they would do their best to give a sense of how other projects relate to it.

Vice President Bishop suggested that the architects let the Board know if the projects used as comparators had any of those environmental elements in them.

Commissioner Lanning agreed that the timeframe suggested made sense.

Commissioner Simpson concurred. He thought having the comparators come back in a month would help him move forward with the decision of whether to undertake a split or combined move.

Vice President Bishop wanted to determine when the Board would actually make the decision. She suggested that the possibility of gaining public input through a public forum on the issue be explored.

Vice President Bishop indicated her support for having more information to come back in a month.

Mr. Berggren said it would likely take a specially scheduled meeting to do this.

President Farmer asked what was so urgent that it needed to be addressed during the holidays. He felt if a meaningful discussion was sought, it should be scheduled for after the first of the new year.

Vice President Bishop averred that special meetings were more difficult for the public to track. She suggested it be discussed in a regularly scheduled meeting.

Commissioner Menegat supported taking the additional time. He was reluctant to set a firm time for a report back at present. He felt the Board needed to have an evening to fully consider this decision. He said he would like the Public Affairs staff to look into the possibility of holding a public forum.

President Farmer commented that he did not want to have a public forum prior to understanding the information. He stressed the importance of being able to explain the numbers and what ratepayers were receiving for a potential rate increase.

Ms. Smith remarked that it would be helpful to discuss what the Board wanted to get out of a forum and whether the Board wanted the public to help decide whether to make a split or combined move or whether it wanted the public to look at design options.

Mr. Berggren concurred. He said it would be difficult to begin a public education program without knowing what it was the public would be educated on. He did not think the public should be brought in before staff returned with further exploration of the numbers.

Commissioner Simpson was not convinced that knowing the numbers would affect his ability to decide whether to make a split or combined move.

Vice President Bishop averred that it was unlikely that any financial information would cause her not to support a split move at this time. She said one nuance that needed discussion was timing and how to phase the move. She felt that ultimately the whole facility would move over the long-term and these elements needed to be considered.

President Farmer saw in the process and timeline the Board becoming familiar with the numbers over the next week or two and then making a decision over whether the move should be split or combined. He said the next decisions after that were “when and how.” He recommended making those decisions as soon as possible.

Vice President Bishop supported “slowing down” in the process.

President Farmer asked the Board to consider where it stood in regard to the agreement with McKenzie-Willamette/Triad Medical Center.

Commissioner Menegat moved that the Eugene Water & Electric Board exercise the provisions under the conceptual agreement that gave the opportunity to be released from the agreement. Commissioner Lanning provided the second.

Vice President Bishop indicated her support for the motion. She conveyed her appreciation to the General Manager and staff for their work on this matter.

President Farmer stressed, for the benefit of the public, that the Board was unilaterally withdrawing from the agreement, but that the EWEB Board had planned a potential move before it had been approached by McKenzie-Willamette/Triad and it was continuing to plan a move. He stated that there was a high likelihood that EWEB would continue the process by which it would sell some of the downtown property to help fund a move of whatever facilities it would decide were appropriate to move. He underscored that this did not preclude any party from entering into a discussion of a sale of these assets. He said the Board was moving forward in EWEB’s interest and this was what was driving the process.

Vice President Bishop reiterated that there was never an agreement to sell the property to the medical center.

The motion passed unanimously, 5:0.

President Farmer asked if there were any other comments for the good of the order.

Commissioner Menegat said he sometimes did not wish to respond to public input, but disagreed with comments made by other Commissioners. He wanted some sort of disclaimer so that there would be no appearance of agreement by default. President Farmer responded that this would be the topic of a full discussion at an upcoming meeting.

President Farmer adjourned the meeting.

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Assistant Secretary

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President