



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson  
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager;  
Ben Ulrich, Interim General Accounting Supervisor  
DATE: June 27, 2018  
SUBJECT: Use of proceeds from the riverfront property  
OBJECTIVE: Board Action - Approval of Resolution No. 1819

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## **Issue**

On April 17, 2018 the City of Eugene and EWEB finalized the purchase of the downtown riverfront property. This memo provides recommendations for transfers of sale proceeds based on EWEB's strategic plans, Financial Policies, and the Electric and Water Utilities' financial conditions.

## **Background**

In 2006, the Board authorized relocation of EWEB's water and electric utility engineering and operations functions that were then located at the downtown riverfront site. This decision followed Board agreement that most of the existing downtown operations facilities had outlived their useful lives and needed to be replaced, and operations functions were constrained by poor traffic access and inefficient yard circulations. The Board approved and issued approximately \$74 million of debt to finance the construction of the Roosevelt Operations Center (ROC), which was completed in the fall of 2010. In 2013, after relocating the operations and engineering functions to the ROC, EWEB declared approximately 16 acres of the Utility's riverfront property as surplus property. In July 2016, the Eugene City Council authorized the city manager to negotiate the outright purchase of the surplus property and in April 2017, EWEB and the City of Eugene reached an agreement for the sale of the Utility's riverfront property.

## **Discussion**

The fourteen tax lots that make up the approximately 16 acres were acquired at various times throughout the past 110 years. Substantial improvements were made over time and uses of the property changed as well. It started with the acquisition of a private water system, a few years later the acquisition of a private electric system, and then several decades after that the steam plant was constructed to meet the growing demands for power.

Proceeds from the sale of surplus property are calculated according to each Utility's proportionate share of property ownership at the time it was declared as surplus. Electric's proportionate share of the proceeds was 77% and Water's was 23%, or \$4.4 million and \$1.3 million respectively.

A 2012 Memorandum of Understanding with the City of Eugene stated that it intended for proceeds of the sale to be used to retire outstanding debt from the construction of ROC. Since that

time, most of the outstanding debt for ROC has been refinanced at historically low rates. Outstanding debt related to ROC construction is approximately \$50 million at 2.4% and is divided into the following issuances:

- Approximately \$1 million in 2011 bonds related to ROC are outstanding. These bonds are not callable and defeasing them will result in a net present value that is negative.
- Most of the outstanding ROC debt was refinanced in 2016. These bonds were refinanced at extremely low rates and are not callable until 2026. Like the 2011 series, there is no economic benefit to defease 2016 bonds.

Due to the Electric Utility debt restructuring over the last few years, other outstanding bonds are not callable, carry low interest cost, or provide very little near-term economic benefit to defease. Reducing future debt issuances, however, does honor the spirit of the original intent to reduce debt in a way in which there is economic benefit. The Water Utility owes the Electric Utility approximately \$9 million in intercompany debt for its share of ROC construction costs. Paying down this debt would result in approximately \$800,000 in interest savings and the intercompany obligation would be paid off four years earlier. Management is recommending approval of transfer of proceeds from the Water Utility to pay down the intercompany debt. For the Electric Utility, Management is recommending approval of transfers of proceeds from the riverfront property and intercompany debt payment to the Electric Utility's Rate Stabilization Fund to reduce future borrowings.

#### **Recommendation and Requested Board Action**

Management recommends approval of Resolution No. 1819, authorizing the transfer and use of proceeds from the riverfront property sale.

**RESOLUTION NO. 1819  
JULY 2018**

**EUGENE WATER & ELECTRIC BOARD  
RIVERFRONT PROCEEDS TRANSFERS**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the Eugene Water & Electric Board and the Urban Renewal Agency of the City of Eugene completed the sale of an approximately 16 acre portion of surplus property on April 17, 2018;

**WHEREAS**, the Eugene Water & Electric Board received \$5,750,000 from the sale which was allocated to the Electric Utility and Water Utility based on the proportionate share of property ownership at the time it was declared surplus;

**WHEREAS**, repayment of the outstanding bond debt related to the Roosevelt Operations Center provides no current economic benefit;

**WHEREAS**, the Water Utility owes the Electric Utility approximately \$9 million in intercompany debt for its share of Roosevelt Operations Center construction costs;

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to do the following transfers:

Water Utility

- 1) \$1,301,525 from Working Cash to Electric Utility Working Cash to pay down intercompany debt

Electric Utility

- 2) \$4,448,475 from Working Cash to the Rate Stabilization Fund to reduce future borrowings
- 3) \$1,301,525 from Working Cash to the Rate Stabilization Fund to reduce future borrowings

Dated this 10<sup>th</sup> day of July 2018

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 10, 2018 Board Meeting.

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Assistant Secretary