

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
500 EAST 4<sup>TH</sup> AVENUE  
DECEMBER 21, 2010  
5:30 P.M.

Commissioners Present: John Brown, President; Rich Cunningham, Vice President; Ron Farmer, Bob Cassidy, Joann Ernst

Others Present: General Manager Roger Gray, Debra Smith, Sheila Crawford, Lance Robertson, Clay Norris, Joe Harwood, Jim Origliosso, Jeannine Parisi, Mark Freeman, Tom Buckhouse, Patty Boyle, Cathy Bloom, Mel Damewood, Steve Newcomb, Karl Morgenstern, Felicity Fahy, and Taryn Johnson of the EWEB staff; John Simpson, Commissioner-elect; Ruth Atcherson, minutes recorder.

President Brown convened the work session of the Eugene Water & Electric Board (EWEB).

#### **WATER STEWARSHIP FUNDING**

Debra Smith, Employee, Customer, & Community Services Division Director, stated that Karl Morgenstern, Drinking Water Source Protection Coordinator, had fleshed out a proposal consistent with the direction provided by the Board.

Mr. Morgenstern noted that he would not be present for the regular meeting and conveyed his gratitude to Commissioner Farmer for his service. He provided a brief power point presentation outlining the proposal for the establishment of a Watershed Stewardship Fund.

Ms. Smith said one reason the program had been as successful as it had been was that they had "followed the dollars." She explained that the availability of grant funds changed the focus over time and Mr. Morgenstern had been successful in moving programs along with the focus.

Mr. Morgenstern concurred. He said the program was opportunistic; when they found money out there that could be leveraged they pursued it even if it was not, at times, the priority for the program. He reviewed the *Stewardship Funding Categories*, listed as follows:

- Economic support, in the form of a 0 interest revolving loan fund for people to use to repair septic systems;
- Voluntary incentives program - staff had gone through hundreds of public comments and this had been a suggestion made by many and the program would depend on what made the most sense to the most people;
- Land acquisition - there needed to be funds available to help EWEB's partners, such as the McKenzie River Trust, when they were presented with acquisition opportunities for easements and actual properties;
- Investment in research and education, which included the demo forest and farm and the education basin.

He reviewed the *2011 Funding Needs/Options* and how much they would add to ratepayers' bills.

Ms. Smith explained that the surcharge option would sunset after a few years because the intent was to create a revolving loan fund and when the fund was created, the surcharge would be no longer needed.

Vice President Cunningham asked if staff had considered going to the local or federal delegation and asking for grants for the program. Mr. Morgenstern assured him that they did pursue grants. He said some of the money that would be raised in the options presented would be used to leverage grant funds.

Vice President Cunningham asked if anyone had considered the possibility of a local option levy. He thought they could get the public behind such a levy.

Commissioner Cassidy was not certain of the urgency of what the utility needed to do. He felt the program was more operational in nature.

Ms. Smith thought the septic program was a good example of how the utility had leveraged dollars. She said the program had shown that a number of systems were failing. She explained that the funding option that involved borrowing money from the electric utility was based on staff's sense that this was likely the highest priority work for the program.

Mr. Morgenstern stated that the programs were based on opportunities; if EWEB had a fund like the one proposed, the program would have been able to follow up with the momentum and help residents.

In response to a question from Commissioner Cassidy, Mr. Morgenstern stated that the failing septic tanks were one critical piece, but the loss of the riparian area that helped to keep the water clean. He added that as they lost more of the riparian forest, they lost more of the land's ability to keep the water going into the river clean.

Commissioner Ernst ascertained that the septic report had been submitted to the Board of County Commissioners.

Commissioner Ernst liked the idea of having a revolving fund focused on improving septic systems.

In response to a question from Commissioner Ernst, Mr. Morgenstern stated that once a surcharge was incorporated onto a bill, it would take approximately six years to build the fund.

Commissioner Ernst asked for a staff opinion on which funding option would be preferable. Mr. Morgenstern replied that on a bare bones level, he would like to see the third option presented, which proposed that the water utility borrow \$125,000 from the electric utility and then move forward a rate action in 2012. He said staff had also thought of combining the borrowing from the electric utility with a two percent increase. He thought this would almost fund the majority of the work they planned to do in the coming year.

President Brown liked the third option and the option called '4a.' He felt that this presented an incredible opportunity to engage in a win-win situation for both the property owners and for the community. He was not afraid to take a rate action on this. He pointed out that a person residing in Creswell paid \$110 a month for water that did not taste very good. He noted that the program during its limited existence had found 55 septic systems that were bad. He emphasized that 25 percent of the septic systems in the area along the McKenzie were not functioning right and approximately 1 million gallons of effluent a day were being generated by them. He observed that a lot of cabins had been built along the river during the early 20th century and their systems were 80 to 90 years old now.

Commissioner Farmer wondered why EWEB would not just provide the funding to the McKenzie Watershed Council. Mr. Morgenstern responded that they did provide some funding to them for the acquisition element of the funding.

Commissioner Farmer asked why this would not be a piece of the normal budgeting process. Mr. Morgenstern stated that placing it in the budget process would create the potential for the program to be yanked out of the budget and this would jeopardize the program.

Commissioner Farmer did not understand why the program would receive special treatment. Ms. Smith responded that it was late in the budget process to add a program into the mix. She considered this to be a unique way to handle it.

Commissioner Farmer expressed concern that the people in the community could not afford the program given the current economy. He was not certain the utility needed to have an increase in rates at this time. He asked what it would take to only fund the septic tank portion of the stewardship funding. Mr. Morgenstern replied that to do this from rates alone would translate to a 1 to 1.25 percent increase.

Commissioner Farmer said he thought funding for land acquisition and education could wait for a year. Ms. Smith replied that staff essentially agreed with him.

In response to a question from Commissioner Ernst, Mr. Morgenstern stated that land acquisition also included conservation easements. He explained that one thing they had done with the Clean Water/Healthy Farms program that was grant funded was to talk to farmers about long-term planning for their farms and to give them the opportunities to put in conservation easements. He said 11 farmers had expressed interest in that and the small amount of money going toward it, included in the third funding option, would go to help them to put in conservation easements with McKenzie River Trust.

Commissioner Cassidy said the more he heard about it, the more he supported the third option.

Vice President Cunningham wanted to see exactly what the utility could get from asking for money from the congressional delegation. Ms. Smith replied that they could talk to Jason Heuser, EWEB lobbyist, about that, but she wanted to assure him that the focus of the program was essentially to look for money.

In response to a follow-up question from Vice President Cunningham, Mr. Morgenstern stated that the last grant that EWEB had received for septic assistance was for \$88,000 from the Department of Environmental Quality (DEQ) and the DEQ had discontinued the grant program. He surmised that they had provided the grant in a test to see what the results would be and then when it appeared there would be many septic tanks needing work it was more than the DEQ could afford.

President Brown did not see any reason why the utility would not move forward with the fund.

Ms. Smith surmised from the discussion that the Board would consider an option that included a smaller rate increase and seed funds for the program borrowed from the electric utility.

Commissioner Cassidy preferred to postpone any rate increase.

Commissioner Farmer indicated that he would be supportive of just the septic program. He could not support the acquisition and education portions of the fund in the face of present economic conditions.

President Brown said he could support a 1 percent rate increase combined with a loan. He did not think they could afford to wait.

Vice President Cunningham could support adding a 25 cent surcharge to people's bills and no rate increase.

Commissioner Ernst recalled that EWEB had recently purchased the Hunsaker property. She asked if the program was in addition to the education and research that was to happen on the property. Mr. Morgenstern replied that funding to acquire the property and set up funding for education there had been leveraged with Bonneville Power Administration (BPA) funds and other funds. He stated that there were a number of areas in which they were working with the University of Oregon and Oregon State University where they saw they could grow the research and potentially use interns and have a more robust internship program. He said it would also support a Kindergarten through 12th grade program.

Ms. Smith reiterated that the priorities before them at present were to continue support for the septic system program and to help support the 11 farmers who were interested in having conservation easements on their properties. She suggested that staff come back one more time with one or two options with a smaller rate increase.

Commissioner Ernst noted her agreement with the proposal to borrow the money in lieu of a rate increase.

President Brown asked if there was anything in the program regarding asking the County for more enforcement. Mr. Morgenstern responded that the existing rules, how they were enforced, and whether they were enforceable was definitely part of the conversation.

General Manager Gray stated that in 2012 the program would be part of the zero-based budgeting philosophy. He said this would be a philosophical shift and once it was embedded into an operating budget they could work with it. He did not want to bring a crisis before the Board; it was easier to solve a problem before it became a crisis. He stressed the importance of keeping the drinking water pristine. He thought that it would be appropriate, based on the current economy, to do a loan and perhaps a small rate increase and then in 2012 to put the program into the zero based budgeting.

President Brown adjourned the Work Session at 6:25 p.m.

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Assistant Secretary

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President