



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
WATER DIVISION

Rely on us.

TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer
FROM: Mel Damewood, Water Engineering Manager
DATE: September 1, 2010
SUBJECT: 2011 Water Division 10-Year Capital Improvement Plan (CIP) and 2011 Capital Budget

Issue

At the July 20th Board Work Session, Water Staff presented the Draft 10-Year CIP for the Water Utility. At that Board meeting, the Board indicated that the CIP appeared as expected and there were no comments or concerns given. Staff has continued to refine the CIP and the purpose of the following backgrounder is to prepare the Board for approval of the first 5 years of the 10-Year Water CIP and the 2011 Water Capital Budget at the September 7, 2010 regular Board meeting.

Background

At the July 20th meeting, Staff presented the Board the Draft 2011 Water CIP expenditures which categorized the work into three types; Type 1 projects covered general capital work done on a year-to-year-basis; Type 2 projects were medium sized projects that rebuild or expand the system that occur periodically and; Type 3 projects are large long term strategic projects that provide system wide benefits.

Discussion

5-Year and 10-Year CIP

Since the July 20th workshop, Staff has started to develop the 2011 Capital Budget to align with the first year of the 2011 CIP. The following adjustments have been made to the Capital Budget and CIP:

Type 1 Work:

- Water Infrastructure – Transmission and Distribution Mains. The budget was increased by approximately \$422,000 to allow for additional EWEB crew time that was available in 2011. This allows for additional replacements than what was done in 2010. There was also some contractor work transferred to EWEB crews in transmission main work in order to balance some of those additional crew hours.
- Water Infrastructure – Water Services and Meters. The budget was increased \$97,600 to allow for aid in replacement of dilapidated and improperly constructed backflow devices in the water system. To balance this, work was reduced in the Water Main Improvement Project by a similar amount.

Type 2 Work:

- Water Infrastructure – Pump Stations and Reservoirs. The Willamette 1325 Reservoir construction was reduced by \$417,000 in 2011 in a planned postponement in the start of construction in order to help cover the cost increases in the Type 1 work. The other major change in this project was the scope of the size of the reservoir was increased from 300,000 gallons to 500,000 gallons to cover an additional service area. The combination of the deferment in construction and increase in size added an additional \$717,000 to the year 2012 of the CIP.

Type 3 Work:

- No changes were made to the Second Source Project, currently water's only Type 3 project.

Balancing the Type 1 and Type 2 work resulted in no effect to the total 2011 Capital Budget and the first year in the CIP. There was however a ripple into the year 2012 of an additional \$717,000 to balance the overall need in completing the Willamette 1325 Reservoir Project. The effects of this addition will be worked on in the 2012 CIP.

Refer to Attachment A for a summary of the 5 and 10 year Capital expenditures by Type and classification. The full document for the Water Utility's 10-Year CIP is available and can be provided upon request.

As was mentioned in the July Board Work Session, there is no provision in the 10-Year CIP for the installation of alternative disinfection processes that may be required by the Federal Chemical Security Act. Since July 20th, the Senate has extended water utility's exemption from the Chemical Security Act for another 3 years, so no additional expenditures are foreseen at this time for the 10-Year CIP.

In summary, the 2011 Capital Budget currently totals \$14,906,000. Of that budget, \$620,000 is anticipated customer and developer service and main work that is funded through contribution in aid.

Recommendation and Requested Board Action

The Water Utility recommends the Board approving the first five years of the Water Utility 10-Year CIP and the capital budget for 2011 as outlined in the first year of the CIP. If you have more questions please contact Mel Damewood at 541-685 -7145 or e-mail at mel.damewood@eweb.org.

Attachment A. Proposed 2011-2020 Water CIP Summary of Expenditures and Funds

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>5-Year Total</u>	<u>2016 - 2020</u>	<u>2011-2020</u>
Type 1 - General Capital								
<i>Expenditures</i>								
Water Infrastructure - Intake and Hayden Bridge	\$ 746,000	\$ 567,000	\$ 578,000	\$ 595,000	\$ 365,000	\$ 2,851,000	\$ 4,281,000	\$ 7,132,000
Water Infrastructure - Pump Stations & Reservoirs	\$ 162,000	\$ 256,000	\$ 817,000	\$ 144,000	\$ 460,000	\$ 1,839,000	\$ 7,142,000	\$ 8,981,000
Water Infrastructure - Trans & Distribution Mains	\$ 5,543,239	\$ 4,897,000	\$ 4,450,000	\$ 5,222,000	\$ 6,158,000	\$ 26,270,239	\$ 39,410,000	\$ 65,680,239
Water Infrastructure - Services & Meters	\$ 218,000	\$ 75,000	\$ 77,000	\$ 79,000	\$ 83,000	\$ 532,000	\$ 494,000	\$ 1,026,000
Water Infrastructure - General Plant and Instrumentation	\$ 762,000	\$ 597,000	\$ 677,000	\$ 483,000	\$ 302,000	\$ 2,821,000	\$ 1,860,000	\$ 4,681,000
Buildings - Facilities General Plant	\$ 72,200	\$ 104,100	\$ 100,800	\$ 78,800	\$ 40,600	\$ 396,500	\$ 330,000	\$ 726,500
Information Technology - General Plant	\$ 366,000	\$ 265,700	\$ 273,700	\$ 281,700	\$ 290,100	\$ 1,477,200	\$ 724,000	\$ 2,201,200
Fleet - Water Utility Vehicles	\$ 428,000	\$ 479,000	\$ 259,000	\$ 339,000	\$ 366,000	\$ 1,871,000	\$ 1,635,000	\$ 3,506,000
Subtotal	<u>\$ 8,297,439</u>	<u>\$ 7,240,800</u>	<u>\$ 7,232,500</u>	<u>\$ 7,222,500</u>	<u>\$ 8,064,700</u>	<u>\$ 38,057,939</u>	<u>\$ 55,876,000</u>	<u>\$ 93,933,939</u>
<i>Funding</i>								
Rate Funded Capital	\$7,232,200	\$6,527,200	\$6,966,700	\$6,734,750	\$7,418,650	\$34,879,500	\$52,606,800	\$ 87,486,300
SDC Eligible Funded Capital	\$445,000	\$713,600	\$265,800	\$487,750	\$646,050	\$2,558,200	\$3,269,200	\$ 5,827,400
Customer Contributions	\$ 620,239	\$ -	\$ -	\$ -	\$ -	\$ 620,239	\$ -	\$ 620,239
Capital Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	<u>\$8,297,439</u>	<u>\$7,240,800</u>	<u>\$7,232,500</u>	<u>\$7,222,500</u>	<u>\$8,064,700</u>	<u>\$38,057,939</u>	<u>\$55,876,000</u>	<u>\$ 93,933,939</u>
Type 2 - Infrastructure Rebuilding & Expansion Projects								
<i>Expenditures</i>								
Water Infrastructure - Intake and Hayden Bridge	\$ 3,513,000	\$ 3,927,000	\$ 3,345,000	\$ 1,926,000	\$ 1,880,000	\$ 14,591,000	\$ 6,792,000	\$ 21,383,000
Water Infrastructure - Pump Stations & Reservoirs	\$ 2,096,000	\$ 1,312,000	\$ 218,000	\$ 1,342,000	\$ 1,406,000	\$ 6,374,000	\$ 5,404,000	\$ 11,778,000
Water Infrastructure - Trans & Distribution Mains	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
Subtotal	<u>\$ 6,609,000</u>	<u>\$ 6,239,000</u>	<u>\$ 3,563,000</u>	<u>\$ 3,268,000</u>	<u>\$ 3,286,000</u>	<u>\$ 22,965,000</u>	<u>\$ 12,196,000</u>	<u>\$ 35,161,000</u>
<i>Funding</i>								
Rate Funded Capital	\$ 5,452,500	\$ 4,522,000	\$ 2,403,700	\$ 2,805,400	\$ 2,856,350	\$ 18,039,950	\$ 9,623,500	\$ 27,663,450
SDC Capital	\$ 1,156,500	\$ 1,717,000	\$ 1,159,300	\$ 462,600	\$ 429,650	\$ 4,925,050	\$ 2,572,500	\$ 7,497,550
Subtotal (Bond)	<u>\$ 6,609,000</u>	<u>\$ 6,239,000</u>	<u>\$ 3,563,000</u>	<u>\$ 3,268,000</u>	<u>\$ 3,286,000</u>	<u>\$ 22,965,000</u>	<u>\$ 12,196,000</u>	<u>\$ 35,161,000</u>
Type 3 - Strategic Projects								
<i>Expenditures</i>								
Water Infrastructure - Second Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,960,000	\$ 120,960,000
<i>Funding</i>								
Bond Funded Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,960,000	\$ 120,960,000
Total Expenditures / Total Funding	<u>\$ 14,906,439</u>	<u>\$ 13,479,800</u>	<u>\$ 10,795,500</u>	<u>\$ 10,490,500</u>	<u>\$ 11,350,700</u>	<u>\$ 61,022,939</u>	<u>\$ 189,032,000</u>	<u>\$ 250,054,939</u>