



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson
FROM: Deborah Hart, CFO; Rene Gonzalez, Customer Solutions Manager; and Anna Wade, Business Line Manager
DATE: July 1, 2020
SUBJECT: Resolution No. 2021, Transfer of Business Growth & Retention Reserves
OBJECTIVE: Board Action

Issue

Periodically the Board evaluates the allocation to certain designated funds. This memo provides a recommendation for a transfer that will better utilize funds held in the Business Growth & Retention Loan Fund.

Background

In May 2012, the Board authorized a \$2 million reserve to fund an Economic Development Loan Pilot Program to explore the economic and community benefits of assisting customers with the costs of establishing or expanding EWEB services.

Following the pilot period, the Business Growth & Retention Loan and Rate Rider were incorporated into Customer Service policies on a standing basis. Additionally, the Board adopted program changes designed to streamline program administration and increase flexibility for participants. Despite these changes, program participation has remained very low. Since its inception in 2012, the loan fund has guaranteed 20 loans totaling \$795,000. Two customers account for \$660,000 and the average loan amount, excluding those two, was \$7000. There are 16 loans outstanding with a total balance of \$36,000.

As of April 2020, the combined water and electric Business Growth & Retention Loan Fund (BG&R reserve) balance was \$2.2 million for Electric and \$200,000 for Water.

EWEB has taken significant actions in response to the Covid-19 health crisis. Those actions include suspension of shut-offs and late fees, increased budgets for bill assistance, expanded bill assistance eligibility and options to defer existing loans. Those actions, combined with balances of past due accounts receivables of approximately \$2.5 million, and lower than expected consumption, have put financial pressure on the Utility. As a result, Finance is evaluating the highest & best use of existing financial resources.

Discussion

As the utility pivots from reintegration to the response phase, customer-facing programs have been developed to create a viable path to repayment for all customer classes. Shifting these funds to

Working Cash would help provide a backstop in the event of participant default and uncollectable account balances.

Additionally, we do not know how long or how deep the economic impact from COVID-19 will be. There has already been significant demand for customer care programs. Repurposing the BG&R reserve would free up funds for additional customer care allocations should EWEB see a need later in the year.

Finally, a reserve is not necessary to operate a loan program. EWEB has a variety of other loan programs that operate without a reserve. Business Growth and Retention loans can still be offered. The transfer would also free up designated cash that is not being well utilized, in a time when cash is particularly important.

Recommendation

Management recommends approval of Board Resolution No. 2021 to transfer the balances of the Business Growth & Retention Loan Funds to Working Cash.

Requested Board Action

Approve Board Resolution No. 2021

**RESOLUTION NO. 2021
JULY 2020**

**EUGENE WATER & ELECTRIC BOARD
RESERVE DESIGNATION**

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 Board authorized a reserve to fund the Economic Development Loan Pilot Program to assist customers with one-time service costs;

WHEREAS, the Board has approved changes to the loan program now referred to as the Business Growth & Retention Loan Program, which expanded the types of one-time service costs eligible for loans and eased other loan qualification criteria;

WHEREAS, customer participation in the loan program remains low;

WHEREAS, the COVID-19 health crisis has led to an economic crisis with local impacts including decreased electricity consumption and increased demand for EWEB's customer care programs;

WHEREAS, a reserve is not necessary to continue the Business Growth & Retention Loan Program;

WHEREAS, the financial recovery of EWEB and its customers from the economic crisis is best served with undesignated cash;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby approves transferring the Business Growth and Retention Reserves for the Water Utility and the Electric Utility to Working Cash.

Dated this 7th day of July 2020

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 7, 2020 Board Meeting.

Assistant Secretary