



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Mel Damewood, Engineering Manager  
DATE: December 19, 2014  
SUBJECT: SDC Reimbursement for St. Vincent de Paul – Stellar Apartments  
OBJECTIVE: Approval of SCD Reimbursement

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## Issue

EWEB's Water Utility has stabilized its financial metrics and expects to have net revenue above budgeted amounts for 2014. In 2012 EWEB denied a low income housing Systems Development Charge (SDC) grant which was subsequently paid for by St. Vincent DePaul Society of Lane County (SVdP). The strategy developed in 2012 was that in the future, when EWEB had stabilized its financial condition, it would reimburse SVdP the SDC amount in order to honor EWEB's commitment to support the Housing Policy Board (HPB) for qualified projects.

## Background

In 2012, SVdP constructed a low income housing project, the Stellar Apartments, which qualified through the HPB and requested a SDC Grant from EWEB in the 2011 and 2012 time frame.

Due to the recession, EWEB's Water Utility was in a financial bind due to overly optimistic sales projections in the 2011 and 2012 budgets and we were experiencing the worst retail sales since the early 1980's. It was management's recommendation not to directly fund the grant due to financial constraints. EWEB management presented four options to the HPB and to SVdP, which all agreed to an option for SVdP to pay the SDC's upfront to EWEB and then EWEB "look back" to award the grant when EWEB was in a better financial position in the future. These options, including the chosen option, underwent legal review at the time. The SVdP grant is the only outstanding request for grant assistance under this program.

EWEB management presented these options to the Board through correspondence at the April 3, 2012 Board meeting and is included as Attach 1. There was no comment made about management's recommendation at that Board meeting.

## Discussion

Now that EWEB's Water Utility has improved financial health, management is moving forward with the 2012 SDC grant reimbursement of \$55,836 to SVdP.

## **Requested Board Action**

Management recommends approval of the SDC grant reimbursement to SVdP. If you have any questions please contact Mel Damewood, Engineering Manager at 541-685-7145 or email [mel.damewood@eweb.org](mailto:mel.damewood@eweb.org).

### **Attachment:**

Attach 1 – April 3, 2012 Board Backgrounder



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD  
WATER DIVISION

*Rely on us.*

TO: Commissioners Simpson, Brown, Cassidy, Ernst and Cunningham  
FROM: Tom Buckhouse, Electric, Water & Steam Division Director and  
Mel Damewood, Water Engineering Manager  
DATE: March 20, 2012  
SUBJECT: Systems Development Charge (SDC) Grant Update

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## Issue Statement

This is a status update of some recent activity with EWEB staff and the Housing Policy Board (HPB) regarding the availability of EWEB Water to fund SDC grants for low income housing projects.

## Background

In September of 2011 EWEB received an SDC grant request from the HPB for the Stellar Apartments, a low income housing project to be developed by the St. Vincent DePaul Society of Lane County. According to EWEB's and HPB's 1997 SDC grant agreement, EWEB is able to fund grants of up to \$100,000 per year, provided these funds were from surplus revenue of water sales and not from reserve accounts. EWEB staff at that time notified that the HPB that we had no surplus sales of water revenue in the previous year or in the existing year, and that we would like to wait until March of 2012 to make a final decision on our ability to fund such grant requests.

The amount of the grant for the Stellar Apartments is approximately \$60,000.

In February 2012, EWEB staff revisited the request from the HPB for the Stellar Apartments and reached the same conclusion; that there were not surplus funds available from 2011 to fund the SDC grant.

## Discussion

Staff then presented to legal counsel a few options to aid the low income housing grant process. These options included:

- 1) Providing for an outright exemption of SDC's for low income housing projects
- 2) Providing a one-time exemption for the Stellar Apartments
- 3) Having St. Vincent De Paul pay the SDC outright
- 4) SVDP paying the SDC and then applying for the grant in future years, to provide a reimbursement grant for the Stellar Apartments.

Luvaas-Cobb, EWEB's legal counsel, reviewed these options, and to summarize, all options are legal to implement, since there were no outright Administrative Rules (OAR's) or Revised Statutes (ORS's) that prevented EWEB from any course of action. However;

- 1) Providing an out-right exemption for SDC's for low income housing projects would shift the responsibility of those SDC's payments to future SDC payers. It is better to fund SDC grants from "surplus revenues" which provide equal distribution of payments and does not cause any inequities to any one customer class.
- 2) Providing a one -time exemption would prove discriminatory to future exemption requests that may not be approved.
- 3) The developer paying the SDC outright did not provide any social benefit from a triple bottom line perspective in aiding the low income sector of our customers.
- 4) Paying the SDC and then seeking a look-back grant is also a feasible method, provided EWEB stayed within the original parameters of not allocating more than \$100,000 per year from surplus funds to provide the grants.

It was also suggested by legal counsel that EWEB could provide a "SDC grant reserve" and allocate up to \$100,000 per year of surplus revenues to that grant fund. In this way, if \$100,000 was deposited and only \$70,000 was allocated, the remaining \$30,000 could be banked into the grant reserve. EWEB has always treated these grants on a year to year basis, not carrying over amounts not used.

### **Recommendation**

EWEB staff presented Option 4 to both the Housing Policy Board and St. Vincent DePaul. Each entity understood EWEB's financial position and our limitations to not fund the SDC grant. Staff is recommending, that towards the end of the calendar year, the HPB resubmit a request to reimburse the SDC payment. Each year, EWEB will determine if there are surplus funds available, not to exceed \$100,000 and grant funds back to SVDP over time to award the SDC grant. It will likely take several years to re-grant the entire amount, depending on surplus revenues and the amounts of future requests.

Staff would also recommend setting up a SDC grant reserve that would allow EWEB to place up to \$100,000 per year of surplus revenues, so that in years where the requests are less than the amount of money placed into the reserve, the funding will be available to use in the next year. This fund should only be started once all other critical reserves (O&M, Capital and working cash) have reached their target amounts. Such a grant fund would provide a smoothing out of contributions and expenditures, and may make funds available for low income housing project SDC grant in years when no excess revenue is achieved.

### **Action**

There is no action required at this time. This is for information only. If you have any questions please contact Mel Damewood at 541-685-7145 or [mel.damewood@eweb.org](mailto:mel.damewood@eweb.org).