



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Carlson, Barofsky, McRae, Schlossberg, and Brown
FROM: Deborah Hart, CFO; Aaron Balmer, AIC Financial Services Manager; Alicia Voorhees, Interim Budgets & Rates Supervisor; Janice Lee, Interim Senior Financial Analyst
DATE: November 29, 2023
SUBJECT: Water Utility 2023 Capital Budget Amendment
OBJECTIVE: Approval of Resolution No. 2322

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 budget for the Water Utility this year. Management will request the Board approve a budget amendment at the December meeting.

Discussion

Throughout the year, finance staff monitor and project year-end budget variances. As of early November, it is projected the Water Utility investments will exceed the capital budget due to:

- Increased main replacement work in coordination with paving projects of the City
- Increased construction costs associated with Type 1 Pump Station work
- Contract timing, increased scope, and material costs for the Hilyard Transmission Main
- Timing of work for EWEB Enterprise Solutions (EES) – While the overall project is on budget, 2023 budget allocations are not sufficient for the work performed this year

These increases are partially offset by a lower year end projection for the E. 40th Reservoir, as site backfill and grading will occur in 2024.

	<u>Water</u>
Approved Capital Budget	\$ 32,468,000
<i><u>Operational Changes:</u></i>	
Increasing main replacements	\$ 1,600,000
Timing of Construction/Project Cost Increases	5,200,000
<u>Reduction for East 40th Reservoir</u>	<u>(1,800,000)</u>
Total Projected Capital Budget Amendment	\$ 5,000,000
Total Amended Capital Budget	\$ 37,468,000

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. An amendment to increase the Water Capital budget by \$5 million is requested and would be funded by reserves. Strong water consumption during the summer produced favorable retail revenue and contributes to reserves being above target. Using reserve funding to navigate timing fluctuations for project activity in the long-term financial plan mitigates further stress on prices.

Requested Board Action

Management recommends and requests the Board approve Resolution No. 2322 to increase the 2023 Water Capital budget by \$5 million.

**RESOLUTION NO. 2322
DECEMBER 2023**

**EUGENE WATER & ELECTRIC BOARD
2023 BUDGET AMMENDMENT**

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 Water Utility Capital budget of \$5.0 million.

Dated this 5th day of December 2023.

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 5, 2023 Regular Board meeting.

Assistant Secretary