INTEROFFICE MEMO

EUGENE WATER & ELECTRIC BOARD
CORPORATE SERVICES DIVISION

Rely on us.

TO: Commissioners Farmer, Brown, Cassidy, Cunningham, and Ernst

FROM: Patty Boyle, Fiscal Services Supervisor October 14, 2009

RE: 2010 Budget Impact of Split Operations

During the October 20th Board meeting on the 2010 Budget, the Board requested some additional detail on the financial impact of splitting the EWEB operation between the Headquarters site and the Roosevelt Operations Center. Additionally, the Board requested information on the impact of the sale of the property on the finances of the electric and water utility respectively.

The 2010 Budget includes the following:

Staffing
Security Guards – 2 FTE $97,000. A total of four individuals will be hired mid-year.
Utility Mechanic – 1 FTE $84,000. A utility mechanic will be hired to assist with the move as well as perform on-going facility maintenance.

Move Related Costs
Approximately $550,000 has been budgeted to complete the physical move of staff and equipment. This includes all labor, contract and rental costs.

Fleet
Approximately $160,000 has been budgeted to purchase two vehicles in 2010. The first of these vehicles will allow staff to maintain all facilities from a mobile workshop. The second vehicle will be used to fuel those vehicles and pieces of equipment that cannot be serviced at card-lock facilities and maintains fueling capabilities during major storm events.

The total 2010 budgeted amount attributed to the split operation is $891,000 of which roughly $200,000 is an on-going expense. It's important to note that as the building is commissioned and staff experience a split environment there may be additional needs identified.

Sale of the Headquarters Property

Sometime in 2010 it is anticipated that the Board will declare a portion of the Headquarters site surplus and begin the process of selling the property. An early estimate of the value of the property is $35 million. Because the timing and amount of this transaction is very uncertain, it has not been reflected in the long term financial plans of either utility. However, if we were to assume a sale of this amount and pay down the debt that has been issued for the building it would reduce debt service by approximately $2.5 million per year. Because the water utility owns approximately 45% of the headquarters property, the capital lease paid by the water utility would go down over a million dollars, leaving a lease payment of between $100,000 - $200,000. The on-going debt service paid by the electric utility would be about $4.25 million for the building as opposed to nearly $5.75 million anticipated today.

Please feel free to contact me with any questions regarding these materials. I can be reached at Patty.Boyle@EWEB.org or at 685-7406.