



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson
FROM: Deborah Hart, Chief Financial Officer; Adam Rue, Fiscal Services Supervisor
DATE: October 6, 2020
SUBJECT: Water O&M and Capital Budget Amendments
OBJECTIVE: Approval of Resolution No. 2024

Issue

Per Board Policy EL-1, the approved budgets are the maximum level of expenditure authorized by the Board. Management is projecting costs will exceed budget for the Water Utility this year due to an opportunity to invest in Water Source Protection related to the Holiday Farm Fire, as well as a shift in overhead from capital to O&M due to lower capital spending. Management is requesting Board approval of budget amendment.

Discussion

The Water Utility 2020 actual costs are expected to exceed the O & M budgets and the variances have been outlined in the table below. The Water Utility has had a strong revenue year, with income in excess of budget by \$1.4 million to date. After considering the unfavorable shift of overhead and labor to O & M, the Water Utility still has \$800,000 in unanticipated revenue to absorb increases in Water Source Protection. Water cash reserves are healthy and could be used to cover the balance of an addition of budget to source protection. More detail on the drivers of Water variances follows the table.

	<u>Water</u>
Approved Operations & Maintenance Budgets	\$20,700,000
<i><u>Operational Changes:</u></i>	
Water Source Protection	\$1,000,000
Software shift from Capital to O&M	\$300,000
Shift of Labor and Overhead from Capital to O&M	\$600,000
Total Projected O&M Budget Amendment	\$1,900,000
Total Projected O&M Budgets	\$22,600,000

Water Operations & Maintenance

Operational Changes

The increase in Water Operation and Maintenance budget is based primarily on two factors.

- Water Source Protection investment
- Lower projected capital and accounting guidance and software capitalization both shifted costs from capital to O&M

Capital Budget

The Water Utility is anticipating a \$2,500,000 lower than budget capital spending. The primary drivers for the decrease are deferred work due to the COVID 19 pandemic.

	<u>Water</u>
Approved Capital Budget	\$18,000,000
Software shift from Capital to O&M	(\$300,000)
Shift from Capital to O&M	(\$600,000)
Total Amended Capital Budget	\$17,100,000

Requested Board Action

Management recommends and requests that the Board approve Resolution No. 2024 to increase the Water O&M budget by \$1.9 million and reduce Water Capital budget by \$900,000.

**RESOLUTION NO. 2024
OCTOBER 2020**

**EUGENE WATER & ELECTRIC BOARD
2020 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 Water Utility Operations & Maintenance budget of \$1.9 million and a decrease in the Water Utility Capital budget of \$0.9 million.

Dated this 6th day of October 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 October 6, 2020 Board meeting.

Assistant Secretary