



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners McRae, Barofsky, Schlossberg, Brown, and Carlson

FROM: Deborah Hart, Assistant General Manager/CFO; Aaron Balmer, AIC Financial Services Manager; Alicia Voorhees, Interim Budgets & Rates Supervisor; Janice Lee, Interim Senior Financial Analyst, Daniel Davidson, Senior Financial Analyst

DATE: November 27, 2024

SUBJECT: Electric Utility and Water Utility 2024 Capital Budgets, and Water 2024 O&M Budget Amendment

OBJECTIVE: Approval of Resolution No. 2421

Issue

Per Board Policy EL-1, the approved budgets are the maximum level of expenditure authorized by the Board. As noted in the most recent *Strategic and Operational Quarterly Report*, Management anticipates capital investments will exceed the budget for both the Electric and Water Utilities, and the Operations and Maintenance (O&M) expenditures will exceed the budget for the Water Utility this year.

Discussion

Throughout the year, staff monitor and project year-end budget variances. As of early November, it is projected both the Electric and Water Utilities investments will exceed the capital budgets and the Water Utility will exceed the O&M budget.

Electric Capital

Operational changes may be broadly characterized as planned future outflows happening in the current period and cost increases from revised project scope and material pricing. The January ice storm instigated a sizable transmission line rebuild this year, with 75% of costs eligible for FEMA reimbursement. Also, with limited production and long lead times, opportunistic transformer purchases were made beyond initial budgeted amounts. In addition, technology projects are anticipated to go-live soon and are exceeding current year budget allocations. Some of these additional costs are offset by underspending on the Carmen-Smith Relicensing project. An amendment to increase the Electric Capital budget by \$7.5 million is requested and would be funded by reserves. Using reserve funding to navigate timing fluctuations for project activity in the long-term financial plan mitigates further stress on prices. FEMA reimbursement is anticipated to occur in 2025 and will be used to replenish reserves.

Water Capital

The E. 40th reservoir replacement project was scheduled for completion last year. Tank backfilling and site restoration continued into 2024 as unbudgeted spending contributing to the amendment request. The tanks became operational in early Q1 2024. The College Hill project variance is due to timing of activity on a large contract spanning several years. Both the Shasta and Willamette Water Treatment Plant projects have been delayed due to land use and permitting procedures. The Advanced Water Meter Installation project had higher than budgeted expenses this year in attaining a current deployment level of over 84% of Water AMI

meters. Completion of deployment is targeted for year-end 2025. Technology projects anticipated to go-live soon are exceeding current year budget allocations. An amendment to increase the Water Capital budget by \$4.8 million is requested and would be funded by reserves. Using reserve funding to navigate timing fluctuations for project activity in the long-term financial plan mitigates further stress on prices.

The capital variances are outlined in the table below:

	<u>Electric</u>	<u>Water</u>
Approved Capital Budget	\$69,900,000	\$31,000,000
<i><u>Operational Changes:</u></i>		
Electric Transmission & Distribution Infrastructure	8,200,000	
Carmen-Smith Relicensing	(10,700,000)	
Information Technology	10,000,000	2,900,000
E. 40th Reservoirs		2,200,000
College Hill Reservoirs		800,000
Shasta 975 Replacement		(2,000,000)
Willamette Water Treatment Plant		(1,100,000)
Advanced Water Meter Installation		2,000,000
Total Requested Capital Budget Amendments	<u>7,500,000</u>	<u>4,800,000</u>
Total Amended Capital Budgets	\$77,400,000	\$35,800,000

Water Operations & Maintenance

Operating and Maintenance (O&M) spending is projected to be over the approved budget. Higher spending associated with McKenzie River watershed restoration and protection work exceeded budget and is offset by grant revenues. The approved budget did not capture revenue or spending for grants not yet awarded in the planning process. The January ice storm required additional spending for the Water Utility, with 75% of costs eligible for FEMA reimbursement. Also contributing to the O&M amendment request are software costs initially captured in capital budgets for 2025, representing a shift in spending from capital to O&M. An amendment to increase the Water O&M Budget by \$3.6 million is requested, and amounts not reimbursed by grant revenues, would be funded by reserves.

O&M variances have been outlined in the table below:

	<u>Water</u>
Approved O&M Budget	\$32,300,000
<u><i>Operational Changes:</i></u>	
Watershed Restoration and Protection	2,300,000
January Storm Response	600,000
Software Services planned as Capital	700,000
Total Requested O&M Budget Amendment	<u>3,600,000</u>
Total Amended O&M Budget	\$35,900,000

Requested Board Action

Management recommends and requests the Board approve Resolution No. 2421 to increase the 2024 Electric Capital Budget by \$7.5 million, Water Capital Budget by \$4.8 million, and Water O&M Budget by \$3.6 million.

**RESOLUTION NO. 2421
DECEMBER 2024**

**EUGENE WATER & ELECTRIC BOARD
2024 BUDGET AMENDMENT**

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

WHEREAS, Oregon Revised Statute 225.230 requires municipal utilities to make an annual written estimate of probable expenses to establish spending authority;

WHEREAS, the Eugene Water & Electric Board anticipates expenditures in excess of that authority;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves an increase to the Electric Utility Capital budget of \$7.5 million, the Water Utility Capital budget of \$4.8 million, and the Water Utility Operations & Maintenance budget of \$3.6 million.

Dated this 3rd day of December 2024.

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 December 3, 2024 Regular Board meeting.

Assistant Secretary