MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO:	Commissioners Barofsky, Schlossberg, Brown, Carlson, and Morris
FROM:	Frank Lawson, CEO & General Manager
DATE:	July 30, 2025 (August 5, 2025, Board Meeting)
SUBJECT:	Potential City of Eugene Fire Hydrant Ownership Transfer
OBJECTIVE:	Direction

Issue

The General Manager is seeking guidance regarding the potential development, negotiation, and potential execution of an agreement with the City of Eugene (City) to transfer the ownership of City fire hydrants to Eugene Water & Electric Board (EWEB).

Background

In many municipalities, the agency responsible for the water system owns and maintains the fire hydrants. Often however, this agency is a department within the city structure. Under a unique relationship, the City owns and maintains fire hydrants connected to EWEB's water distribution system within Eugene City Limits and some former water districts. The City pays to replace and repair existing hydrants when they become inoperable or during EWEB water main replacements. This division of responsibilities creates challenges for the efficient operation, maintenance, and replacement of fire hydrant assets.

Recently, EWEB and the City updated a Memorandum of Understanding (MOU) identifying each party's roles and responsibilities regarding the installation, testing, and maintenance of fire hydrants. In recent years, the City's budget constraints have increased the challenges of aligning the City's hydrant replacement rate ability with EWEB's capital improvement plan (CIP) which inherently includes or requires hydrant replacements.

Discussions between the City and EWEB of hydrant ownership goes back decades. In 2014, to support discussions of ownership transfer, EWEB hired HDR Engineering Inc. to perform a *Fire Hydrant Renewal and Replacement Study* (Hydrant Study) that investigated hydrant replacement rates, capital costs of various replacement rate options, and estimated ongoing O&M costs for city owned fire hydrants.

In 2021, EWEB determined that it could assume ownership of the City's hydrants for approximately $2.7M. This figure was derived by splitting the 20-year net present value (NPV) of replacing 60 hydrants per year based on a prior HDR level of service study and assumed replacement costs of $6k/hydrant. However, no additional O&M costs were factored in for EWEB to do inspections, repairs and fire flow tests.

Discussion

The City owns and maintains approximately 3,900 of the 4,500 hydrants connected to the EWEB water system. The average City of Eugene hydrant is approximately 35 years old, with approximately 350 hydrants installed before 1960 and the oldest hydrant being nearly 100 years old.

The Hydrant Study discussed challenges in determining a typical lifespan for a hydrant, a lack of industry replacement standards, and discusses a typical service life range between 40 to 80 years from various sources with hydrant manufacturers claiming a 100-year service life. Based on an average service life of 60 years, there are approximately 500 hydrants in EWEB's distribution system that have reached the end of their service life and should be evaluated for replacement.

Hydrants do not typically catastrophically fail the way pipes do but older hydrants may need to be replaced for a variety of reasons such as difficulty obtaining replacement parts, inadequate or deteriorating thrust restraint, difficult maintenance, poor location, damage, and not meeting current standards. The design of older hydrants can create relocation and adjustment challenges, making replacing them often more cost effective than continued repairs.

Benefits of Ownership Transfer

The benefits to EWEB of hydrant ownership transfer include the following:

- Improved protection of EWEB's Water Distribution System. In being able to paint hydrants ourselves (bonnet color indicates flow rate capability), EWEB can reduce the risk of system damage due to improper hydrant selection & utilization. Currently, hydrant bonnet colors are not being painted per National Fire Protection Association (NFPA) standards due to City delays. Additionally, EWEB could relocate hydrants to improve system flushing performance and reduce distribution system impacts.
- Improved process workflows, including potential cost savings. Staff anticipate the transfer would result in minor cost savings through reduced administrative burden (i.e., joint PO process, billing worksheets, invoicing between the two agencies, monitoring payments, etc).
- Potential reduction in customer calls to EWEB for water quality complaints (dirty water) due to Eugene Springfield Fire (ESF) operations during hydrant maintenance.

The benefits to the community at-large of hydrant ownership transfer include the following:

- Improved maintenance of hydrant assets safeguards public safety and public health.
- Consolidated control of hydrant assets results in better protection of EWEB's water quality.
- Better asset management of hydrants resulting in higher levels of service to the community.
- Potential for increased investment and fire protection level of service based on Board direction and capital planning process. For example, EWEB could budget specific amounts to improve fire protection in targeted high-risk areas.

Replacement Rate

To estimate the capital costs of hydrant ownership, the current and future replacement rate needs to be understood. The 2014 Hydrant Study explored 3 replacement rates as shown in *Table 1*; 20 hydrant replacements per year to represent the status quo, 40 hydrants per year to maintain hydrants under 100 years old, and 60 hydrants per year which would amount to roughly maintaining the current hydrant age over the 75-year planning period (hydrants replaced at approximately 60 years old). For the purposes of this memo, it is assumed that EWEB's recommended minimum replacement rate would strive to replace hydrants before they reach 100 years old, and the preferred replacement rate would be to replace hydrants at approximately 60 years old.

Table 1: Hydrant Replacement Rates from Hydrant Study

	Annual Replacement Rate	**Oldest Hydrant Age at Replacement[2]**
Status Quo Replacement Rate[1]	20	120 years old
EWEB recommended Minimum Replacement Rate	40	98 years old
EWEB Preferred Replacement Rate	60	66 years old

1. *Recent hydrant replacement rate 2020-2023 was approximately 27 hydrants/year, excluding car hit hydrants but there is significant variability in this rate.*
2. *At end of 75-year planning period.*

Financial Revenue Requirement Impact

At a replacement rate that reduces the oldest hydrant "Age at Replacement" to 66 years over the 75-year planning horizon, initial EWEB annual costs will be approximately $850,000, including $500,000 for capital replacements and $350,000 for maintenance. The capital cost includes replacing 60 hydrants per year, while the maintenance costs include labor (FTE), parts and material, and equipment including vehicles. With any supplemental financial support, this level of budget impact creates a 2% one-time revenue requirement (i.e. average rate) increase.

Risk Assessment

EWEB staff conducted a risk assessment and identified fourteen (14) risks across five risk areas including operational, financial, workforce, compliance, and reputation. After considering assumptions and dependencies, along with realistic mitigation strategies, only three risks remained of marginal concern.

1. *EWEB will be solely responsible for the conditions and operability of the hydrant* – **Reputational Risk** – existing Intergovernmental Agreements would be renegotiated to revise operations and financial responsibility solely to EWEB. By assuming all or nearly all risk associated with ownership and maintenance of the hydrants, any reputational risks would also transfer solely to EWEB. Additional outreach, communication, and responsiveness to community concerns would be borne by EWEB staff. Specific talking points and regular messaging to the community would be required.

2. *EWEB will be responsible for maintaining and replacement of hydrant assets in perpetuity including compliance with hydrant spacing obligations, and related costs such as replacement of damaged roads/sidewalks/curbs/ramps* – **Financial Risk** –hydrant installations and replacements will require additional financial resources and budget planning. The Net Present Value of the financial obligation of hydrant replacement costs in perpetuity is negative (i.e. liability) $14.5 million. Mitigations can include working with the City to offset some restoration costs during city driven road projects. Financial risks can be mitigated through cash payments from the City, City reducing future EWEB costs, City assuming some EWEB financial liabilities, or a combination thereof.

3. *EWEB liability if codes are changed by City after transfer* – **Compliance Risk** – assumptions are that not all of the 3,900 hydrants owned by the City are compliant with all relevant regulations. Mitigations proposed included conducting a regulatory and compliance study to flesh out non-complaint or concerning hydrants. Additionally, a multi-year-phased agreement with the City would enable a transition plan for non-compliant hydrants. This will require careful collaboration of water engineering, risk management, legal counsel, and communications & marketing teams.

Legal Considerations

A preliminary legal review of the potential increased liability associated with a transfer of responsibilities for the hydrants has revealed several areas to clarify and mitigate, which should be included as conditions in any transfer agreement.

Eugene Code 2.604(1) presently provides that *"The city shall provide fire suppression and prevention . . . The scope of these services inside and outside the city limits are to be established by the adopted budget of the city and organized as directed by the city manager."* The Eugene City manager has in turn periodically adopted Eugene Fire Code by Administrative Order. See, Eugene Administrative Order, 52-23-02-F (which adopts the Int'l Fire Code and Oregon Fire Code subject to certain modifications). Historically, the City has paid for fire hydrants, and provided for their maintenance, repair and replacement. A fundamental question is whether the City would amend code language in order to delegate specific identified aspects of hydrant control to EWEB?

Despite the prior methodology for renewal and replacement of hydrants, if EWEB were to accept transfer of ownership of hydrants, the key to whether discretionary immunity may be of benefit to EWEB's decision-making will be whether the City explicitly delegates to EWEB the authority to exercise independent

discretion in the renewal and replacement of hydrants. Consistent with the discussion above, it is my impression that the City would need to alter the provisions of Eugene Code 2.604 and perhaps the Eugene Administrative Order 52-23-02-F to recognize delegation of discretionary power over the hydrants' renewal and replacement to EWEB.

In evaluating EWEB's potential liability, it should be acknowledged that there is likely a distinction between financial and budgetary decisions when the local public body has the inherent choice of when or whether to implement a change, versus whether or not EWEB must simply comply with standards adopted by another agency and imposed upon EWEB, such as pursuant to a City-adopted fire code. If the City retains the authority to modify the fire code standards, including the implementation of hydrant renewal or replacement, then EWEB could find itself in a ministerial role and effectively be leveraged to bring the hydrants to new standards without the Board having the ability to effectively control the rate of repair and replacement, or ability to exercise discretion in the prioritization of capital budget and workforce utilization.

Related to indemnity from the risks of past practices, EWEB will need to prudently seek clarity on the scope of liability exposures for the existing fire engineering design choices and implementation of existing hydrant facilities. To the extent that any liability may flow from the past design, materials choices, construction and maintenance decisions of City personnel or agents, the allocation of risk exposure should be addressed without consideration of discretionary immunity because EWEB was not the decisionmaker.

Recommendation
Management recommends the Board direct the General Manager to develop a resolution authorizing the negotiation and potential execution of an agreement with the City of Eugene that defines the terms and conditions of a transfer of ownership of City hydrants to EWEB, consistent with any guidance provided at the August 5, 2025, Board Meeting.

Requested Board Action
Management is seeking Board endorsement to develop a resolution as described in the recommendation above and soliciting guidance on potential content to incorporate into subject resolution.