

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
APRIL 21, 2009
5:30 P.M.

Commissioners present: Ron Farmer, John Brown, Bob Cassidy, Rich Cunningham, and Joann Ernst.

Others present: Randy Berggren, Sheila Crawford, Dick Helgeson, Patty Boyle, Lance Robertson, Tom Buckhouse, Mark Freeman, Dick Varner, Jim Wiley, Jim Origliosso, Gene Austin, Mel Damewood, Jeannine Parisi, Mark Oberle, Dean Ahlsten, Ken Beeson, Cathy Bloom, Debra Smith, Wally McCullough, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder; Pat Johnston, Dave Hauser, members of the Community Advisory Team; and members of the public.

President Farmer convened the Work Session of the Eugene Water & Electric Board (EWEB).

ELECTRIC CAPITAL IMPROVEMENT PLAN

Systems Engineering & Substation Reliability Manager Dean Ahlsten reviewed the Capital Improvement Plan (CIP) with a PowerPoint presentation. He stated that there were eight capital amendments contained in Budget Amendment No. 3. He highlighted the projects which included work at the Carmen-Smith facility, the Johnson Creek Bridge, Leaburg Boat Ramp, Walterville Fish Return Channel, Bethel Substation upgrade and conversion, projects associated with the Elmira Road widening, Information Services upgrades, and Harvest Wind.

Commissioner Ernst asked if delaying the purchase of the 33 MVA transformer for the Bethel Substation would put area residents at risk of an outage. Mr. Ahlsten replied that it would not; the transformer was for a "winter peaking issue." He projected that it would be approximately two years before there would be limits on the utility's ability to back the power up.

Vice President Brown asked if the Elmira Road project was in addition to the annual allocation for undergrounding. Mr. Ahlsten replied that \$200,000 was coming from the budget for facilities relocation and another \$200,000 was coming from the pole replacement budget, with the balance to come from reserves. Electric Services Division Director Jim Wiley added that EWEB had a Memorandum of Understanding (MOU) with the City in which EWEB agreed to spend \$300,000 annually on undergrounding. He noted that EWEB would only be undergrounding the west end of the road.

Vice President Brown asked if EWEB had gone outside the budget for the River Avenue project. He wondered if that did not use up two years of the undergrounding budget in one year. Mr. Wiley replied that the underground portion of the project would be \$100,000 to \$150,000.

Vice President Brown observed that EWEB had been working on the Walterville Fish Return in the last year. He noted that EWEB had spent \$900,000 on improvements to the return in 2008 and asked if it was still experiencing problems. Mr. Wiley responded that the Walterville Fish Return had never operated successfully. He related that EWEB had engaged in operational shut downs in 2008 in order to move fish back downstream. He said it was faced with a number of issues – shallower and warmer water among others – and EWEB had hired an engineering consultant that had come up with three different avenues to pursue to make the fish return work. He stated that the engineering work had not been completed until March, 2009, which had precluded EWEB's ability to get work completed in 2009. The work was now scheduled for 2010.

In response to a follow-up question from Vice President Brown, Mr. Wiley said the fish return would not be operational in 2009. He believed that when EWEB started working with the National Marine Fisheries Service (NMFS) and Oregon Department of Fish & Wildlife (ODF&W) to get the permits, they would ask permission to delay the big fish study until the Walterville fish channel work was completed, hopefully by 2011.

In response to a question from Commissioner Cunningham, Mr. Wiley said typically utilities were undergrounded on the property side of the sidewalk.

Mr. Ahlsten explained that Budget Amendment No. 4 was an *Omnibus* amendment as it included all of the proposed revisions to capital projects that did not qualify as major capital projects.

President Farmer ascertained from Mr. Ahlsten that there was nothing in the amendments that would affect rates; all funds were coming from reserves.

Mr. Ahlsten briefly highlighted ***Attachment 1 – 2009-2013 Electric Capital Plan.***

President Farmer asked Mr. Ahlsten to explain for the Board what the downtown secondary network was. Mr. Ahlsten stated that it was a system that extended from 5th to 13th Avenues and Charnelton to Willamette Streets. He said it provided a level of reliability because there was built in redundancy. He noted that it was a system that was typical for the downtown areas of larger cities, where loads were denser.

In response to a question from Vice President Brown, Mr. Ahlsten confirmed that the line EWEB planned to build that would provide transmission for the Seneca project had been planned to be built anyway.

President Farmer asked if the life of a transformer was greater or the same as it had been in older transformers. Mr. Ahlsten replied that it was, in theory, the same, but the utility had recently experienced some quality control issues. He said they did not build the margins into them anymore.

Mr. Ahlsten stated that, absent any serious concerns, staff intended to finalize the budget amendments and planned to return to the next meeting to seek approval.

Vice President Brown wanted to make sure staff continued to monitor the problems the utility was experiencing with the fish return and fish criteria. The delays caused him some concern.

WATER CAPITAL IMPROVEMENT PLAN

Water Engineering Manger Mel Damewood provided an overview of the CIP for the water utility, with power points. He stated that the Hayden Bridge project represented 40 percent of the budget. He noted that Budget Amendment No. 5 was for major capital projects and Budget Amendment No. 6 was an omnibus amendment.

Senior Engineer and Project Manager for the Hayden Bridge project Wally McCullough explained that the expansion would increase the finished water capacity from 68 million gallons per day (mgd) to 80.5 mgd. He said the rest of the funding would be for projects that were related to upgrades, equipment replacement, and increased redundancy. He listed some of the additional equipment they were installing and showed slides of the work.

Commissioner Ernst asked if the two new filters were for after the coagulation process. Mr. McCullough replied that there were two main waste streams at the plant. He explained that the water came through the filters and was cleaned and chlorinated and put in the system. He said when the filter became dirty, the flow was reversed and this backflow was placed into ponds before being returned to the river. He stated that in order to reduce the amount of water that was sent to the ponds, the water would now be separated out of the process and sent to the front of the plant for reclamation.

Commissioner Ernst asked how many gallons of water were being saved. Mr. McCullough responded that they were saving approximately 1 mgd.

Mr. McCullough described the contract and some of the change orders that had occurred. He noted that one change order had resulted from numerous electrical issues, costing \$95,000. He stated that the request was for an additional \$1.14 million.

President Farmer asked if the overage was something they should have foreseen. Mr. Damewood responded that the costs had been broken down in the backgrounder. He noted that they had been able to reduce the costs for the Crest Drive Main Relocations by \$200,000. He said they also planned to carry over approximately \$150,000 that had remained unspent in 2008.

Mr. Damewood stated that one project had been missing from the second amendment. He explained that it had been an oversight that they caught after they prepared the background materials. He said he had included a memorandum regarding the project and it had been placed in the Consent

Calendar as a line item for the amendment. He related that the amendments were proposed to result in an additional bond draw of \$126,000 and a reduction of the capital reserve targets by \$400,000, for a total of \$520,000 in reductions.

In response to a question from President Farmer, Mr. Damewood confirmed that the Crest Drive project was part of \$900,000 allocated for pipe replacement. He related that they had two jobs from which they had carryover: the Skyline Park Loop main replacement and the Taney Street main replacement in the amount of about \$50,000.

Mr. Damewood compared the CIP to the September 2 version. He said capital reserves would be reduced from a planned \$3.8 million to \$3.3 to \$3.4 million. Staff was holding off on withdrawals out of the Systems Development Charges (SDC) funds.

Vice President Brown ascertained from Mr. Damewood that the project on Gillespie Butte had been purchased but had been mothballed in the current plan due to SDC implications. Mr. Damewood stated that they planned to finish the design and then put the project on hold.

President Farmer asked if the Spring Boulevard project was planned to be completed in 2010. Mr. Damewood confirmed that it would be. He stated that the cost would be split evenly between SDCs and rates.

Mr. Damewood reported that SDC revenues had dropped significantly in the past six months. He said as a result of this, the water utility recommended deferment of future capacity adding projects until the reserves could be rebuilt. He said the water utility was looking to defer \$8 to \$10 million from the 2009-2013 CIP, all from capacity-adding projects. No renewal or replacement projects were being cut.

President Farmer asked Mr. Damewood to identify some of the capacity-adding projects that the utility proposed to defer. Mr. Damewood responded that the utility planned to hold off on building some reservoirs and making pump station improvements. He cited one intake screen replacement project, something that would cost \$4.5 million, as an example and stated that it would be deferred to the last five years of the ten year CIP.

In response to a question from President Farmer, Mr. Damewood assured him that the deferments would not put the existing capacity in jeopardy.

Mr. Damewood stressed that at the current rate of spending, the utility would run out of money in the SDC reserve in 2012.

Vice President Brown asked if federal buildings were exempt from SDCs. Mr. Damewood replied that some did pay SDCs and others would get credit. He cited the University of Oregon arena project as an example: the Williams Bakery had “gone away” leaving much available capacity that the arena could take advantage of.

In response to a question from Commissioner Cunningham, Mr. Damewood stated that the stimulus money package had been approved on April 7 and the only way the projects could be offset would be through rates.

Commissioner Cunningham asked where the stimulus money was. Mr. Damewood replied that EWEB had submitted its application for the funds on April 15.

President Farmer asked when staff would have an action plan to replenish the \$5 million reserve. Mr. Damewood replied that he believed they would have it resolved when staff returned before the Board to develop the budget in July.

COMMUNITY ADVISORY TEAM (CAT) FOR THE MASTER PLAN HEADQUARTERS CONSULTANT SELECTION

Property Manager Mark Oberle introduced the Community Advisory Team (CAT) co-chairs, Pat Johnston and Dave Hauser. He commended the membership of the team for their good work. He pointed to the other members of the CAT who were in the audience and introduced them. Those members included Gary Wildish, Desiree Moore, Anita Van Asperg, Tom Hoyt, Dean Papé, Mark Johnston, and Mary Unruh. He noted that Jeannine Parisi and Mike Logan, of the EWEB staff, and Nan Laurence, Tom Larsen, and Carolyn Weiss, City of Eugene staff, had aided the CAT in its process.

Mr. Hauser discussed the process. He averred that given the complexity of the site and the community, he was convinced that master planning was essential. He predicted that it would bring about community support for the results and the consultant would help to add value to the process.

Mr. Oberle stated that they had received 15 responses to the Request for Proposals (RFP)/Request for Qualifications (RFQ). He related that the CAT had narrowed the list to five finalists, all of which were outlined in the Board packet. The CAT had interviewed all of the candidates and the team believed they had selected “a winner” in the consultant they were recommending.

Ms. Johnston emphasized the amount of effort that went into the scope. The CAT had spent approximately 100 hours in meetings. She said the scope of work would involve the city, EWEB, the CAT, the consultants, and a lot of public input.

Mr. Oberle stated that a great deal of the public input was planned to happen in Phases I and II of the work. The CAT did not want to get “down the road” and have to backtrack. He said he and a member of City of Eugene staff with experience with master planning processes had looked at projects in other areas. He also contacted a master planning firm in the Portland area and asked them to review the scope of work and make recommendations. He related that the firm had been very complimentary about it.

Mr. Oberle said the team had reached consensus that the scope of work was the accurate. He stressed that the CAT was committed to delivering the final product and had become increasingly convinced that the site was an asset to the community and the region.

Mr. Hauser summarized the CAT recommendation. He conveyed the appreciation of the CAT members for being appointed. He believed that the cost for the process should represent an investment that would add value to the site. He averred that the process would enable something special to happen.

President Farmer thanked the CAT members for their dedication and work. He predicted that the “heavy lifting” was in front of them. He encouraged them and stressed that the Board was “solidly behind” them. He declared that the Board thought the CAT was up to the job.

Commissioner Cunningham understood that they recommended hiring a prime consultant from Eugene and wondered why the consultant did not have employees with the types of skills that their “team” of other specialists had, from Oregon, British Columbia, California, Washington, and Colorado. Mr. Oberle replied that most of the consulting teams they interviewed were either a combination of a national consulting firm headquartered somewhere else that had recruited some local expertise in some part of their team, or a local team that had sought out national experts in components of the project that were considered to be important. He said, in both cases, the CAT had liked the idea of local involvement.

Commissioner Cunningham ascertained from Mr. Oberle that the \$28,877 for sub-contract administration was what the prime consultant was charging to bill for their services. Commissioner Cunningham noted that \$20,000 had been estimated for travel and other reimbursables. He asked what the contingency fund was for. Mr. Oberle replied that he hoped it would not be spent, but it was to provide for unexpected costs such as needing additional engineering studies.

Commissioner Cunningham commented that his objection for the sub-contract administration was that it was not EWEB’s fault that it did not have the expertise on its staff. He realized that not paying it was not an option. He opined that it was a “lousy way to do business.” Mr. Oberle assured him that it was for more than just billing. He said if EWEB contracted with the subcontractors directly, it might save \$9,000 to \$10,000 but the risk management department had convinced him that the extra money for contract administration was money well-spent.

Commissioner Cunningham expressed reservations about the cost, given the current “bleak” economic picture.

Vice President Brown complimented everyone for their work. He understood that EWEB had changed its process from a Type 2 to a Type 3 land use process, which meant that EWEB would need approval from the City Council. He asked if EWEB had initiated this. Mr. Oberle affirmed that EWEB had done so because of the political nature of the master planning process, which he felt would have meant they would have had to go before the City Council anyway.

Vice President Brown was concerned that this might result in too many interests trying to influence the plan and, ultimately, too many restrictions on the result. He asked what the deliverables would be. Mr. Oberle responded that the scope of work would end with the Board’s approval. He said it would actually be a Type 4 application. He agreed that there would be “a lot of wonderful ideas.” He stated that this was why they were bringing in Leland, a development consultant with expertise in the financial realm of development, at the front end. He said they wanted to develop fiscal parameters to help focus the process.

In response to a question from Vice President Brown, Ms. Johnston stated that out of the points given to the RFP/RFQ submittals, those in regard to cost were given the smallest amount of weight. She stated that the team evaluated the consultants based on qualifications and the ability to do the work.

Vice President Brown asked why the estimate had doubled. Mr. Oberle explained that the original estimate was just for labor and did not include overhead. He also noted that they had increased the number of hours they were asking them to work as well.

Vice President Brown asked how EWEB could avoid not doubling it again. Mr. Oberle assured him that the contract was written with a not-to-exceed number. He said if something big happened that changed the financial scope of the project, it would have to be reevaluated.

Mr. Hauser stated that the CAT was convinced that the scope of work would deliver the product that the community wanted. He asserted that the risk of a significant departure from the fee was slim. CAT member, Gary Wildish, added that they had considered ways of gauging the work. Mr. Oberle confirmed that it would be done in six phases, with a dollar amount and deliverables established for each phase.

Commissioner Ernst observed that when the project had been initiated, it was at the beginning of the economic downturn. She was a little bit in agreement with Commissioner Cunningham regarding cost. She asked about the timeline. Mr. Oberle replied that there was still some flexibility in the schedule. He said they had estimated that, from the signing of the contract, it would take approximately 13 months.

Commissioner Ernst asked if, once the Board gave its approval, it would go to the Eugene City Council. Mr. Oberle replied that they would begin working on the Metro Plan amendments and any lot line adjustments or zone changes, i.e. land use applications, and those would be bundled together and sent to the city. He predicted that this could take another year.

Mr. Hauser noted that the CAT had also discussed the current economic conditions. He said they hoped that by the time the process would be completed, the economic environment would be different.

Mr. Oberle pointed out that they had cut \$147,000 from the highest estimate. He stated, in response to a follow-up question from Commissioner Ernst, that the lowest proposal was estimated at \$250,000 and no firm that submitted a proposal had the capability of doing the work only inhouse. He said most of the proposals were in the \$350,000 to \$500,000 range, with one estimate coming in at \$1.1 million.

Commissioner Cassidy submitted his critique of the work in writing. He thought the amount of public input they were considering to be excessive and costly. He also expressed concern that the other plans, such as the Downtown Plan, had not been given adequate attention.

Mr. Hauser pointed out that the CAT had spent time reviewing the other plans affecting the area.

Regarding the public input, Ms. Johnston said meetings were a “two-way street,” and served to engage the public in an education process.

Commissioner Ernst asked if there was an estimated percentage that the sale of the riverfront property would offset the cost of the Roosevelt project. Mr. Oberle said it would be difficult to provide a concrete number. He related that the present calculation was that it could sell for \$30 million.

Vice President Brown asked staff to find out what the City of Springfield had paid for the Glenwood Feasibility Study. He also requested that they undertake an economic analysis and he wanted to know what the CAT and staff envisioned the work product to be.

President Farmer said it was important to recognize that the CAT and staff were receiving input from individual Commissioners at this point. He was prepared to move forward with the recommendation. He believed that quibbling over \$20,000 in EWEB’s total budget of \$250 million was an exercise “to some degree” in futility. He was glad to hear that they planned to establish a fiscal framework for the site first. He related that he had spent a “fair amount of time” on the Riverfront Research Park process and admonished the CAT not to repeat it. He averred that EWEB might have to go through this type of process again, given its land holdings, and asked what staff had learned from the process that it would do differently if they could do it again.

Mr. Oberle replied that if they did it again, they would have done an RFQ first to select a consultant to develop the scope of work. He related that Rowell Brokaw Architects had “essentially donated” this work.

President Farmer asked the CAT to consider, going forward, what task they faced that would be the most difficult. He did not think they knew what the right amount of public input was, but he encouraged them not to confuse public testimony with community consensus.

Vice President Brown said EWEB was doing this work in preparation for the sale of the property. He asked staff to ensure that they addressed any title issues as a parallel process. Mr. Oberle responded that they had seen nothing that was “really scary” but there were a lot of little things that would need to be addressed.

Commissioner Cunningham indicated his agreement with President Farmer. He also wanted to hear the answers to the questions he posed.

Mr. Berggren recalled that he had said that in 2009 they would eliminate \$2 million and would redeploy resources for another \$1.5 million to take on three critical issues. The master planning process was one of them. He underscored that they had the funding to do this work. He believed that they were on a “critical path piece of work.”

Commissioner Ernst requested that answers to any questions from Commissioners be copied to all of the Board.

President Farmer adjourned the Work Session at 7:40 p.m.

Assistant Secretary

President