



## MEMORANDUM

EUGENE WATER & ELECTRIC BOARD  
Corporate Services Division

*Rely on us.*

TO: Commissioners Farmer, Brown, Cassidy, Cunningham, and Ernst  
FROM: Jim Origliosso  
DATE: August 25, 2009  
SUBJECT: Board Practices for Contract Approval

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Various Board members have inquired about the dollar thresholds for contracts brought by Staff for approval. The attached sheet describes the thresholds within the following context:

1. Oregon statutes delegate contracting authority to the local governing body (Board) per ORS279A.060.
2. Board delegates all its contracting authority to the General Manager with some exceptions.
3. Board stipulated exceptions include:
  - a. Board approval of all Goods, Equipment and Construction contracts of \$100,000 or greater.
  - b. Board approval of all Personal Services contracts of \$20,000 or greater.
4. State law requires formal bidding of:
  - a. Goods and Services Contracts of \$150,000 or greater
  - b. Public Improvement (construction) Contracts of \$100,000 or greater.
5. Board stipulated approval thresholds are separate from and independent of the bidding requirements of State statute. In other words, the statute does not require the Board to approve these contracts, it only requires that a formal bidding process be used to award the contracts.

**Contract Review Board**

EWEB's Board is also its local contract review board that exercises the authority granted it in Oregon law (ORS279A.025). The law states:

**279A.060 Local Contract Review Boards** specifically states: "If the governing body of a local contracting agency takes no action to provide otherwise, the governing body is the local contract review board of that local contracting agency. However, the governing body of a local contracting agency may, by charter, ordinance or other local legislation, authorize a body, board or commission other than the governing body to serve as the local contract review board of the local contracting agency."

The contract review board's statutory authority includes, among other things, the authority to adopted public procurement rules in accordance with public contracting laws and the authority to approve certain exemptions to the competitive bidding processes, like staff's ability to use Alternative Procurement Processes in certain situations. The activities of the Contract Review Board may be transferred, as referenced above, to the General Manager [heading a group of staff] or another group by Board action, which might include reference in EWEB's adopted Contracting Rules.

The local contract review board makes judgments based on the information provided by staff to determine if staff is acting in compliance with public contracting law and the contracting rules as adopted. Under the direction of the General Manager, EWEB's Purchasing and Risk Manager, to the best of his ability, monitors compliance with public contracting laws and the Board adopted contracting rules. Purchasing staff monitor and assure legal compliance with public contracting laws and Board requirements; and to the best of their ability, provides the Board with the pertinent information needed from which to base its decisions.

EWEB's current rules (as adopted by the Board) state the following:

**2-0120 Delegation of Authority to General Manager**

Pursuant to ORS 279A.075(1), the Board has delegated to the General Manager all its public contracting authority, except as specifically retained by the Board in the EWEB Rules.

**2-0130 Purchasing Department**

Subject to the control and supervision of the General Manager, the Purchasing Manager may process, negotiate and execute all contracts for EWEB in accordance with EWEB Rules and Oregon law.

**Customary Board Practices**

The EWEB Board said they wanted to see all Purchase of all Goods, Equipment, and Construction contracts: \$100,000 or greater and all Services and Personal Services \$20,000 or greater. It has been my experience that most Boards are more concerned with approval of contract established through formal solicitation processes rather than with informal, Intermediate procurements (requiring 3 quotes). Formal bidding threshold are set by law and are as follows :

- Goods and Services..... \$150,000 or greater
- Public Improvements (construction)..... \$100,000 or greater

However, the Board approval thresholds are set by the contract review board and may be whatever limits the Board think best. Staff just needs direction from the Board as to what level of approval they want.

**Policy Number:** SD6  
**Policy Type:** Strategic Direction  
**Policy Title:** Financial Policies  
**Date Approved:** July 19, 2005

The following financial policies shall govern staff's operation of the utilities:

1. Rate Sufficiency Policy - Rates And Charges Will Be Adequate To Provide Revenues Sufficient To Maintain A High Degree Of Financial Soundness Over And Above Requirements For Compliance With Existing Bond Covenants. (Fp 1.1)
2. Rate Stability Policy - Certain Funds Will Be Held In Reserve For The Purpose Of Mitigating The Customer Rate Impact Of Unanticipated Events. (Fp 1.2)
3. Capital Reserve Policy - Net Investment In Utility Plant Assets Will Be Maintained, Including Such Capital Additions And Reserves As May Be Necessary To Support Growth In Loads And Customer Base. (Fp 1.3)
4. Pension Liabilities Funding Policy - All long-term liabilities that must be either disclosed or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time. (FP 1.4)
5. Cost Management Policy - EWEB Will Take Cost Management Actions That Provide For Authorized Budgets And Include Actions To Maintain Expenditures Within Authorized Budget Levels. (Fp 2.1)
6. Budget Policy - The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year. (FP 2.2)
7. Debt Policy - Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets. (FP 2.3)
8. Billing and Collection Policy - Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers. (FP 2.4)
9. Enterprise Risk Management Policy - Risks Associated With EWEB's Operations Will Be Proactively Managed In A Cost-Effective And Efficient Manner Consistent With Prudent Utility Practice. (Fp 3.1)
10. Power Risk Management Policy – Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices. (FP 3.2)

11. Investment Policy - EWEB's Investment Portfolio Will Be Managed To Achieve Safety Of Capital, Achieve Market Rates Of Return, And Provide Sufficient Liquidity To Meet Disbursement Schedules. (Fp 3.3)
  
12. Financial Entity Policy - EWEB Will Account For Separate Financial Entities And Will Clearly Define Relationships Among Those Entities To Facilitate Management Decision-Making. (Fp 4.1)
  
13. Capitalization Policy - Major utility expenditures for labor, materials and/or services that result in revenue or benefit in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation. (FP 4.2)

Source: Board Approved 01/18/2000, Ratified 04/19/2005, Amended 07/19/2005