



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Barofsky, McRae, and Schlossberg  
FROM: Karl Morgenstern, Watershed Restoration Program Manager  
DATE: June 21, 2022  
SUBJECT: McKenzie Watershed Recovery and Restoration Update  
OBJECTIVE: Provide General Information on Watershed Recovery Efforts and Investment

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## **Issue**

EWEB currently leads watershed recovery efforts in response to the 2020 Holiday Farm Fire and is using the Pure Water Partners (PWP) program to leverage resources and funding to mitigate fire impacts and conduct watershed restoration activities that protect water quality. The following discussion provides an update on these efforts and the next phase of watershed recovery work EWEB is planning with ready partners for 2023 and 2024.

## **Background**

In 2018, EWEB's Board of Commissioners approved a 10-year strategic plan to protect the McKenzie Watershed as EWEB's sole source of drinking water. The programs and partnerships formed to implement this strategic plan are now fundamental to the timely response to the Holiday Farm Fire (HFF) and the building blocks of watershed restoration efforts over the longer term.

On December 7, 2021, the Board approved EWEB's 2022 budget, which included \$4.25 million for watershed recovery and restoration planned work as outlined in the Board memo dated August 27, 2021. This work is funded through the "watershed recovery surcharge" collected on monthly water bills that started in July 2021 and sunsets after 60 months.

## **Discussion**

The watershed restoration plan includes three categories of investment that the Board can dial up or down based on fiscal considerations and other factors to achieve the right balance for the greatest benefit: 1) risk-based early actions; 2) longer-term resilience actions; and 3) strategic actions that focus primarily on watershed restoration but have a secondary benefit of carbon sequestration (see Board memo dated 8/27/21). The following discussion provides an update on EWEB expenditures associated with the various watershed restoration activities completed mid-way through the 2022 budget year (actuals versus budget) and planned expenditures for 2023 and 2024 as more outside funding has been secured and other pending funding is better understood.

### ***Update on 2022 Expenditures***

The following discussion summarizes watershed recovery and restoration costs up to June 13, 2022, and projected cost for the remainder of the 2022 budget year.

### ***Risk-Based Expenditures***

As indicated in Table 1, EWEB funding for risk-based actions spent to date is approaching the total annual budget for these activities. This is partly due to the seasonality of this work where planting

season is completed by end of March and hazard fuels treatments prior to the start of fire season. The PWP ended up planting nearly 500,000 native trees and shrubs in priority riparian areas across 120 private properties and is currently engaged in plant maintenance activities to remove invasive vegetation and add mulch to planting areas to reduce mortality rates. The PWP is also on pace to complete hazard fuels treatments on nearly 60 properties ahead of fire season. EWEB has secured an Oregon Department of Forestry grant that will reimburse EWEB for approximately \$300,000 of the fire fuels reduction work, but overall program spending will show up as an expenditure against the budget.

**Table 1: Summary of EWEB Expenditures on Risk-Based Actions<sup>1</sup>**

<b>Activity</b>	<b>2022 Spend (June 2022)</b>	<b>2022 Projected (June – Dec)</b>	<b>2022 Budget</b>	<b>Year End Difference</b>
PWP Operations <sup>2</sup>	\$385,000	\$200,000	\$550,000	(\$35,000)
Erosion Control & Hydroseeding	\$110,000	\$50,000	\$100,000	(\$60,000)
Fire Fuels Reduction	\$560,000 <sup>3</sup>	\$300,000	\$550,000	(\$310,000)
Revegetation and Vegetation Maintenance	\$520,000	\$350,000	\$600,000	(\$270,000)
Landowner Engagement/Incentive Programs	\$55,000	\$25,000	\$100,000	\$20,000
Water Quality Monitoring/GIS Analysis	\$175,000	\$150,000	\$250,000	(\$75,000)
<b>Total Cost for Risk-Based Actions</b>	<b>\$1,805,000</b>	<b>\$1,075,000</b>	<b>\$2,150,000</b>	<b>(\$730,000)</b>

<sup>1</sup> – EWEB expenditures include O&M and labor costs. In general, labor accounts for approximately 10% of total cost.

<sup>2</sup> – PWP Operations includes MWC, UWSWCD, MRT, LCOG and EWEB staff costs for landowner outreach, property assessments, developing restoration agreements and management plans, managing contractors, and documenting work.

<sup>3</sup> – ODF will reimburse EWEB for \$300,000 in fuels reduction work.

### *Resiliency and Strategic Expenditures*

Table 2 summarizes actual and projected costs associated with resiliency actions and carbon sequestration work as compared to the 2022 budget. The primary purpose of resiliency actions is to support and create long-term functional and healthy floodplain ecosystems below burned landscapes that decrease flow velocity and encourage the development of side channels and other complex habitat. These actions create a depositional environment where sediment drops out, nutrients and metals are attenuated, and water is stored on the landscape, reducing downstream flood impacts, all of which benefit water quality and reduce impacts on downstream drinking water treatment processes. The floodplain restoration work in 2022 is mainly associated with design, permitting, environmental assessment, and sourcing large wood to stage for 2023 construction at Quartz Creek and Finn Rock Reach Phase 2. As indicated above, it is likely that the risk-based actions will exceed the 2022 budget and funds will be shifted from Resiliency work that will not ramp up until 2023 and is largely supported with outside funding as discussed below.

**Table 2: Summary of EWEB Expenditures on Resilience & Strategic Actions<sup>1</sup>**

<b>Activity</b>	<b>2022 Spend (June 2022)</b>	<b>2022 Projected (June – Dec)</b>	<b>2022 Budget</b>	<b>Year End Difference</b>
Floodplain Restoration Projects	\$140,000	\$400,000	\$1,075,000	535,000
Land Acquisition & Easements	\$150,000	\$740,000	\$900,000	\$10,000
Carbon Sequestration Research & Development	\$110,000	\$60,000	\$150,000	(\$20,000)
<b>Total Cost for Resilience/Strategic Actions</b>	<b>\$400,000</b>	<b>1,200,000</b>	<b>\$2,125,000</b>	<b>\$525,000</b>

<sup>1</sup> – EWEB expenditures include O&M and labor costs. In general, labor accounts for approximately 10% of total cost.

Land acquisition efforts have slowed in first half of 2022 due to changing market conditions that have made acquisition of floodway parcels impacted by the HFF challenging. The projected land acquisition expenditures are based on the Board approving a change in approach to move away from focus on floodway parcels with destroyed homes to a more flexible/opportunistic approach that would support future floodplain restoration work and carbon sequestration project development. As a result, each new opportunity would be brought to the Board for approval before moving forward with the acquisition.

#### *Overall Expenditure Summary*

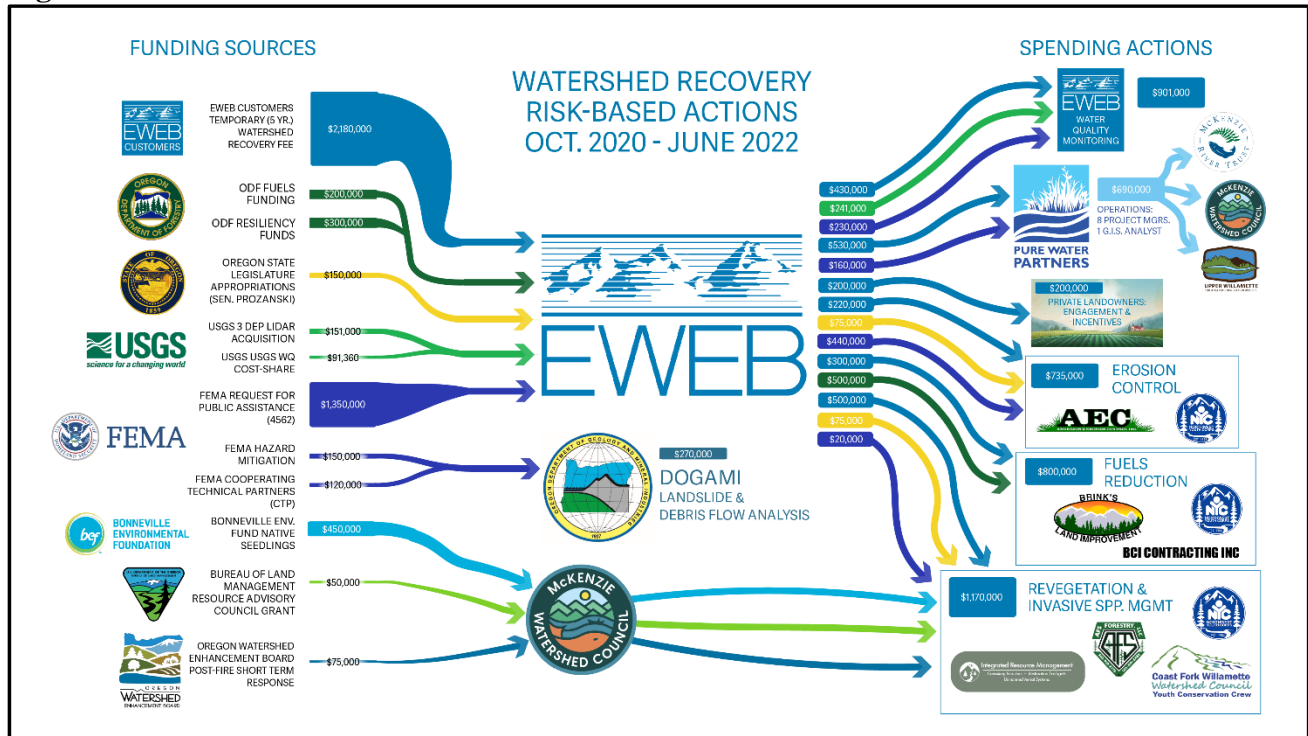
Tables 1 and 2 summarize the 2022 actual and projected costs versus budget for watershed recovery and restoration work, indicating a potential slight exceedance of the budget of \$205,000. However, given ODF grant revenue reimbursing a portion of EWEB's fire fuels reduction treatment costs, actual cost to EWEB will be within the budget. There is a possibility that some outside funding sources will come available to EWEB in 2022 that will reimburse expenditures.

#### *Summary of Planned Expenditures for 2023-24*

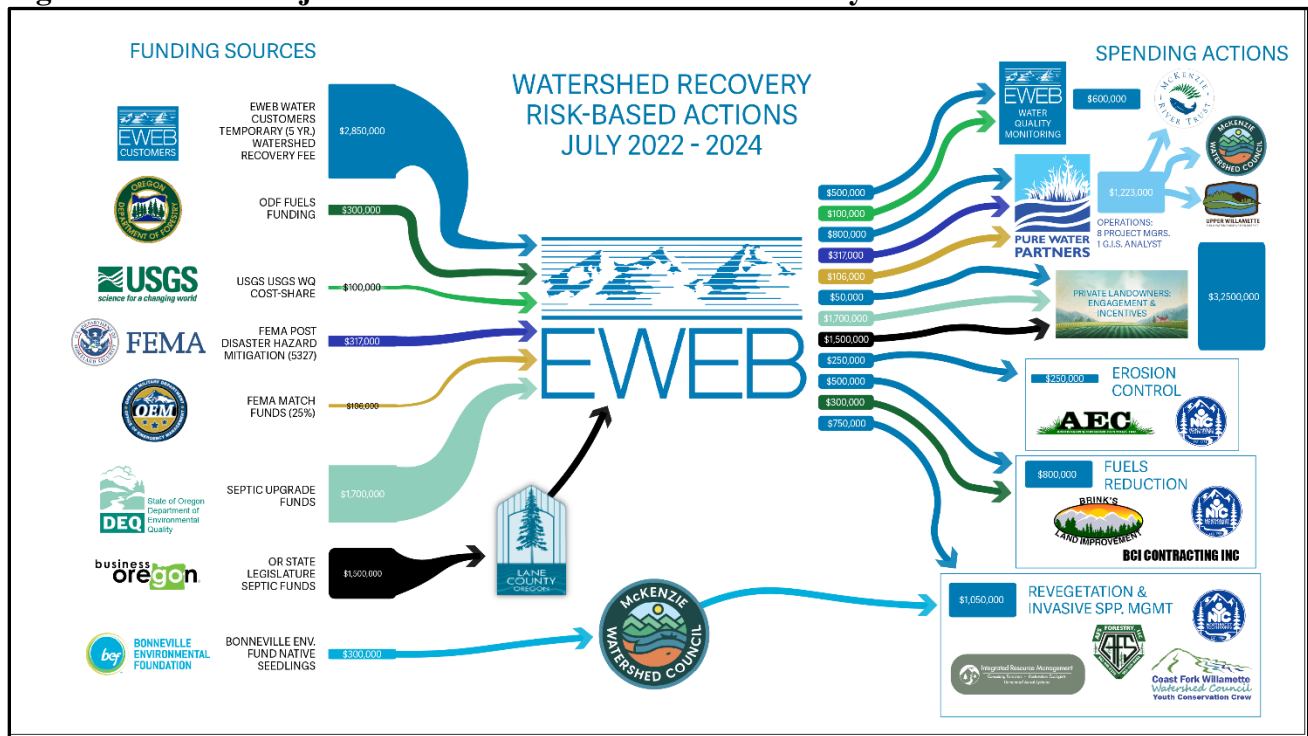
EWEB and its many partners have been focused on securing outside funding for ongoing watershed restoration work. The following graphics were developed to show the flow of funding and the net result for EWEB (i.e., [EWEB Expenditures] – [Reimbursement Revenue to EWEB] = [Net EWEB Cost]). Figure 1 shows the actual expenditures on risk-based actions since the start of the Holiday Farm Fire (Oct 2020 to June 2022) to demonstrate the net EWEB cost as a result of the secured funding that flows to EWEB as reimbursement revenue. EWEB has spent a total of approximately \$4.2 million on risk-based actions as part of the initial fire response and current watershed restoration efforts since October 2020. As indicated in Figure 1, the net cost to EWEB after reimbursements received or secured is nearly \$2.2 million.

Figures 2 and 3 show projected net expenditures from EWEB combined with current outside funding sources that are secured or pending to demonstrate the flow of funds for risk-based and resiliency activities for remainder of 2022 to 2024. As indicated in Figure 2, the projected funding for risk-based actions will deliver between \$1.5 to \$3.2 million for septic system repair, replacement or upgrades within and outside the HFF burn area that will flow through EWEB's existing Septic System Assistance Program. The PWP program will continue to work with hundreds of landowners under 7-year agreements to establish healthy riparian forests and increase fire resiliency in the watershed.

**Figure 1: Flow of Funds for Risk-Based Actions October 2020 to June 2022**

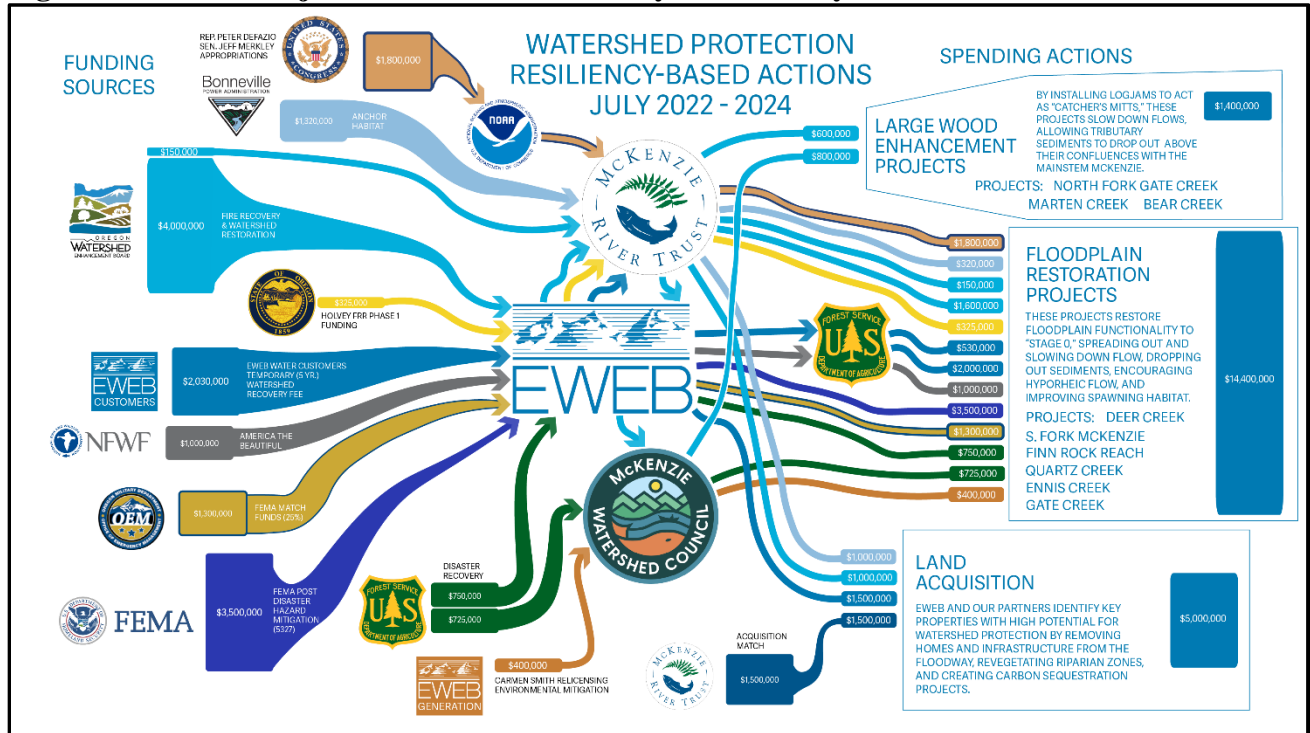


**Figure 2: Flow of Projected Funds for Risk-Based Actions July 2022 to December 2024**



As indicated in Figure 3, EWEB will be investing approximately \$4 million in resiliency actions and is leveraging another \$15 million that is allowing these efforts to scale up for long term lasting benefits to water quality and habitat.

**Figure 3: Flow of Projected Funds for Resiliency Actions July 2022 to December 2024**



### TBL Assessment

EWEB's investments in risk-based, resiliency, and strategic actions to restore the McKenzie Watershed after devastating impacts from the Holiday Farm Fire will protect the water quality of the McKenzie River for years to come, increase sequestered carbon, and help create significant economic benefits to local businesses and employment for impacted families.

### Recommendation

This background is for information only and to facilitate a discussion with the Board around investment levels for 2022 to 2024. The Watershed Recovery surcharge is sufficient to fund this critical work as outside funding is secured to scale up the work especially in the resilience actions and provide a mechanism to sustain the work past the July 2025 sunset of the Watershed Recovery surcharge.

### Requested Board Action

Information only.