

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JANUARY 23, 2006
6:30 P.M.

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

Others present: Randy Berggren, Debra Smith, Ken Beeson, Lance Robertson, Marty Douglass, Jim Wiley, Krista Hince of the EWEB staff; Kimberly Young, minutes recorder for the City of Eugene.

President Bishop convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB) at 6:50 p.m.

30 PERCENT DESIGN RESULTS ON THE FACILITIES RELOCATION COSTS

Assistant to the General Manager Debra Smith joined the Commissioners for the item. She reviewed the proposed agenda, and called attention to the e-mail correspondence from President Bishop.

Ms. Smith introduced Ken Beeson, Energy Resource Projects Manager, saying he would work on the interim project phase and perhaps project construction. She and General Manager Randy Berggren would continue to co-sponsor the project.

Ms. Smith called the Commissioners' attention to a list of definitions prepared at their request.

Ms. Smith anticipated a separate discussion of the existing site and its ultimate disposition and indicated that she and Mr. Berggren would also be co-sponsoring that effort.

Ms. Smith provided a PowerPoint presentation entitled EWEB Building Project Draft Plan Review. Copies of the presentation were provided to Commissioners. The presentation addressed the current status of the project, identified work session objectives, identified the draft work plan assumptions, and an overview of the draft work plan. Ms. Smith said next steps included board agreement on the proposed plan and assumptions, agreement on proposed board decisions, agreement on the use of an independent third party review panel, and agreement to use the Uniform Revenue Bond Act (URBA) process.

The Commissioners discussed the assumptions suggested by staff:

1. The 30 percent design process is complete.
2. There are no existing funds to proceed with final design of the building project; completion of bond financing will be required.

3. Authorization for funding will be accomplished in two phase: Phase I (including the final design and contracts) is currently estimated to be \$12 million and will utilize the URBA process; and Phase II (construction) final estimate to be determined with authorizing ballot measure in fall 2007.
4. Total financing will be accomplished in advance of construction; proceeds from subsequent disposition of riverfront site facilities will be used to pay off portions of initial financing.

The Commissioners discussed the funding authorization and agreed in concept to the approach while also agreeing that it needed more information about the impact of the approach being proposed. Ms. Smith indicated that information would be forthcoming. Commissioner Simpson cautioned the Commissioners to be prepared to have the URBA approach challenged. Commissioner Farmer called for a budget approach that included an estimated budget amount and maximum rate increase that the Commissioners would agree not to exceed if it decided to move forward.

The Commissioners briefly discussed the relationship of the master planning process to the assumptions.

Commissioner Lanning expressed concern about the uncertainty of the timing of the master planning decision, as he believed it impacted some of the Commissioners' other decisions. He wanted to proceed earlier because City action could tie EWEB's hands for five years. He thought a shorter time frame would be better. President Bishop shared that concern. She said that the master planning effort should occur earlier rather than later. Speaking to the fourth assumption, President Bishop did not think the sale of all or a portion of the site would pay for any upfront costs, and that EWEB would only realize maximum value from the property by going through the master planning process. She suggested that the schedule was laid out in the manner it was because the master planning would have a cost, requiring another Board decision because nothing was budgeted for such an effort.

Commissioner Farmer recalled that the Commissioners took a formal motion on the master planning process at a previous meeting focused on enhancing the value of the site. Noting the decision points laid out before the Commissioners, he agreed cooperation with the City in the planning effort was necessary, but he did not want the City driving the process. He wanted to ensure that the planning effort enhanced rather than limited the value of the property.

President Bishop noted her uncertainty about the use of the URBA process. Mr. Berggren indicated staff would provide additional information about the process before the Commissioners made a final decision.

President Bishop asked Commissioners if they were in agreement that they were not relying on the sale of the property for upfront financing. Commissioner Farmer clarified that he was not relying on it going into the process, but he was relying on it to ultimately determine what size and duration of the rate increase needed. President Bishop did not see the property sale bringing the rates down. She considered it to be more of a long-term asset and nothing that would be sold in the next four or five years. She believed EWEB needed to honor its partnership with the City and go through

a careful planning process in cooperation with the City; a process she envisioned would take at least two years.

Commissioner Simpson agreed the planning process should start as early as possible.

The Commissioners discussed the use of an independent third-party review panel. Vice President Menegat did not support such an approach, noting the extensive work that had been done to this point and suggesting that essentially, the Commissioners would be second-guessing themselves. He shared some input he had received on the topic from a professional acquaintance in the field that questioned the approach and recommended the Commissioners seek answers to its questions from the architects if dissatisfied. Vice President Menegat did not see value in the independent third-party review. He suggested if the Commissioners needed further input on such things as LEED (Leadership in Energy and Environmental Design) construction, it bring in experts to consult with its architects.

Commissioner Simpson also opposed the use of an independent third-party review panel. He had initially supported such a panel but had envisioned it being focused more on what was going to occur in the Engineering and Design Phase in step 2.2.1, "Define elements of quality and class." If that review was going to occur, he saw no reason to have a third-party process. He was also concerned that EWEB's selection of professionals would be questioned and that such a selection process would make some feel left out. He was pleased with the proposed design and EWEB's architects and subcontractors.

Commissioner Farmer said it would be difficult for him to support a project without such a panel and indicated he would actively campaign against a project that lacked such a panel. He believed that EWEB erred when it hired an architect to design a building without providing the architect with a budget. He believed that EWEB would err if it failed to do due diligence with such a review given the lack of Commissioner expertise on the topic. The Commissioners would be abdicating its fiduciary responsibility to the ratepayers if it failed to have an independent third-party review. He maintained that such a review had enabled the developers of the Tate Building, currently under construction downtown, to hugely reduce the cost of the building while retaining the same quality of the original design.

President Bishop did not consider the 30 percent design approach as giving the architects a blank check. She said the Commissioners had received a feasibility study, which did not imply that any of the project details or financing was firmly set.

President Bishop was not comfortable with the third-party review panel because she believed the Commissioners had done much of the review through the 30 percent design study. She did not think the Commissioners would be discussing the third-party review if the project estimates had been lower. If the dollar numbers were disturbing to Commissioners, they should state so. She believed a third-party review would be expensive.

Commissioner Farmer said he advocated for a third-party review of the 30-percent design process. Staff had returned with a compromise, a third-party review process that would address the 70 percent remaining in the process. The review team could become familiar with the project and study and identify any material flaws in the project. He had been willing to accept that compromise.

Commissioner Lanning said it was important for the Commissioners and community to have trust in what EWEB was working on. He had confidence in the work of staff and the architects, but he wanted the Commissioners to be fully committed to the project and for the issue not to be a distraction. He thought a third-party review would validate the project and help inform the Commissioners.

Commissioner Farmer said he was not questioning the ability of WGBS, but the architect had one job, and the Commissioners had another.

Ms. Smith said if the Commissioners decided to adopt a third-party review panel to review the design work as it evolved, the panel would have to get grounded in the work that had been done. However, its focus would be on reviewing and validating decisions that get made through what she envisioned would be an extended period of time. She did not think that affected the budget question. With or without the third-party review, the Commissioners could establish a budget for the effort, either in the form of a total expenditure or rate increase. She suggested that a third-party review and budget would establish two controls that could work separately or in tandem.

President Bishop called for a break at 7:40 p.m.

President Bishop summarized the discussion so far, saying the Commissioners had agreed on the two-part financing issue but did not have agreement on the independent third-party review. She suggested that it be scheduled for later discussion.

The Commissioners reviewed the Board decision points laid out by staff and determined from staff that it could see the associated financial information prior to the February 7 meeting. The Commissioners agreed it would be prepared to make a decision on the split versus combined move decision on February 21.

Speaking to the issue of split versus combined move, Commissioner Farmer suggested the Commissioners made a de facto decision to move when it purchased the Roosevelt property. He favored a combined move but could support a split move if that was the decision of a Board majority. He emphasized that key to him was timing as he thought sooner rather than later was better. He also emphasized the importance of having information about any rate increase maximum, and further noted his hesitancy to invest further in the existing facility, which complicated the issue of the split versus combined move decision.

Ms. Smith envisioned there were a variety of scenarios related to timing that the Commissioners could explore.

President Bishop said she looked forward to seeing the financial data but that would not be the basis for her decision on the split versus combined move issue. She did not interpret the decision of buying the Roosevelt property as necessarily committing EWEB to the move or any rate action. There was no certainty about the future.

President Bishop requested that staff prepare a schedule of upcoming Board decisions.

Commissioner Farmer believed the Commissioners needed to keep in mind the public and its perceptions. He asked public information staff to consider how best to communicate clearly to the public the Commissioners' decisions on the split versus combined move decision and related decision points. He said that to this point, the Board's actions had been framed in terms of a new hospital, and now that was off the table, the Board should let the public know what it was doing and why.

President Bishop adjourned the meeting at 8:05 p.m.

Assistant Secretary

President