



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
WATER DIVISION

Rely on us.

TO: Commissioners Brown, Simpson, Cassidy, Ernst and Cunningham
FROM: Tom Buckhouse, Director – Electric, Water, and Steam Divisions
DATE: August 29, 2011
SUBJECT: 2012 Water Division 10-Year Capital Improvement Plan (CIP) and 2012 Capital Budget

Issue

Staff presented the Board with a draft update of the Water Utility CIP at its August 2nd work session. Staff will be requesting final approval of the CIP and the 2012 capital budget at the September 6, 2011 regular board meeting.

Background

At the August 2nd meeting, management presented the proposed Water CIP expenditures categorized 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.

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 2012 Water Capital Budget at the September 6, 2011 regular Board meeting.

Discussion

2012 Budget/ CIP

Since the August 2nd workshop, Staff has been developing the 2012 Capital Budget to align with the first year of the 2012 CIP. The following adjustments have been made to the 2012 Capital Budget and CIP:

Type 1 Work:

- Water Infrastructure – Pump Stations and Reservoirs: The budget was decreased by approximately \$115,000 with the removal from the CIP of the Fairmont 603 Decommission Project. This project was moved to the operations budget to reflect its correct categorization.
- Water Infrastructure – Water Services and Meters: The budget was increased \$57,000 for water meter replacements. Previously there was no budget in 2012 for this task. Budget was added with the change in implementation schedule for AMI.

Type 2 Work:

- Strategic Technology Projects: This category decreased by \$58,000 with the removal of WAFR (Work Order, Asset Management, Financial System Replacement) from the Capital Plan. These

projects were removed due to the offset generated from the anticipated savings generated with its implementation.

Type 3 Work:

- AMI: The addition of meters and communications associated with AMI resulted in a \$2,228,000 increase in this category in 2012.

The above changes result in a \$2,112,000 increase in the 2012 Budget/CIP over what was presented on August 2nd, the bulk of which is associated with AMI.

5-Year and 10-Year CIP

Type 1 Work: The addition of meter replacement funds in 2012 and 2013 were offset by the deletion of the Fairmont 603 Reservoir Decommission project resulting in no change in this area of work.

Type 2 Work: The only change in this area was the removal of WAFR which resulted in a decrease of \$1,367,000.

Type 3 Work: The addition of AMI Meters and Communications in 2012, 2013, and 2014 increased the Type 3 work by \$12,628,000.

Refer to Attachment A for a summary of the 5 and 10 year Capital expenditures by Type and classification.

In summary, the 2012 Capital Budget currently totals \$17,300,000.

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 2012 as outlined in the first year of the CIP. If you have more questions please contact Tom Buckhouse, Director - Water , Electric, and Steam Divisions at 541-685-7166 or tom.buckhouse@eweb.org.

Attachment A: Water Division - 10 Year Capital Plan 2012 to 2021

	Proposed 2012	Proposed 2013	Proposed 2014	Proposed 2015	Proposed 2016	Proposed 5-Year Total	Proposed 2017-2021	Proposed 2012-2021
Capital Reserve Balance - Prior Year End	\$ 3,141,000	\$ 3,580,000	\$ 4,371,000	\$ 5,358,000	\$ 6,736,000			
Type 1. General Capital								
Source of Funds								
Rates for Capital	\$ 7,300,000	\$ 8,500,000	\$ 8,650,000	\$ 7,850,000	\$ 8,300,000	\$40,600,000	\$ 55,500,000	\$96,100,000
SDC Capital	\$ 400,000	\$ 450,000	\$ 500,000	\$ 550,000	\$ 600,000	\$2,500,000	\$ 3,750,000	\$6,250,000
Expenditures								
Water Infrastructure - Intake and Hayden Bridge	\$361,000	\$159,000	\$164,000	\$169,000	\$174,000	\$1,027,000	\$4,710,000	\$5,737,000
Water Infrastructure - Pump Stations & Reservoirs	\$259,000	\$380,000	\$1,136,000	\$261,000	\$269,000	\$2,305,000	\$1,326,000	\$3,631,000
Water Infrastructure - Trans & Distribution Mains	\$4,562,000	\$5,547,000	\$5,238,000	\$5,514,000	\$5,801,000	\$26,662,000	\$39,729,000	\$66,391,000
Water Infrastructure - Services & Meters	\$160,000	\$164,000	\$650,000	\$667,000	\$ 686,000	\$2,327,000	\$ 3,752,000	\$6,079,000
Water Infrastructure - General Plant and Instrumentation	\$727,000	\$812,000	\$464,000	\$290,000	\$303,000	\$2,596,000	\$1,857,000	\$4,453,000
Buildings - Facilities General Plant	\$37,000	\$93,000	\$164,000	\$91,000	\$93,000	\$478,000	\$155,000	\$633,000
Information Technology - General Plant	\$411,000	\$775,000	\$367,000	\$378,000	\$ 390,000	\$2,321,000	\$ 2,572,000	\$4,893,000
Fleet - Water Utility Vehicles	\$404,000	\$416,000	\$447,000	\$480,000	\$516,000	\$2,263,000	\$3,217,000	\$5,480,000
Total Expenditures	\$6,921,000	\$8,346,000	\$8,630,000	\$7,850,000	\$8,232,000	\$39,979,000	\$57,318,000	\$97,297,000
Type 2. Infrastructure Rehabilitation & Expansion Programs								
Source of Funds								
Bonds	\$ 7,772,000	\$ 5,900,000	\$ 4,450,000	\$ 4,700,000	\$ -	\$22,822,000	\$ 19,594,000	\$42,416,000
Expenditures								
Water Infrastructure - Intake and Hayden Bridge	\$4,275,000	\$4,069,000	\$2,431,000	\$3,005,000	\$3,802,000	\$17,582,000	\$6,391,000	\$23,973,000
Water Infrastructure - Pump Stations & Reservoirs	\$1,262,000	\$1,644,000	\$1,552,000	\$867,000	\$1,484,000	\$6,809,000	\$13,872,000	\$20,681,000
Water Infrastructure - Trans & Distribution Mains	\$2,575,000	\$0	\$0	\$0	\$0	\$2,575,000	\$0	\$2,575,000
Strategic Technology Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$8,112,000	\$5,713,000	\$3,983,000	\$3,872,000	\$5,286,000	\$26,966,000	\$20,263,000	\$47,229,000
Type 3 - Strategic Projects/Programs								
Source of Funds								
Bonds	\$ 2,228,000	\$ 8,000,000	\$ 2,400,000	\$ -	\$ 1,427,000	\$14,055,000	\$ 116,006,000	\$130,061,000
Expenditures								
AMI	\$2,228,000	\$8,000,000	\$2,400,000	\$0	\$0	\$12,628,000	\$0	\$12,628,000
Second Source of Supply	\$0	\$0	\$0	\$0	\$1,427,000	\$1,427,000	\$116,006,000	\$117,433,000
Total Expenditures	\$17,261,000	\$22,059,000	\$15,013,000	\$11,722,000	\$14,945,000	\$81,000,000	\$ 193,587,000	\$ 274,587,000
Capital Reserve Balance - at Year End	\$ 3,580,000	\$ 4,371,000	\$ 5,358,000	\$ 6,736,000	\$ 2,118,000			