



CITY OF
PORTLAND, OREGON

Amanda Fritz, Commissioner

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DATE: October 11, 2018

TO: Portland City Council
Auditor Mary Hull Caballero

FROM: Commissioner Fritz

CC: Council Clerk

SUBJECT: Accept FY 2017-18 Portland Utility Board Annual Report

Attached is the third annual report of the Portland Utility Board (PUB).

In 2014, the City charged a Blue Ribbon Commission (BRC) with improving oversight of the City's public utilities.

The BRC ultimately recommended a new committee - PUB - to replace three existing oversight bodies: the Portland Utility Review Board and budget advisory committees for the Portland Water Bureau and the Bureau of Environmental Services.

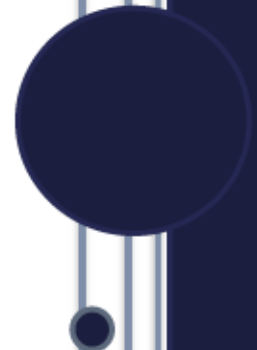
In its third year, the PUB provided extensive input on the bureaus' budgets, and informed policy positions in areas including water quality, hydropower contracts, community engagement strategies, and the strategic planning process for both bureaus.

This report includes an overview of the Board's activities for FY 2017-18 and a workplan for the next year.



PORTLAND UTILITY BOARD

FY 2017-18 Annual Report



PORTLAND UTILITY BOARD

Members:

Allan Warman, Co-chair
Colleen Johnson, Co-chair
Heidi Bullock
Ted Labbe
Robert Martineau
Micah Meskel
Lee Moore
Dan Peterson
Dory Robinson
Scott Robinson
Mike Weedall

Ex-officio Members:

Ana Brophy
Van Le
Vera Zaharova

Staff Contact:
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Portland, Oregon 97201

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

From: Portland Utility Board

Re: FY 2017-18 Annual Report

Per Chapter 3.123 of Portland City Code that governs the Portland Utility Board (PUB), please find attached our Annual Report for FY 2017-18 and a preliminary workplan for the upcoming year.

To act as effective advocates for the residents of Portland, board members need a broad understanding of utility management, bureau operations, and the city budget process. As you will see from the report, PUB's third year saw an intensive examination of these areas, education of members, and development both of mechanisms and structures for engagement with the bureaus, City Council, and the public. PUB also acted in the capacity of the Budget Advisory Committee for the bureaus, reviewing the capital and operating budgets for FY 2018-19, as well as the proposed rate and fee schedules. Finally, PUB engaged in several policy considerations facing the city including water quality, hydropower contracts, and the strategic planning process for both bureaus.

The proposed FY 2018-19 workplan is designed to continue to integrate PUB into bureau work flow. The board has identified equity, public and community engagement, regulatory compliance, strategic planning, green infrastructure, operational efficiencies, resiliency and emergency preparedness, and interbureau coordination as specific topics for engagement in the next fiscal year, in addition to its responsibilities as part of the budget process.

Members look forward to a constructive dialogue with the City Council and bureaus in FY 2018-19.

Portland Utility Board FY 2017-18 Annual Report

Executive Summary

The Portland Utility Board (PUB) serves as the volunteer, community-based, advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB).

Over the course of the 2017-18 fiscal year, PUB held 22 regular and 7 subcommittee meetings. Board members also visited utility facilities to deepen members' understanding of the opportunities and challenges facing both utilities. The board reviewed preliminary operating budget information and the major additions and adjustments to the five-year capital improvement plans for both bureaus. During the city process for approving bureau budgets, the board provided written recommendations and observations to the City Council, participated in council work sessions and mayor meetings, and provided testimony during council consideration of budget requests and rate ordinances. In addition, board members participated as stakeholders for PWB's preliminary work on its strategic business plan and convened two special issue-specific meetings related to water topics.

In the coming year, the PUB looks forward to its continued work on behalf of the residents of Portland with Commissioner Fish, Commissioner Fritz, and the bureaus. Specifically, in addition to its responsibilities as part of the budget process, the board has identified the following topics for engagement: equity, public and community engagement, regulatory compliance, strategic planning, green infrastructure, operational efficiencies, resiliency and emergency preparedness, and interbureau coordination.

Introduction

The PUB began its service to the city on September 1, 2015. Its formation and general structure was recommended by the Portland Utility Oversight Blue Ribbon Commission which, in 2014, evaluated the need for additional oversight of Portland's utility bureaus – PWB and BES. In response to that evaluation, the PUB was created to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (Portland City Code. (3.123.010)”

To act as effective advocates for the residents of Portland, board members need a broad understanding of utility management, bureau operations, and the city budget process. The PUB's third year saw an intensive examination of these areas, education of members, and development both of mechanisms and structures for engagement with the bureaus, City Council, and the public.

The following sections detail the investments made by both board members and bureau staff to increase the knowledge foundation of members, the opportunities provided for public engagement in budget and policy discussions, communications to the City Council, and the refinements made to better integrate PUB oversight into the bureaus and the City's budget processes.

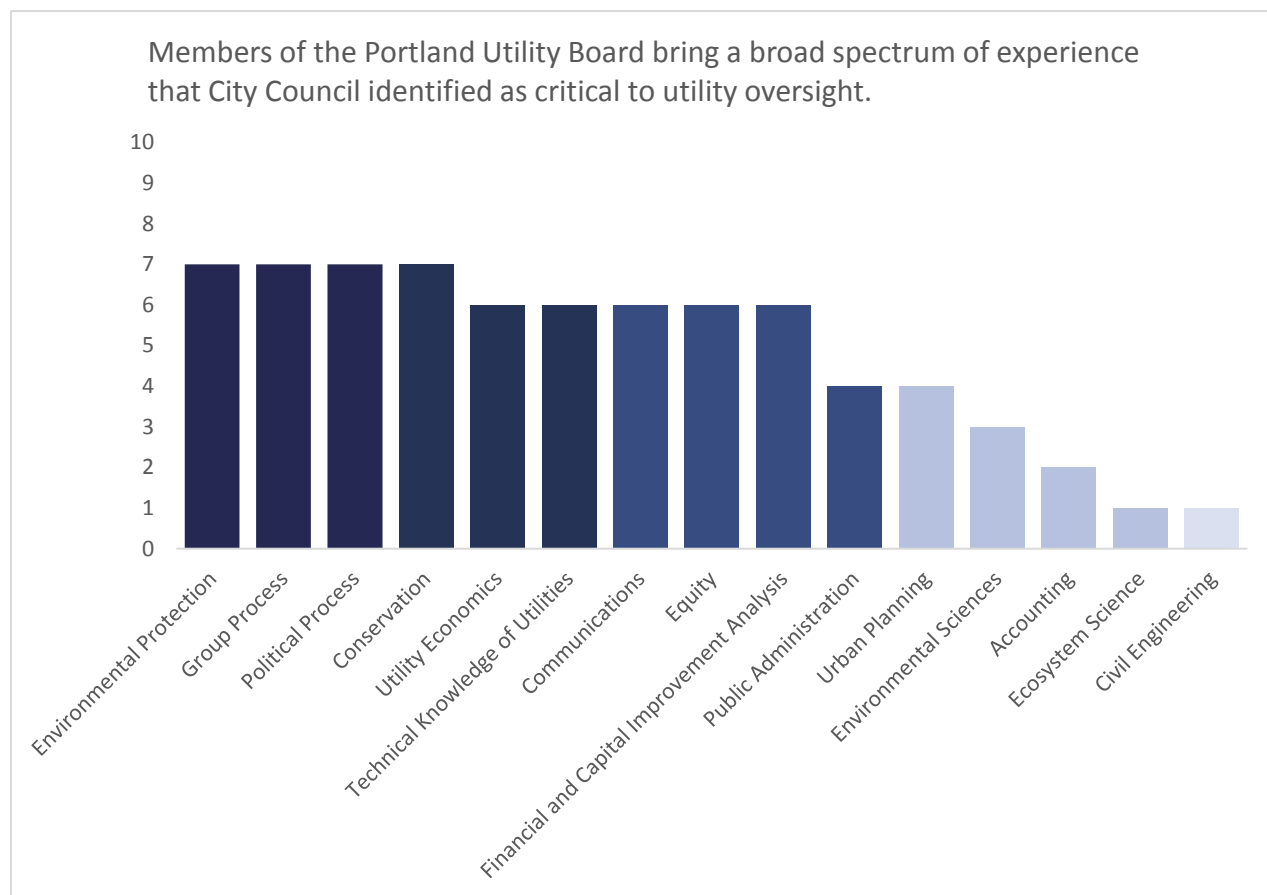
Member Compositions and Education

The PUB has 11 voting members and three ex-officio members. Voting members are appointed for 3-year terms and can be reappointed for one additional term. The table below shows current members of PUB.

Voting PUB Member	Term Ending		
	30-Jun-19	30-Jun-20	30-Jun-21
Rob Martineau			x
Allan Warman			x
Colleen Johnson			x
Lee Moore*	x		
Ted Labbe*		x	
Micah Meskel*		x	
Scott Robinson*		x	
Mike Weedall*	x		
Dan Peterson*		x	
Heidi Bullock*			x
Dory Robinson*			x

* These members are serving their first term and could be reappointed for a second term.

The ordinance governing PUB identifies the following skills that will serve the board well: technical knowledge of water, stormwater, and sewer utility operation and issues, accounting, civil engineering, conservation, environmental sciences, health sciences, public administration, urban planning, or utility economics, financial and capital improvement analysis, ecosystem science, environmental protection, political process, group process, and communications. The board worked this past year to increase the number of members with equity, communications, and environmental experience. The skill mix of members for FY 2017-18 is illustrated in the graph below.



This fiscal year, PUB expanded its recruitment activities for new members with assistance from BES, PWB and the Office of Equity and Human Rights (OEHR). The workgroup to review applications for new members included members of PUB, community members, and a representative from OEHR. The workgroup reviewed 15 applicants before recommending new members. The workgroup recommendations included two new members to the board, Heidi Bullock and Dory Robinson, and the reappointment of Colleen Johnson, Robert Martineau, and Allan Warman. The new members bring to the board an important set of skills, experiences,

and relationships that will add to PUB deliberations. The appointments were confirmed by City Council in July. Biographies of all current members are included in the appendix.

As part of the recruitment process last fiscal year, PUB staff created an onboarding curriculum to educate new members on city budget processes, ethics requirements, and introductory information for both BES and PWB to jump start their participation in the board activities. This educational component continued this fiscal year with additional focus on the bureau budgets.

Member Service and Board Meetings

Through June 30, 2017, PUB members dedicated almost 650 hours of service in formal meetings plus additional hours preparing for meetings. This marks a significant increase over the prior two years. In FY 2016-17, several PUB members requested more time to reflect on and discuss the information it received from the bureaus. To address this issue, the members agreed to second monthly meeting times to increase the opportunity for board discussion and deliberation time. In addition, staff institutionalized a process for members to submit questions and the bureaus to provide answers in writing prior to meeting and the bureaus have created a quarterly reporting mechanism for items such as the Portland Harbor Superfund and several capital projects to provide updates to members rather than make presentations during meetings.

In FY-2017-18, PUB held twenty-two board meetings (Table 1). Summaries of all meetings can be found on PUB's website.



PUB members get an update on the Eagle Creek fire from PWB Director Stuhr

Table 1: FY 2017-18 PUB Board Meetings

July 11, 2017	December 5, 2017
Hydropower Contracts	BES Operating Budget and Decision Packages
Water Treatment	PWB Operating Budget and Decision Packages
July 18, 2017	January 9, 2018
Water Treatment	Anderson Lawsuit
	Budget Updates

Table 1 Continued

July 25, 2017	January 18, 2018
Water Treatment	PUB Budget Recommendations to Council PWB Strategic Business Plan
August 1, 2017	February 6, 2018
BES CIP Update	Assistance Programs for Low Income Residents
BES Communications	BES CIP Process Review and Enhancement Project
BES Strategic Plan	Budget Updates
Corrosion Control	PWB Racial Equity Plan Implementation
Hydropower Contracts	
August 24, 2017	March 6, 2018
Hydropower Contracts	CBO Budget Review and Recommendations Portland Harbor Superfund Site Quarterly Update Spring Recruitment Plan
September 5, 2017	March 15, 2018
BES CIP Update	Board Discussion FY 2018-19 Budget Requests
Fall BMP Previews	
Filtration Roadmap and OHA Compliance	
PWB CIP Update	
PWB Strategic Business Plan	
September 21, 2017	March 22, 2018
BES Strategic Plan	Board Discussion FY 2018-19 Budget Requests
Board Annual Report and Workplan	
Eagle Creek Fire Update	
October 10, 2017	April 12, 2018
BES BMP Request and CBO Review	BES CIP Update
Multnomah County Drainage District	CBO BMP Review and recommendations
PWB BMP Request and CBO Review	PWB CIP Update
PWB Fire and Regulatory Update	PWB Strategic Business Plan Spring BMP Requests
October 19, 2017	April 16, 2018
BES Strategic Plan	Board Conversation BMP Requests
Board Annual Report and Workplan	Utility Rate Ordinance Preview
PUB BMP Recommendations to Council	

Table 1 Continued

November 7, 2017	May 8, 2018
BES Budget Overview	BES Equity Plan Implementation
Budget Outlook and Guidance	BES Performance Metrics
PUB Statement of Support for BES Strategic Plan	Utility Rate Ordinance Update
PWB Budget Overview	
Water Quality Update	
November 21, 2017	June 5, 2018
BES CIP Update	New Member Recommendations
Milestone Proposal	PWB Outreach for Monthly Statements
PWB CIP Update	PWB Strategic Business Plan

The board's FY 2017-18 work plan identified five major areas of review for PUB: Financial Planning and Budgeting, Rate Setting and Debt Service, Strategic and Resiliency Planning, Bureau Performance, and Bureau Engagement and Oversight (Table 2). Each PUB meeting was designed to further the members' understanding of the challenges and opportunities facing each bureau within these areas of review. In between meetings, there were substantial reading materials to help members fully understand the depth and breadth of the services of each utility.

Table 2: FY 2017-18 Topics Reviewed by Workplan Category

Financial Planning and Budgeting	
Budget Adjustment Requests	Budget Outlook and Guidance
Bureau Annual Budget Overview	Utility Rate Ordinances
Operating Budget and Decision Packages	
Bureau Performance	
Assistance Programs for Low Income Residents	PWB Outreach for Monthly Statements
BES CIP Process Review and Enhancement Project	Capital Updates
BES Performance Metrics	Equity Plan Implementation
Board Administration	
Board Annual Report and Workplan	New Member Recommendations
Milestone Proposal	Spring Recruitment Plan

Table 2 Continued

Bureau Engagement and Oversight	
Anderson Lawsuit	Filtration
BES Communications	Hydropower Contracts
Corrosion Control	Multnomah County Drainage District
Eagle Creek Fire Update	Portland Harbor Superfund Site
Strategic and Resiliency Planning	
BES Strategic Plan	PWB Strategic Business Plan

PUB members participated in a total of 7 subcommittee meetings for the low-income discount program (2 meetings), budget review (2 meetings) and communications (3 meetings), (Table 3). Members also visited Johnson Creek Watershed Restoration projects, the Interstate Facility for PWB, and the Washington Park construction site. A visit of the Bull Run Watershed was canceled due to fire.



PUB members meet with bureau communication staff during a subcommittee meeting.

Table 3: FY 2017-18 PUB Subcommittee Meetings and Participation in ARC Meetings

Low Income Discount Subcommittee	Budget Subcommittee
August 23, 2018	December 19, 2017
November 21, 2017	January 3, 2018
Communications Subcommittee	
	August 23, 2017
	November 28, 2017
	February 22, 2018
Administrative Review Committee Meetings with the Bureaus	
September 5, 2017	December 12, 2017
September 22, 2017	January 9, 2018
September 29, 2017	March 13, 2018
October 10, 2017	April 10, 2018
November 14, 2017	May 9, 2018
	June 12, 2018

PUB has identified equity as one of its stated values. In addition to considering how BES and PWB are implementing their equity plans and considering equity in service provision and assistance programs, three PUB members attended the Racial Equity-Centered Results-Based Accountability training offered by the Office of Equity and Human Rights.

Communications to Council

PUB was created to have multiple opportunities to communicate to the City Council on budget and other issues relating to the two utilities. (See Appendix for written communications.)

FY 2018-19 Budget Process

PUB spent last fall reviewing various components of the FY2018-19 budget requests that the bureaus were crafting and, as part of its role as the Budget Advisory Committee for both bureaus, submitted its initial observations with those requests in January. In that communication to City Council, PUB identified ten values it would consider when providing input and making recommendations to the Council: affordability, efficiency of operations and value to customers, assistance to low-income residents, protection of public health and watershed health, improvement and sustainability of infrastructure, regulatory compliance, equity, service delivery, system resiliency, and transparency and public engagement.

These values are not presented in any particular order and tension can exist between these values. PUB members particularly feel the tension between the need of the bureaus to increase capital investments to address system maintenance and the burden that ongoing annual rate increases place on customers. PUB encourages and has asked the bureaus to make explicit the consequences of rate constraints to increase public awareness of this issue. PUB feels strongly that this needs to be a component of the public dialog to align expectations and find the optimal levels of investment for the bureaus and the public.

Following the budget submissions, PUB considered the final decision packages and the CBO review of those items. In addition, PUB requested its analyst provide an independent review of the requests for new staff. In summary, PUB supported 12 of the 21 FTE requested by the PWB. It did not support four of the requested FTE and had no recommendation for five of the requested FTE. PUB supported 15 of the 22 FTE requested by BES. It did not support one of the requested FTE and had no recommendation for six of the requested FTE. It also supported, with some reservations, the proposals to expand the Low-Income Assistance Programs. Overarching themes of board discussion included concerns with the capacity of both bureaus to absorb the number of staff being requested and deliver the ambitious capital programs envisioned.

The final component of the annual budget process for the utility bureaus is the rate hearing and council approval of the rates and fees for the next year. The co-chairs participated in the rate hearing and reiterated to the City Council many of the affordability concerns that were included in its letter from January and March. The board remains concerned about the ongoing annual rates of increase for customers.

Considering the changes to the City budget process, the board and bureau staff are working with the co-chairs to refine information flow and feedback mechanisms to improve the board's engagement in the FY 2019-20 process.

Budget Monitoring Process

Twice a year, the City has a process for bureaus to adjust their current year budgets. In FY 2016-17, this was identified as an area where a process had not yet been developed for the board to review requested changes. In FY 2017-18, PUB reviewed the bureau requests for budget adjustments in the Fall and Spring, considered the CBO review and recommendations, and provided input to City Council prior to their consideration. As part of the communication to City Council in the Fall, PUB identified the following principles that it would use to consider bureau budget adjustments mid-year:

- Bureau requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year. Many of the requests this year fall into these categories and the board is supportive of them. In addition, requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time. Some of the requests this year fall into that category and the board is supportive of them.
- Bureau requests for increases to staff should be done as part of the holistic annual budget process and should not be done out of cycle. Including staff requests as part of the annual process allows for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny. In addition, the board has stated its expectation that requests for additional staff be coupled with clear workplans and detailed responsibilities in a prior communication to the City Council.
- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities. With exceptions for emergencies, bureaus should limit the use of contingency or adding staff out of cycle. Accessing non-General Fund contingency early in the year should be reserved for instances similar to the requirements on the General Fund contingency: unanticipated and emergency needs that are well developed and can't be absorbed by the bureaus.

- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

PUB will use these principles when assessing mid-year budget adjustments going forward.

Policy Considerations

Outside of the formal city budget process, other items come before the City Council that affect the utility bureaus. During FY2017-18, these items included filtration, PWB hydropower contracts, BES's strategic plan, and assignment of the bureaus to City Commissioners. For each of these issues, the board considered the items at one or more meetings, invited bureau experts and Portland residents to provide information and input, and submitted written feedback to the City Council for consideration.

Public Engagement

To be effective advocates for the public, there needs to be open and transparent communication. PUB has an established website (<http://www.portlandoregon.gov/cbo/68272>) to help facilitate the sharing of information with the public and among members. All meeting notices, agendas, minutes, bureau presentations, and other meeting materials are posted on the website for public access. In addition, PUB bylaws reflect a strong commitment to public engagement with time set aside for public comment during each meeting and before all votes. Meetings where water treatment topics were discussed had more public members providing comment than other PUB meetings.

In addition to regular board meetings, five PUB members also participated in 11 administrative review committee (ARC) hearings for the bureaus (Table 3). These hearings are bureau mechanisms for members of the public to request a review of decisions, determinations, or orders of the BES and PWB for which there is an Administrative Review provision in Code and Rule. The process ensures the public can exercise their right to be heard and receive fair treatment. Having PUB members who are not city employees participate in the process helps keep the process fair and equitable.

Challenges and Opportunities

- **Budget Review and Input.** For both bureaus, the operating budget and the five-year capital improvement plan are products of previously developed programs, plans, and studies that guide the management of bureau infrastructure. PUB has spent the last two years working with the bureaus as they are, or are beginning to, update their strategic planning processes to allow for PUB input earlier in the planning and design phases. This year, the City is changing its budget process to move away from decision packages and have bureaus submit program offers which is intended to focus more on intended outcomes of city programs. PUB looks forward to being a partner with the bureaus and City Council during this transition.
- **Engagement on Capital Projects.** The annual budgets of both utility bureaus are driven in large part by investments in system infrastructure. Most projects to invest in capital assets are the outcome of facility planning and system studies that span many years and result in large, complex, expensive investments that the bureaus will implement over several years of design and construction once the project is included in the capital budget. To provide assessment and recommendations to City Council, PUB needs to be incorporated in the initial phases of capital projects that will have long-term impacts on customers. PUB requests assistance from both City Council and leadership of BES and PWB in this manner.
- **Assignment of Utility Bureaus to Commissioners.** Having the utility bureaus under the management of one City Commissioner was a recommendation of the Blue-Ribbon Commission. Portland residents receive a combined utility bill and the individual decisions of BES and PWB are combined in their effects on customers. PUB has observed improvements in coordination between the bureaus over the last two years under the leadership of Commissioner Fish but thinks there can be additional improvements in how the bureaus present information to the public and in coordinate similar work such as communications, equity, budgeting, and financial planning.

PWB and BES now have separate Commissioners-In-Charge. PUB encourages Commissioners' Fish and Fritz to manage the bureaus with an eye toward the combined impact on customers and to continue the efforts to coordinate the work of the bureaus.

- **Communication with City Council.** PUB welcomes the opportunity to work with Council to ensure proper public process and vetting occurs when utility projects or projects impacting the utilities are proposed during or outside normal procedures or the budget process. The Blue-Ribbon Commission recommended the formation of PUB to proactively address such issues. PUB will continue to work with the bureaus and the Council to refine that process.

- **Connecting to Portland Communities.** PUB was created to advise City Council on behalf of and for the benefit of the residents of Portland. In the past year, PUB has encouraged PWB and BES to increase outreach to communities about capital projects and low-income assistance programs. PUB sees an opportunity this year to increase its engagement with increased communication initiatives and hosting meetings in neighborhoods across the city to elevate its presence, increase understanding of the system challenges facing the bureaus, and build trust with the public.

Proposed FY2018-19 Workplan

The proposed FY 2018-19 workplan is designed to help the bureaus integrate PUB into their work flow, especially for activities like strategic planning, capital improvement budgeting, and operational budget decisions. The board has identified equity, public and community engagement, regulatory compliance, strategic planning, green infrastructure, operational efficiencies, resiliency and emergency preparedness, and interbureau coordination as specific topics for engagement in the next fiscal year, in addition to its responsibilities as part of the budget process. Those items will be incorporated into meeting agendas over the next year (Table 4).

Table 4: FY 2018-19 Draft Work Plan

July	January
PUB Co-chair Discussion and Recommendation	Budget Update
PWB Groundwater and Water Quality	Approval of Board Letter
PWB Customer Service	Open Policy Item
BES Strategic Plan	Open Policy Item
August	February
Board Development	Budget Update
Filtration	Open Policy Item
BES Audit Report: Stormwater	Open Policy Item
September	March
Fall BMP Request	CBO Budget Analysis
City Budget Process Changes	Board Conversation about Budget Requests
Capital Progress Reports and Previews	CIP Progress Reports
Biosolids	Participate in Budget Work session and Meetings
Low Income Assistance Program Changes	
City Plans 101	
Annual Report and Workplan	
October	April
CBO BMP Analysis	Spring BMP Request
Board Conversation about Budget Requests	Open Policy Item
PWB Strategic Business Plan	CBO BMP Analysis
Board Development	Board Conversation about Budget Requests
Budget Process Introduction	Participate in Budget Work session and Meetings
November	May
Budget Outlook and Guidance	Rate Ordinance Preview
Big Budget Picture	Board Conversation about Rate Ordinance
CIP Line Item Reviews	Open Policy Item
	Member and Chair Recommendations
	Participate in Rate Hearing
December	June
Program Offers	Begin Discussion of Annual Report
Board Discussion of Budget Requests	Open Policy Item
	Open Policy Item

Conclusion

PUB appreciates the opportunity to serve the city and utility customers. We look forward to a productive year ahead and continued engagement with City Council regarding issues impacting the bureaus.

The board extends its thanks to many members of the bureau staff who prepared information and presentations for PUB and for Commissioner Fish and his staff for his ongoing support of PUB. The board also thanks the Citizens' Utility Board and the League of Women Voters, who regularly attend and offer us perspective in our discussions. We appreciate their time and investment in PUB. In addition, PUB appreciates the dedication of the members of the board who completed their service this year including Hilda Stevens, Meredith Connolly, and Alice Brawley-Chesworth.

PORTLAND UTILITY BOARD

FY 2017-18 Voting Members:

Meredith Connolly is the Oregon Policy Manager for Climate Solutions. She has a JD from Boston College, and serves as a volunteer for the NW Energy Coalition's Oregon Caucus and the Portland Parks Tree Inventory Program. At Climate Solutions, Meredith works to develop and implement effective and equitable clean energy and climate policies in Oregon. (Meredith ended her service in June 2018).

Colleen Johnson is Professor Emeritus of Economics at Eastern Oregon University where she has taught economics, public policy, and public administration for 30 years. She received her Ph.D. in Economics from Washington State University. Her research has centered on the effects of federal deficits on interest rates, the economics of the minimum wage, and the relationship between poverty, race, and socio-economic well-being. Colleen served 16 years on the La Grande City Council, 14 of those as Mayor of La Grande. As Mayor, she also served on the Oregon Mayors Association Board of Directors and on the League of Oregon Cities Board of Directors.

Ted Labbe is a conservation biologist and Policy/Program Director at the Urban Greenspaces Institute. He is a Portland native with a twenty-year professional career that includes experience with nonprofit organizations, State and Tribal agencies, as well as private consulting. He has an M.S. from Colorado State University and has led a series of collaborative conservation efforts, which engage the public in policy-relevant field initiatives. Ted is founding volunteer and board member of Depave, a local nonprofit that creates community-connected greenspaces in pavement-plagued neighborhoods.

Robert Martineau is a Water Operations Mechanic at the Portland Water Bureau. He also serves as the President of AFSCME Local 189, where he chairs the Policy Committee. Rob attended all of the meetings of the Utility Oversight Blue Ribbon Commission, and brings knowledge and experience as a front-line operator of Portland's drinking water system.

Micah Meskel has been in his current position as Conservation Field Coordinator with the Audubon Society of Portland since 2015. Micah was born and raised in Portland, leaving town briefly to attend the University of Oregon where he graduated with a degree in Economics.

Lee Moore is the former General Manager of Clackamas River Water. He is a Portland native who was born in Vanport – then Oregon's second largest city. Lee has provided executive leadership on the

boards of Home Forward, South Portland Neighborhood Association, Oregon Liquor Control Commission, and Oregon State Lottery Commission. He brings extensive hands-on experience in project management, leadership development, conflict resolution, negotiation and group process.

Daniel Peterson is a licensed Mechanical Engineer working for Portland General Electric in the area of power generation. He graduated from Purdue University with a BSME and has worked in the power industry for the last 10 years. He has volunteered with Engineers Without Borders supporting two different projects involving a solar powered water pumping station as well as culvert design and construction in Central America.

Hilda Stevens brings over 20 years of extensive government communications experience in both the public and private sector. Prior to becoming a small business owner, Hilda developed and implemented communication strategies to ensure consistent messaging to a broad range of external audiences including residents, community and business leaders, school districts, and policymakers. She's a former Community Relations Manager for Water Environment Services in Clackamas County and a Program Educator for Washington County's Environmental Health Program. She holds a Bachelor of Business Administration degree from St Mary's University and a Masters of Business Administration from George Fox University. Her communications and citizen involvement programs have been recognized by the National Association of Clean Water Agencies, National Association of County Information Officers, and the City-County Communications and Marketing Association. Hilda currently resides in Southeast Portland where she owns Bazi Bierbrasserie and serves as the President for the Hawthorne Boulevard Business Association. In her spare time, she enjoys playing and watching soccer, and exploring the great outdoors with her dog Jack. (Hilda ended her service in June 2018).

Scott Robinson is the Deputy CFO at Metro with prior experience with Portland Public Schools and with regulated utilities from his work with PacifiCorp.

Allan Warman is a Business Customer Manager at Portland General Electric, and has a Master's in Applied Economics from PSU. He has worked mostly in the private sector since 1980, including a long tenure with The Boeing Co. as an Energy and Conservation Manager. Allan has served on numerous non-profit boards. Currently, he is on the board of Oregon Mentors/Institute for Youth Success and the President of the Rocky Butte Homeowners Association and a member of the Portland Business Alliance.

Mike Weedall retired from Bonneville Power Administration as Vice President of Energy Efficiency and has experience with several oversight committees and boards.

Ex-officio Members:

Alice Brawley Chesworth has over 20 years experience in the municipal water and wastewater field. She worked for the City of Phoenix and the Portland Water Bureau prior to taking her current position as a Regulatory and Policy Analyst for the Portland Bureau of Environmental Services. She is a registered Professional Engineer in Arizona and Oregon.

Alice has Bachelor's degrees in Chemistry and Russian from Penn State, a Master's degree in Civil & Environmental Engineering from Arizona State, and a Graduate Certificate in Environmental Policy from the University of Denver. Currently, she is an Urban Studies PhD student at Portland State University where she is researching change in water and wastewater utilities. In particular, she is interested in the cultural, regulatory and institutional barriers to the innovations that are necessary to tackle today's wicked environmental problems.

Ana Brophy is a construction manager with the Bureau of Environmental Services where she manages Capital Improvements projects. She has 30 years of private and municipal experience with site development, sewer construction, stormwater, horizontal and vertical construction, budget development, Erosion and Sediment Control, and City of Portland Standard Specifications. Ana volunteers with Women in the Trades, serves in the BES Standards and Practices, is a mentor in the City Mentoring Program, hosts high school summer Interns, and is the BES Native American Heritage Coordinator. She advances and promotes City Equity Goals and Strategies by serving in the BES Equity and Diversity committee and integrating equity and inclusion in her work and partnerships.

Van Le is a Principal Management Analyst and administers PWB's capital project management system. She designed and manages PWB's annual report on capital projects, aka "the CIPAR." As a certified PMP, Van manages processes to further strengthen capital project delivery in PWB. She has an M.Ed in Educational Technology from the Harvard Graduate School of Education. Her brainchild, OregonHelps.org, has been replicated in six states and has won multiple national and international honors including UNDP's Compendium of Innovative e-Government Practices. In the past, she conducted external evaluations for Open Society Institute, Rockefeller Foundation and the German Marshall Fund. Van has served on the boards for Oregon Peace Institute and Oregon Mediation Association and volunteered with ORTOP, Girl Scouts and USA Climbing.

PORTLAND UTILITY BOARD

Allan Warman, Co-chair

Colleen Johnson, Co-chair

Alice Brawley-Chesworth

Ana Brophy

Meredith Connolly

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Dan Peterson

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Hilda Stevens

Mike Weedall

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: Recommendations for the Decision on Water Treatment

Date: July 27, 2017

The Portland Utility Board (PUB) was created by the Portland City Council to serve as the citizen advisory board for the Portland Water Bureau and the Bureau of Environmental Services. In this capacity, we strongly recommend the City of Portland commit to complying with the Long-Term 2 Enhanced Surface Water Treatment Rule (LT2) to treat our water for *cryptosporidium* as ordered by the Oregon Health Authority (OHA). We also urge the City to request an extension through December 31, 2017 from OHA which would allow the City more time to determine a treatment technology that best meets the needs of the city.

The PUB urges the Mayor and the Commissioners to:

Comply with Federal Regulation.

The PUB unanimously supports the City's compliance with federal regulations for the public health and safety of the residents of Portland and the communities that purchase Portland water.

Request More Time to Decide Treatment Technology.

This is a complex and very costly decision for the residents of the City and the City should not be forced into a rushed process. The PUB feels strongly that the City must commit to treat its water, but requests an extension through the end of the year. The City must take the necessary time to gather and analyze the data to come to an informed decision on which treatment technology it will use.

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Additional time would allow the City to:

- Conduct public outreach to residents about the significant health and financial implications of the long-term water quality standards specified by OHA. There were serious concerns raised by members of the PUB that the current decision schedule hasn't allowed for adequate public engagement or education to provide customers with enough information to support one treatment technology over another.

Specifically, the Board recommends the Water Bureau spend the requested time extension educating residents as to the types of chemicals or additives that would be used, how they may affect the current treatment regimes, and the potential health and environmental safety impacts of the different treatment technologies.

- Consult with its wholesale water customers to determine extent and timing of their share of costs.
- Evaluate how the treatment costs will affect low-income residents.
- Understand how existing bill discounts that the City currently offers would be impacted and determine how the programs could be changed to address affordability concerns.
- Evaluate and communicate the carbon footprints, emission levels, and energy needs of the treatment technology options.
- Identify how the technologies would fit within the existing Capital Improvement Plans of the Water Bureau as to timing, cost, and priority compared to other items currently in the plans and identify any necessary adjustments. The City needs to make a choice on what items it can afford in the near future and what items need to be delayed.
- Review in greater detail the engineering plans and projected costs of an Ultra Violet (UV) facility that were completed over five years ago, allowing for an accurate assessment of the full cost of this option.
- Begin preliminary engineering assessments for alternative technologies such as filtration. This will, again, allow for more accurate budgeting projections and rate assessments, as well result in more accurate comparison between UV and filtration options.

This time would also allow for more thoughtful investigation of the filtration option, its benefits, and ideally a more finely-tuned estimate of costs. While filtration is the standard treatment option for most water providers, its primacy is largely due to the water source used (e.g., locally filtration is used for municipalities pulling water from the Clackamas and Willamette as their primary source). These sources are exposed to

human contaminants and agricultural run-off. Neither is present in the Bull Run. More time would allow the Water Bureau to more thoroughly evaluate these conditions and determine whether UV or filtration is the optimal long-term option and where the optimal location is for either solution.

- Assess how either treatment technology fits the Bureau's resiliency plan. If system resiliency is one of the desired benefits, filtration may be the best option, but might be better served in another location.
- Refine the risk assessment of the treatment options given the significant health and cost implications of this decision.
- Assess the budget implications and feasibility of building a UV treatment in the short term but planning and saving for filtration in the future.
- Assess the life cycle costs of building a UV facility in the near term, and the cost of closing that facility when supplanted by another technology, e.g., filtration, in the future.
- Determine the savings associated with choosing filtration over UV, including saving related to use of groundwater if filtration is used.
- Assess possible intergenerational equity concerns of collecting and saving rate funds from current residents in the near term for another technology plant to be built in the future.

Require More Analysis Prior to Major Decision Points and Engage City Residents.

Given the complexity and budgetary impact of this decision, residents expect a more robust presentation of analysis that could include rate impact analysis, risk analysis, cost benefit analysis, an equity assessment, etc. at the beginning of consideration. Regardless of the chosen treatment option, there needs to be more frequent and more complete public engagement process outside of the PUB.

Protect Bull Run Watershed.

If Council decides to build a filtration plant, there will theoretically no longer be a need for such strong environmental protections in the Bull Run Watershed. The current City Council and Water Bureau leadership have expressed commitment to retaining these protections, but there is uncertainty with future leadership. The City Council and the Water Bureau should take steps to memorialize these protections permanently and pledge to lobby our Federal Delegation to ensure that the U.S. Forest Service's management of its land in the watershed is aligned with these values.

Commit to Ongoing Monitoring and Engagement in Partnership with the PUB.

Due to the complexity and uncertainty of the treatment technology options before Council, there will need to be Council, PUB, and Community engagement throughout the analysis, research, and implementation phases to oversee the expenditures and monitor progress.

Set Expectation that Bureaus Will Communicate Early and Often with PUB.

For the PUB to continue be of value to the City Council, we must be included in future processes much sooner and have access to quicker and better information. Complex issues such as the Biogas Project, Water Quality, *Cryptosporidium*, and the Hydroelectric Power contracts have all come to PUB within a couple of months at best of going to the Council for action, often it seems as a fait accompli. Given that we are a Board of volunteers and typically meet once a month, that is insufficient time to do adequate analysis of the information. At times, we have not received requested information until the day of our meetings, making it difficult, at best, to provide meaningful feedback. The Council created a board of willing and able volunteers to help vet difficult policy issues but we must be given adequate opportunity to deliberate in order to provide valuable input and aid Council's decision-making.

Use a Value-Based Approach to Reach a Decision on Treatment Technology.

During deliberations, the board identified the following values that it recommends be used to decide on treatment technology.

First and foremost, Council's decision should be made with the **safety of the residents, protection of public health, and compliance with federal regulations** in mind.

Second, the decision should be made with a **long-term view of the needs** of the City including **long-term reliability and supply resiliency**.

Third, the decision should balance **long-term benefits relative to cost** and the chosen technology should be implemented at a **reasonable cost to customers with known and predictable rate impacts**.

Fourth, with full knowledge that this decision will need to be made with imperfect and limited information, all available time should be taken to **minimize uncertainty and risk of the technologies**.

Fifth, this decision must be made in **partnership with the residents** of Portland and with a **commitment to full engagement throughout the process**.

Finally, the decision should demonstrate a **commitment to watershed health and protection** which is the best defense for ensuring water quality.

In closing, the PUB feels there is a compelling rationale to support a request to OHA for an extension until December 31, 2017, in order for the City to decide on a treatment technology to maintain compliance with LT2 regulations. The PUB also strongly feels it is in the interest of

the City to take time to make the best decision. Should the extension be granted, the PUB would continue to be involved in further deliberations and public engagement.

However, if OHA were to deny the request for an extension, the PUB voted unanimously to recommend the City build a filtration plant based on the values it believes should guide this decision. A filtration plant would protect the health and public safety of the residents of Portland while meeting our regulatory obligations. Given the information currently available, the PUB believes a filtration plant is the best option to provide long-term reliability and system resiliency and offers the most long-term benefits relative to cost. The PUB will monitor the implementation of such a compliance option throughout the process to ensure that it is done at the most reasonable cost possible for customers and with known and predictable utility rates.

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To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: Hydroelectric Power Contracts

Date: August 28, 2017

The Portland Utility Board (PUB) was created by the Portland City Council to serve as the citizen advisory board for the Portland Water Bureau and the Bureau of Environmental Services. The PUB charge from the City Council includes identifying and reporting to the Commissioner(s)-in-Charge, the Mayor, and the Council on important issues and challenges for both utility bureaus. The Portland Water Bureau (PWB) acts as manager of Portland's Bureau of Hydroelectric Power (BHP). The BHP generation facilities are sited in the Bull Run Watershed on two dams operated by the PWB in its mission of providing drinking water to the Citizens of Portland and surrounding water providers. In consideration of the close bond of these bureaus, PUB offers the following.

The PUB appreciates PWB presenting the hydroelectric power issue for our consideration and input. We value their commitment to answering our questions and the time they spent preparing additional information. We especially thank Commissioner Fish for requesting our input and his willingness to provide an extra week between the first and second readings of the ordinances to allow for our deliberation.

The PUB supports continued production of clean energy from the City's hydroelectric facilities. As presented to the PUB and City Council, the contracts are constructed so that financial risks are to be borne entirely by the City's General Fund. The board's expectation is that no costs will be incurred by Water customers because of this enterprise.

The City engaged outside counsel and energy experts in the negotiations of the contracts but several sections of the Power Purchase Agreement with PGE are covered by a non-disclosure agreement. Such agreements preclude members of the board and the public from viewing many of the essential details of the agreement. As such, the PUB cannot comment on the overall value of the enterprise, however we would suggest that the risks of this project aren't limited to market risks related to energy production but also risks to public perception and public trust. Transparency is vital to earning and maintaining the public's confidence.

At this time, the PUB reiterates its request from the water treatment discussion earlier this month that, for the PUB to continue to be of value to the City Council, we be included in the process much sooner and have access to more complete information in advance. In the future, our hope is that the bureaus will bring items to PUB earlier for consideration, including time for responses to questions and incorporation of feedback, prior to presentation to the Council so the board can be prepared to provide you its input at that time as well.

The PUB is committed to working with PWB to improve these challenges of communication and transparency and knows that it takes time to change the processes of the bureau to incorporate its oversight committee earlier.

We look forward to evaluating the progress of the contracts and their impact in PWB's budget. In an effort to further enhance transparency for the public, the PUB requests annual reporting on the performance of the contracts.

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To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: Bureau of Environmental Services and Portland Water Bureau
Requests for the Budget Monitoring Process

Date: October 16, 2017

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau. In that capacity, we have reviewed the bureaus' requested budget adjustments submitted for your approval during the City's Fall Budget Monitoring Process (BMP) and offer you the following input for your consideration.

The bureaus presented a preview of their expected requests at the board's September 5 meeting prior to submittal to the budget office and the board considered the analysis and recommendations of the City Budget Office at its meeting on October 10.

The PUB had a lengthy and deliberative discussion about the role of the annual adjustment process in budget management and was supportive of concerns raised about clarity of guidance for requests for new resources. Specifically, General Fund bureaus are held to a high standard that use of contingency funds should be reserved for needs that are unanticipated or emergency. This acknowledges the inherent trade-offs of funding some programs over others within the General Fund and limitations of that resource. The guidance for non-General Fund bureaus accessing contingency funds is a less stringent bar of reasonable and unforeseen need. The boundaries of reasonable and unforeseen are not well defined. The board members support continued conversations within the city to bring clarity to that guidance. As applied, the PUB felt it was unlikely to result in the bureaus using sufficient constraint in accessing contingency funds.

The PUB supports the bureaus' management as experts in their field, however they recommended the following principles as guides for evaluating changes to bureau requests at this point in the budget process. These principles would add additional scrutiny and sensitivity to rate impact decisions:

- Bureau requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year. Many of the requests this year fall into these categories and the board is supportive of them. In addition, requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time. Some of the requests this year fall into that category and the board is supportive of them.
- Bureau requests for increases to staff should be done as part of the holistic annual budget process and should not be done out of cycle. Including staff requests as part of the annual process allows for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny. In addition, the board has stated its expectation that requests for additional staff be coupled with clear workplans and detailed responsibilities in a prior communication to the City Council.
- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities. With exceptions for emergencies, bureaus should limit the use of contingency or adding staff out of cycle. Accessing non-General Fund contingency early in the year should be reserved for instances similar to the requirements on the General Fund contingency: unanticipated and emergency needs that are well developed and can't be absorbed by the bureaus.
- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

Using these principles as a guide, the board discussed each bureau's request.

The PUB unanimously concurs with the City Budget Office to recommend all of the requests as submitted by the Water Bureau. It was noted in the conversation that while there wasn't agreement on the board over the past year around the hydroelectric power contracts and Mt. Tabor preservation work, members of the board appreciated the bureau's requests related to

those projects. The fund transfer for maintenance needs as they arise for the hydroelectric project was a concern raised during Council consideration. The carryover request for the preservation work at Mt. Tabor, coupled with a plan to spend the full allocation, gives assurance that General Fund resources allocated to the bureau are being used as directed by Council. The PUB further commends the Water Bureau for its commitment to working within its approved budget and making adjustments that reallocate and prioritize existing resources.

The PUB was unable to reach consensus on the City Budget Office's recommendation of the requests submitted by BES. At question were the conversion of two contract positions to permanent FTE positions. Some members were deferential to the bureau's requests but raised concerns about the use of contingency this early in the fiscal year and expressed hope that the bureau would use the above stated principles in future requests. Other members felt, some strongly, that these conversions should be delayed until the annual budget process. As noted, the PUB has previously raised concerns with out-of-cycle staff requests. These requests result in long-term costs for the bureau and should be part of the annual resource prioritization process.

Thank you for considering this feedback. We appreciate the opportunity to review these requests and provide you with our input.

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To: Mike Jordan, Director, Bureau of Environmental Services
Dawn Uchiyama, Deputy Director, Bureau of Environmental Services

From: Melissa Merrell, PUB Analyst

Re: Portland Utility Board's Statement of Support for BES Strategic Plan

Date: November 9, 2017

At the November 7, 2017 meeting, the Portland Utility Board unanimously approved the following statement of support BES' Strategic Plan:

The Bureau of Environmental Services (BES) and its employees provide core services to the residents of the City of Portland, protecting the area's watersheds and collecting and treating wastewater and stormwater. BES manages a large portfolio of capital assets that are aging and a complex stormwater system and operates in an uncertain regulatory environment; all of which pose challenges that require purposeful planning and thoughtful investment. The Portland Utility Board (PUB) enthusiastically supports the roadmap laid out in the bureau's new 10-year strategic plan and commends the bureau's staff and leadership for their work over the past two years to identify six core goals that will guide the bureau's work over the next decade. The PUB looks forward to working in partnership with BES to prioritize the strategic initiatives through the city's budget process and to craft metrics for measuring their progress towards achieving the outcomes identified in the strategic plan.

CC: Commissioner Nick Fish, Portland City Council
Todd Lofgren, Senior Policy Advisor, Commission Nick Fish
Allan Warman, Co-chair, Portland Utility Board
Colleen Johnson, Co-chair, Portland Utility Board

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To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: Budget Submissions for the Bureau of Environmental Services and
the Portland Water Bureau

Date: January 24, 2018

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). We submit this initial budget letter in compliance with City practice for budget advisory committees, and in response to our specific duties to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City’s water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (3.123.010)”

The PUB held five board meetings and two subcommittee meetings to review the FY 2018-19 proposed operating budgets, major additions and adjustments to the five-year capital improvement plans, and decision packages for both bureaus. We look forward to providing additional feedback to City Council upon receipt of the final budget decision packages and the City Budget Office (CBO) analysis. We anticipate

participating in the budget work sessions in March, the utility rate hearing in May, as well as discussing budget issues with the Mayor if requested, as the budget develops.

The PUB receives significant support from both bureaus' directors and staff, the ex-officio members, Commissioner Fish and staff, as well as the City Budget Office and our analyst. We are grateful for their collective efforts to help us understand and navigate the complexities of these utilities.

The PUB considers the following values when providing input and making recommendations to the Council:

- Affordability
- Efficiency of Operations and Value to Customers
- Assistance to Low-Income Residents
- Protection of Public Health and Watershed Health
- Improvement and Sustainability of Infrastructure
- Regulatory Compliance
- Equity
- Service Delivery
- System Resiliency
- Transparency and Public Engagement

These values are not presented in any particular order and tension can exist between these values. PUB members particularly feel the tension between the need of the bureaus to increase capital investments to address system maintenance and the burden that ongoing annual rate increases place on customers. PUB encourages and has asked the bureaus to make explicit the consequences of rate constraints to increase public awareness of this issue. PUB feels strongly that this needs to be a component of the public dialog to align expectations and find the optimal levels of investment for the bureaus and the public.

Annual Rates of Increase

The bureaus submit budget requests that comply with guidance from the Mayor and Commissioner-in-Charge. City Council ultimately approves those budgets and the necessary increases to rates to support those budgets during the annual budget process.

Annual rates of increase for the typical single-family household in Portland over the past 10 years have increased more than three times faster than commonly used benchmarks for increases including inflation, median household income, median family income, and changes in per capita income. There are challenges to using inflation or other economic benchmarks when considering increases in utility charges. Increasing regulatory requirements and past underinvestment may mean that utilities need to invest more than inflationary increases would

permit. An example is the requirement that Portland reduce combined sewer overflows which contributed to significant rate increases over the last 10 years for capital investments but resulted in improved water quality in the Willamette River. While a lower rate of increase this year would translate to savings of \$1 or \$2 monthly for the typical single-family household, those incremental increases compound over time. Given the City Council approved rates of increase over the last 10 years, typical monthly single-family household bills are \$25 more than they would have been if rates had increased in line with inflation over that period.

Acknowledging the scarce resources of many Portlanders, PUB members encourage City Council to be mindful of the multiyear impact of rate increases and the cumulative impact on customers.

Budget Prioritization and Rate Options

The Mayor's FY 2018-19 budget guidance directs BES and PWB to identify efficiencies and reductions to limit rate increases. It further directs them to work with the PUB to develop prioritized reduction options for Budget Committee and City Council consideration. Budget guidance provided to the bureaus from Commissioner Fish on November 20, 2017 included an expectation that the requested budgets will "reflect good value at a fair price in any proposal for a rate increase. As in recent years, the proposed combined retail rate increase shall be below 5%."

The co-chairs requested the bureaus prioritize requests necessary to comply with the following categories: regulatory compliance, maintenance and improvement of asset health, bureau equity goals, and alignment of bureau activities with strategic planning goals. In addition, to demonstrate the relative priority of requests and the benefits that Portland customer would receive from the additional burden of increased rates, the co-chairs requested the bureaus to identify line items in their requested budgets that would not be funded if the City Council were to approve combined annual rate increases of 3% and 4% in addition to their planned requests in line with the Commissioner's guidance of a combined increase below 5%. This information allowed the board to have substantive deliberations about the tradeoffs of the programs and the additional burden on Portland's utility customers. PUB members recognize the amount of work such exercises require and appreciate the time and consideration of the many staff required to provide responses. The bureaus provided helpful information on the budget items that would and would not be included in their budgets if combined rates of increase were further constrained. PUB members found this exercise valuable in highlighting the tradeoffs of the costs of investment and benefit for Portland residents.

The board will reserve its recommendation on individual decision packages until after the CBO reviews and recommendations are complete. PUB members encourage the bureaus to use the budget process to communicate the value of the investments over inflation and benefits that the residents of Portland receive and are committed to the working with the bureaus to do so.

Affordability

The affordability of the combined water, sewer, and stormwater bill is an ongoing concern for PUB members. The combined average monthly bill for the typical single-family household for FY 2018-19 for water and wastewater will be \$113.30 if requested rates of increase are approved.

There is no agreed upon standard for what rates are ‘affordable’ or ‘unaffordable’ for any given community. Rates may be measured against economic measures of inflation or changes in income. PUB considered several indicators in its discussions and agreed that budget requests should be viewed in context of core requirements to invest in infrastructure and meet new regulations. However, there is concern that the growth in the cost of service greatly exceeds growth in household income measures.

In the mid-1990s, EPA¹ developed benchmarks to test rate impacts on customers. Using that guide, water and wastewater bills that are 4.5% or more of the median household income would have a large economic impact on residents on a community wide level. Including the proposed rates of increase, the typical single family residential utility bill would be about 2.0% of median household income for the City of Portland. However, there are concerns regarding the use of a single indicator that may not reflect the impact to lower income households as well as economic and other trends over multiple years. Flat local wages for a portion of city residents and rising housing costs exert pressure on the perception of affordability.

PUB members consider a component of affordability to be reasonable costs to customers with known and predictable rate impacts. Reasonable must be viewed in context of accumulated costs over time and the value of the service provided. PUB members encourage both bureaus and the City Council to continue to evaluate the tradeoffs and choices of investments to keep affordability concerns a priority.

The proposed annual rates of increase in the 5-year financial plan for PWB have increased from the plan included in the FY 2017-18 Adopted Budget. The major driver for this increase is the direction from City Council, supported by the PUB, to pursue a filtration plant to address regulatory requirements related to *cryptosporidium* and other potential risks to the Bull Run Watershed. The filtration plant will be a substantial capital investment that will significantly impact rates for many years. Resolution 37309 agreed to by City Council on August 3, 2017 included direction “that during the annual rate-setting process the Portland Water Bureau will make every effort to minimize rate impacts while following the intent of this resolution.” PUB

¹ See U.S. EPA. 1997. Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development. EPA 832-8-97-004. U.S. Environmental Protection Agency, Office of Water, Office of Wastewater Management. Available at www.epa.gov/npdes/pubs/csofc.pdf. See also US EPA. 1995, Interim Economic Guidance for Water Quality Standards Workbook. Available at <https://www.epa.gov/sites/production/files/2016-03/documents/econworkbook-complete.pdf>. See also U.S. Conference of Mayors, American Water Works Association, and Water Environment Federation. 2013. Affordability Assessment Tool for Federal Water Mandates. Available at <https://www.awwa.org/Portals/0/files/legreg/documents/affordability/AffordabilityAssessmentTool.pdf>.

requested information from the bureau on how they have minimized that impact and the bureau identified some work that would be delayed or foregone.

With City Council's approval, both bureaus have added large capital projects in recent years and additional large investments limit the bureaus' ability to respond to future needs. Rates are driven both by capital investments and operating budgets associated with staffing. The PUB is closely reviewing BES' request for 22 new positions and PWB's request for 21 new positions, given the long-term cost of PERS assigned to each new full FTE. The PUB encourages both bureaus to look for efficiencies, vacancies savings, or foregoing lower priority activities within their existing budget before requesting additional rate resources.

PUB requests the bureaus use the upcoming budget process to revisit the cost drivers and assumptions underlying their requests with a goal of trimming individual budget requests to contribute to a rate projection that emphasizes affordability for all Portland residents. PUB members encourage the bureaus to use the next four weeks to dialogue and explore jointly what detailed budget reductions can be identified.

Equity

In 2015, the City of Portland adopted citywide racial equity goals to end racial disparities within city government; to strengthen outreach, public engagement, and access to City services for communities of color and immigrant and refugee communities; and to collaborate with communities and institutions to eliminate racial inequity in all areas of government. The PUB supports these goals and looks forward to an update on the bureaus' implementation of their Racial Equity Plans that were created last year. As part of its deliberation on individual budget requests, the PUB will consider the equity implications of requests and how increased resources will further the bureau and citywide equity goals.

Assistance Programs

The City Council resolution that directed PWB to pursue filtration also directed "that the Portland Water Bureau will seek to optimize and enhance its discount programs to lessen the impact of rising water rates on low-income customers." The bureaus have multiple programs to provide financial assistance to low-income Portland residents. Compared to other utilities, these programs are generously designed, though few and decreasing numbers of residents are participating in the programs. PUB members feel those assistance programs are vital and commend the work of the bureaus to improve outreach and scope of the assistance programs. Members are supportive of improvements but have concerns about some of the proposals and will continue to work with the bureau during the budget process to address those concerns. PUB will provide its recommendations to the City Council once it has a more complete understanding of the proposals.

Centralized Services and Citywide Priorities

Several ongoing points of discussion with the PUB and the bureaus concern centralized services and citywide priorities. Centralized provision and citywide goals provide the opportunity for standardization and can result in efficiencies. There is also potential for duplication and fragmented implementation. For example, the PUB has heard from both bureaus that recruitment, hiring, and procurement services negatively impact bureau operations. The proposed bureau budgets include requests for staff to supplement or facilitate some of these services. Generally, the board believes the bureaus should refrain from building internal capacity for services that should be provided by other City offices. PUB members encourage the bureaus to continue to work with other city bureaus to identify and implement improvements to the provision of central services.

The PUB would like consideration of the budget and staffing impacts as citywide policies are identified and evaluated. In particular, the PUB continues to encourage the Mayor and City Council to engage in a Citywide conversation about how the City is managing human resources invested in equity work across the city. The City should work to ensure that bureau-level investments are incorporated into well-framed and measurable citywide strategies.

Strategic Planning

The PUB enthusiastically supports the roadmap laid out in BES' new 10-year strategic plan and commends the bureau's staff and leadership for their work over the past two years to identify six core goals that will guide the bureau's work over the next decade. The PUB looks forward to working in partnership with BES to prioritize the strategic initiatives through the budget process. PWB has begun work on its Strategic Business Plan and the PUB looks forward to working with the bureau to provide input on that plan. PUB members appreciate the work that BES did to link their packages to their strategic plan. They look forward to seeing that connection be refined to a more granular level in coming years. PUB members encourage both bureaus to continue to refine their budget requests to have similar formats and align with their strategic plans.

The PUB encourages both bureaus to continue their strategic work and to craft metrics for measuring their progress towards achieving the outcomes identified in those plans. In addition, the PUB expects that the bureaus will include performance metrics for accountability when proposing new programs or significant changes to existing ones.

Regulatory Compliance

Both BES and PWB are heavily regulated by state and federal entities which limits the discretionary components of their respective budgets. However, the bureaus do have flexibility

to decide how and in some instances when regulatory requirements are met. Going forward, PUB members ask the bureaus to clearly present in their budget requests those items that are regulatory requirements at this time, those that can be implemented over time, and those that are related to or complement regulatory requirements but would not jeopardize compliance.

Communications and Transparency

In several past recommendations to City Council, the PUB highlighted that creating a culture of open, proactive communication and transparency in both bureaus is ongoing work and PUB is sensitive to public perception of the bureaus. PUB members commend the bureaus for the work they did early in the budget process to provide information in similar formats. Easily understood and publicly assessable budget information is one way to strengthen and maintain the public trust and PUB members encourage the bureaus to continue that work.

PUB members also encourage the bureaus to explore a combined communication strategy with consistent outreach and messages to the public.

Comments on Specific Budget Proposals

The PUB views this opportunity to comment on the bureaus' budget submissions as the first of several touch points with City Council throughout the annual budget and planning processes. PUB members will review the analysis and recommendations of the CBO, consider further input from the bureaus, and weigh the requests through the lenses of its stated values, cost, impact on service delivery, connection to strategic plans, and expected outcomes. We look forward to providing you further input as the budget process continues through the spring.

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To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: PUB Recommendations for the Budget Submissions for the
Bureau of Environmental Services and the Portland Water Bureau

Date: March 28, 2018

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). On January 24, 2018, PUB submitted its initial input on the budget requests of the bureaus and submits this correspondence as its recommendations on specific requests. This letter is submitted in compliance with City practice for budget advisory committees, and in response to our specific duties to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City’s water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (3.123.010)”

This letter summarizes the requests for which there was member consensus on a recommendation (all members sharing the same view), requests for which there was majority agreement on a recommendation (six or more members sharing the same view), and requests for which the board members did not reach agreement. In all cases, this letter

attempts to capture the deliberation of members to aid in Council's understanding of the view and opinions of members and how recommendations were constructed. While there were several individual items for which there were different views among members, there was consensus among all members present supporting this communication to City Council.

In summary, PUB supports 12 of the 21 FTE requested by the PWB. It does not support four of the requested FTE and has no recommendation for five of the requested FTE. PUB supports 15 of the 22 FTE requested by BES. It does not support one of the requested FTE and has no recommendation for six of the requested FTE. It also supports, with some reservations, the proposals to expand the Low-Income Assistance Programs. Overarching themes of board discussion included concerns with the capacity of both bureaus to absorb the number of staff being requested and deliver the ambitious capital programs envisioned. Those themes are discussed in more detail as part of the recommendations on specific decision packages.

PUB invested more than 25 hours reviewing the FY 2018-19 proposed operating budgets, major additions and adjustments to the five-year capital improvement plans, and decision packages for both bureaus. PUB receives significant support from both bureaus' directors and staff, the ex-officio members, Commissioner Fish and staff, as well as the City Budget Office and our analyst. We are grateful for their collective efforts to help us understand and navigate the complexities of these utilities.

PUB members reviewed the analysis of the City Budget Office and the PUB analyst, considered input from the bureaus, and weighed the requests through the lenses of the PUB's stated values, cost, impact on service delivery, connection to strategic plans, and expected outcomes. PUB finalized its recommendations at the March 22, 2018 meeting. Two members were not in attendance at the meeting. See Exhibits 1 and 2 for a summary of recommendations for each bureau by decision package and FTE requested.

Portland Water Bureau FY 2018-2019 Requested Budget

The Portland Water Bureau's (PWB) FY 2018-19 budget request includes \$100.8 million for operating expenses, \$136.7 million for capital projects for the next year, and an additional 21 FTE. If City Council were to approve all the decision packages included in the request, the bureau's operating costs would increase by almost \$3.5 million. \$1.3 million of the proposed operating increase is requested from the General Fund: \$1.1 million for preservation work at Mt. Tabor and \$225,200 for park maintenance activities. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 8.9%. Including the proposed rate of increase for the Bureau of Environmental Services, the combined monthly increase would be 4.97%. The final rate of increase will depend on the items that are approved by City Council through the budget process.

Exhibit 1: PUB Recommendation for PWB Requested Budget Items

	Decision Package	Request	Recommendation	Poll Outcome *
Portland Water Bureau	WA_01 Water Treatment	FTE - Principal Engineer	Support	Consensus
	WA_01 Water Treatment	FTE - Engineering Associate	Support	Consensus
	WA_01 Water Treatment	FTE - Engineering Associate	Do Not Support	Majority (3-6)
	WA_01 Water Treatment	FTE - Program Coordinator	Support	Consensus
	WA_01 Water Treatment	FTE - Management Analyst (contracts)	Support	Consensus
	WA_01 Water Treatment	FTE - Water Treatment Operator	Support	Majority (7-2)
	WA_01 Water Treatment	FTE - Water Treatment Operator	No Recommendation	(5-4)
	WA_02 UniDirectional Flushing	FTE - Environmental Technician II	Support	Consensus
	WA_02 UniDirectional Flushing	FTE -Environmental Technician II	No Recommendation	(5-4)
	WA_02 UniDirectional Flushing	FTE -Environmental Technician I	Support	Consensus
	WA_02 UniDirectional Flushing	FTE -Environmental Technician I	Support	Consensus
	WA_02 UniDirectional Flushing	FTE - Environmental Technician I	No Recommendation	(5-4)
	WA_03 Workforce Management	FTE -Public Works Inspector	Support	Consensus
	WA_03 Workforce Management	FTE -Public Works Inspector	Do Not Support	Majority (3-6)
	WA_03 Workforce Management	FTE -Safety and Risk Officer	Support	Consensus
	WA_04 Asset Management	FTE -Program Coordinator (RCM)	No Recommendation	(5-3-1)
	WA_04 Asset Management	FTE -Management Analyst (Water Loss)	Support	Consensus
	WA_05 Communications	FTE -Management Analyst (technical writer)	Do Not Support	Consensus
	WA_06 Equity Manager	FTE - Sr. Management Analyst (Equity)	Do Not Support	Majority (6-3)
	WA_07 Financial Assistance Expansion	FTE - Program Specialist	Support	Majority (8-1)
	WA_07 Financial Assistance Expansion	FTE - Program Specialist	No Recommendation	(5-4)
	WA_07 Financial Assistance Expansion	non-FTE - Increase Crises Voucher	Support	Majority (8-0-1)
	WA_07 Financial Assistance Expansion	non-FTE Adjust Income Guidelines	Support	Majority (8-0-1)

Decision Package	Request	Recommendation	Poll Outcome
WA_07 Financial Assistance Expansion	non-FTE - Provide New Discount to 30% of MFI	Support	Majority (8-0-1)
WA_07 Financial Assistance Expansion	non-FTE - Multifamily	Support	Majority (8-0-1)
WA_08 Mt. Tabor	Non-FTE	No Recommendation	note concerns
WA_09 Parks Maintenance	Non-FTE	Support	Consensus
WA_10 Fountains	Non-FTE	Do Not Support	Consensus

*For items where there was a consensus, all members shared the same view. For items where there was a majority, six or more members shared the same view. Poll tally = (support - not support - undecided).

WA_01 Water Treatment

The Water Bureau is requesting seven FTE (one Principal Engineer, two Engineering Associates, one Program Coordinator, one Management Analyst, and two Water Treatment Operators) for water treatment. The positions are primarily being requested to address the increased work resulting from City Council direction to build a filtration plant. PUB members support five of the seven requested FTE.

Building the filtration plant will be a major capital undertaking for the bureau and one which PUB supports. There is consensus among the members to recommend the Principal Engineer, one Engineering Associate, the Program Coordinator, and the Management Analyst. Members viewed the positions as part of the leadership core that will be necessary to successfully deliver the 10-year project which will include a mix of bureau staff and consultants.

In conversations with PWB, it said it would likely use contracts to complete the engineering and management work for any of the requested positions that were not recommended. The CBO review of this package stated that, "The design and planning phases of both projects (filtration and corrosion control) will require increased staffing for a limited time. CBO recommends these positions but encourages the bureau to consider this as a potential area to decrease long-term personnel costs by using contract services where possible." A majority of members considered that recommendation and felt that the second Engineering Associate position was a need that the bureau could likely meet with contracted services. A majority of members do not support the request for the second Engineering Associate at this time.

The PUB had a robust discussion about the request for two Operators which are needed in the long-term to provide day-to-day operation and maintenance of the filtration facility once operational; in the medium term to provide day-to-day operation and maintenance of the corrosion control facility once operational in 2022; and in the short-term to contribute to the planning and design process of both facilities and to address current needs. Most of the

concern for this request was about timing and not the underlying need for operators. This is a large, complex, decade long project and the request was viewed in light of the other requested positions and the number of new staff the bureau can absorb given the current workload and overall vacancies in the bureau. Three members thought it important to recommend all the requested positions but there was majority support for one operator at this time. It was noted that because the main concern is one of timing, once initial progress is made on the project and the timing of the need is apparent, the board would reconsider if the second operator position were requested at a later time.

WA_02 UniDirectional Flushing

The Water Bureau is requesting five FTE (two Environmental Technician II and three Environmental Technician Class I) for its unidirectional flushing work. Generally, flushing is a method of moving water through the pipes to respond to water quality issues or as a part of regular maintenance to reduce biofilm and accumulated debris that could affect water quality. PWB currently doesn't include strategic system-wide flushing as part of its maintenance plan and instead does spot flushing in reaction to known water quality issues. With the planned increase and change in chemicals for corrosion control and the move to a filtered system, PWB would realize benefits from a systemic flush.

All members were supportive of the implementation of system-wide unidirectional flushing which will improve overall water quality and potentially reduce the amount of chemicals that may be needed for corrosion control. Member discussion focused on the timing of the team expansion in light of the other requested positions for the bureau. There is consensus among the members to recommend three of the requested positions which, when combined with the existing FTE in this program, would give PWB two dedicated flushing teams. The members did not have a majority that supported recommending for or against the third team. Three members thought it important to recommend all of the requested position but several concerns were raised by other members. Those members thought it would be better for the bureau to first transition to two dedicated teams, evaluate how many miles of flushing the dedicated teams could complete, and assess the capacity of internal support staff. Those members would reconsider support for additional FTE for this program after the performance and estimates have been reevaluated.

WA_03 Workforce Development

PWB is requesting three FTE (two Public Work Inspectors and one Safety Officer) to address workforce management needs.

Public Works Inspectors

PWB has a staff of public works inspectors and augments this staff with contracted inspectors when necessary to inspect capital projects of the bureau. The demand for inspectors fluctuates from year to year and is concentrated at peak times during any given year. PWB provided data on the number of contracted hours it has used to supplement city staff for the past four years. That data showed a sustained need for one inspector. The need for a second was less clear based on prior year use.

There was member consensus to support one of the two requested position. A majority of members did not support the second requested positions. These members agreed with the CBO and PUB analyses that while the data showed a clear need for one, it did not support a current need for two. They felt that this was a request that could be considered in subsequent years if the data shows a sustained need, as the bureau expects, but for now it would be best for the bureau to continue to contract when extra capacity is required. One member raised the issue of the pay premium for contractors. According to the bureau, the cost for contracted general inspection work is on par with the cost for city staff. The cost for specialized inspection work is higher than city staff. As city inspectors can do all required inspection work, its assumed the bureau will manage the inspection workload in a manner that maximizes city staff and minimizes contracted costs.

Safety and Risk Officer

PWB is requesting a Safety and Risk Officer for the Operations Group which currently has 120 FTE and no one dedicated to coordinating the safety needs and training required by federal and state regulators. This position would update safety plans, assess training that should be provided and which staff have received the required training, design and implement a training program to schedule and deliver required training, and track staff completion. PUB recognizes the need of the bureau to ensure safe work environments for its staff and there was consensus to recommend this position.

WA_04 Asset Management

PWB is requesting two FTE – a Program Coordinator and a Management Analyst – to support asset management.

Program Manager for Reliability Centered Management

PWB proposes hiring one FTE in the Operations Group to further efforts of tracking and using asset data for repair and replacement decisions. The members did not have a majority that supported recommending for or against this position. While members understand and support the role of asset management and the importance of data-driven decisions, some members felt this need could be filled when an existing vacancy in the Asset Management Branch was filled or realignment within the bureau.

Management Analyst for Water Loss

PWB proposes hiring one FTE, likely to be located in the Resource Protection Group, to develop and implement the bureau's water loss control program. There was consensus among members to recommend this position.

WA_05 Communications

PWB proposes hiring a technical writer to help design, draft, edit and finalize significant documents produced by the bureau. While the bureau in the past had a dedicated technical writer, it realigned those resources in recent years to higher priority needs within asset management and the bureau's strategic business plan. The bureau is currently using other existing staff and contracted services on a project by project basis as available and required to meet its needs. There was consensus among members to not recommend this position. Given the other pressing needs of the bureau, members felt this was a low priority and if the need continued the bureau could rededicate its previous staff once the strategic business plan was complete.

WA_06 Equity Manager

PWB is requesting a Senior Management Analyst to coordinate the implementation of its Racial Equity Plan. Members engaged in a robust discussion about this request. All members are supportive of the equity goal of the City and believe implementation of the plans are essential to bureau progress. Members disagreed on the need for additional bureau staff to accomplish those goals. Some members strongly support the request for a dedicated manager and the need to prioritize this work within the bureau; however, a majority of members noted the work the bureau has done in its first year and thought this request could be reconsidered next year.

PWB currently has four staff that work on the plan implementation and in a recent presentation to the board demonstrated progress in the first year. The bureau listed this request as a low priority in relation to other requests because it felt it could continue to make progress, though less than if it received the position. Several members raised the issue of location of the staff and that this could be an area where the two utilities could see efficiencies by joining efforts. Some members also noted the need for the City Council and bureaus to break down the current siloed paradigm of the two utility bureaus and talk about how the bureaus can share resources.

WA_07 Financial Assistance Expansion

PWB proposes several changes to its Low-Income Assistance Program, including hiring two new Program Specialists, increasing the crises voucher from \$150 to \$500, adjusting income

guidelines for eligibility, creating a new assistance program for customers with very low income, and creating a multifamily assistance program. All members support the assistance that the bureaus provide for low-income customers. They also recognize that the current programs have limited reach and need to be revised to better meet the needs of the community.

PWB presented the proposed changes to a subcommittee of the PUB in November, provided answers to questions from board members in both December and January, and provided updates on the development of the proposals in February and March. All members appreciate the work the bureau has done but several members remained concerned about the extent to which the program is currently undeveloped and advised the bureau should take more time to analyze the data it has on current customers to better design and target the assistance programs. One proposal, transferring \$600,000 to community groups for eviction assistance for customers in multifamily residences, has little precedence nationwide and members expressed concerns about the efficacy of the proposal and lack of specified measures to track performance. Other members expressed a willingness to support the experiment knowing that the bureau will need to revise the program as they go.

Members discussed the two new Program Specialist positions requested in the context of the overall number of staff being requested by PWB, the level of workplan development, and current vacancies within the program and group of PWB. As proposed, the two requested program specialists would join the existing Program Manager position to form a Low-Income Service Team within the Customer Services Group. Inquiries related to the needs of low-income customers would be diverted from the Customer Service Call Center to this specialized team. The team also would be tasked with the data analysis recommended by the City Auditor and outreach activities to underrepresented communities.

Members generally expressed support for the service team vision. Some members supported recommending the packages as requested but several raised questions about timing, capacity, and implementation. The manager of the program recently retired; this position is currently vacant and under recruitment. Several members proposed that the manager should be hired and given time to more fully develop the team's work plan before the program specialists are hired. Several members also suggested that, because the vision of this team is to redirect calls currently handled by the Customer Service Group, PWB could realign positions from the service group to the Low-Income Service Team, and create the new program without overall increasing the size of the bureau.

After much discussion, a majority of members supported recommending one Program Specialist and the four program changes. The members did not have a majority that supported recommending for or against the second requested Program Specialist. Some PUB members thought it important to communicate to City Council the level to which this program has yet to

be developed. PUB will be requesting regular updates as the programs develop and recommends City Council should at a minimum require annual progress reports.

WA_08 Mt. Tabor Historic Preservation– Request from General Fund

PWB requests \$1.115 million from the General Fund for preservation work at Mt. Tabor. This is the third year of General Fund support to fulfill a City Council resolution from 2015 to allocate \$4 million for such work. This request does not impact water rates. Board members declined to make a recommendation on this request. Several members raised concerns that the \$4 million commitment from City Council would fall short of the total cost to complete the preservation work needed at Mount Tabor and does not include the long-term costs of operating and maintaining the assets. Members suggest City Council to revisit this issue.

WA_09 Parks Maintenance– Request from General Fund

PWB requests General Fund support for parks maintenance activities at Dodge Park, Hydro Parks, and Powell Butte. This request is in line with the judge's opinion in the Anderson lawsuit and should not be funded by PWB. There was member consensus for recommending this request.

WA_10 Decorative Fountains

Portland Parks and Recreation proposed the reduction of funding for the City's 19 decorative fountains as part of its budget submission. Rather than shutting off the fountains, the City Budget Office recommends the fountains be funded with water rate revenue. This would result in a 0.4% rate increase for customers. There was consensus among members to recommend against this request. It is not a priority for the PWB at this time when they have several core mission needs.

Bureau of Environmental Services FY 2018-2019 Requested Budget

The Bureau of Environmental Service's (BES) FY 2018-19 budget request includes \$156.9 million in operating expenses, \$133.4 million for capital projects in the next year, and an additional 22 FTE. If City Council were to approve all of the decision packages included in the request, the bureau's operating costs would increase by \$4.4 million. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 3.0%. Including the proposed rate of increase for the Portland Water Bureau, the combined monthly increase would be 4.97%. The final rate of increase will depend on the items that are approved by City Council through the budget process.

Responding to recommendations from the CBO to reconsider its use of its Rate Stabilization Fund and PUB concern about the overall level of rates of increase for both bureaus, BES provided multiple rate scenarios for PUB consideration. Scenario A is the rate forecast that BES initially proposed with its submitted budget - a 3.0% rate of increase for all years of the forecast. Scenario B would have a rate of increase of 2.0% for FY 2018-19; 3.0% for FY 2019-2022; and 3.1% for the rest of the forecast. Scenario C would have 2.5% for the 5-year forecast followed by 3.45% for the out-years.

Members had a robust discussion about the alternatives. Members commended BES for doing what they had asked and what CBO recommended.

Some members expressed concerns. One concern was that lowering the rate could jeopardize the bond rating of the bureau by credit agencies. BES finance staff assured members that Scenario B was conservative and they did not have concerns about the rating agencies. All of the factors that recently led Moody's to update BES rating were still solid and would be unaffected by this change.

Another concern expressed was that this cash should be saved to mitigate future rate pressures that could come from the filtration plant in the Water Bureau. PWB finance staff explained that they have very conservative bond rate assumptions, and are forecasting a 7.4% rate of increase over the next 10 years. Assuming nothing significant changes, PWB finance staff state it's likely the rates of increases would be less as they get better interest rates on their bonds than they are forecasting. Rates of increase after FY 2018-19 are forecast to be less than FY 2018-19 so there wouldn't be a jump to mitigate.

A third concern was that lowering the rate for one year would result in higher rates in future years or could set an expectation for lower rates in the future. Scenario B would increase the out-year rate of increase from 3.0% to 3.1% beginning in FY 2022-23. BES finance staff responded to this concern saying that this forecast gives BES four years to manage that increase which they think they would be able to lower back to 3.0%.

Several members noted that the decrease in the rate of increase on the table as presented in scenario B would be a benefit to all customers. While the impact to customers of a one-year lower rate of increase would be small, BES stated that it could also potentially have a 2.0% rate of increase in FY 2019-20 if positive financial conditions continued. Several members are supportive of these steps to mitigate the forecasted year over year increases in rates for the customers.

At the end of the discussion, there was not a majority of members supporting either scenario A or B, although all members favored these two over scenario C. Three members were supportive of scenario A with the higher rate of increase that is stable throughout the forecast and outyears. Five members were supportive of scenario B with the lower rate of increase for BES customers next year and the potential of a slightly higher rate beginning in the last year of the forecast.

Exhibit 2: PUB Recommendations for BES Requested Budget Items

	Decision Package	Request	Recommendation	Poll Outcome *
Bureau of Environmental Services	ES_01 Service Delivery	FTE - Environmental Technician I (Maintenance Inspection Program)	Support	Consensus
	ES_01 Service Delivery	FTE - Environmental Technician II (Plan Review)	Support	Consensus
	ES_01 Service Delivery	FTE - Environmental Technician II (Plan Review)	Do Not Support	Consensus
	ES_01 Service Delivery	FTE - Laboratory Analytical Specialist	Support	Consensus
	ES_01 Service Delivery	FTE - Environmental Technician II (Industrial Stormwater)	Support	Consensus
	ES_01 Service Delivery	FTE - Environmental Program Coordinator (SPCR)	Support	Majority (6-3)
	ES_01 Service Delivery	FTE - Engineering Technician II (Facilities Management)	Support	Consensus
	ES_01 Service Delivery	FTE - Wastewater Operator II	Support	Consensus
	ES_01 Service Delivery	Non-FTE Requests	Support	Consensus
	ES_02 CIP Planning and Delivery Improvements	FTE - Engineer (Pump Station Project and RR&M Project Management)	Support	Consensus
	ES_02 CIP Planning and Delivery Improvements	FTE - Engineer (Surface Water Project Management)	No Recommendation	(4-4-1)
	ES_02 CIP Planning and Delivery Improvements	FTE - Engineer Sr. (Treatment Plant Project Management)	Support	Consensus
	ES_02 CIP Planning and Delivery Improvements	FTE - Supervising Engineer (Wastewater Design)	No Recommendation	(3-5)
	ES_02 CIP Planning and Delivery Improvements	FTE - Engineer (Construction Management)	No Recommendation	(3-5)
	ES_02 CIP Planning and Delivery Improvements	FTE - Principal Management Analyst (Project Cost Estimator)	Support	Consensus

Decision Package	Request	Recommendation	Poll Outcome
ES_02 CIP Planning and Delivery Improvements	FTE - Sr. Engineering Associate (Support for System Planning and Modeling)	No Recommendation	(3-5)
ES_02 CIP Planning and Delivery Improvements	FTE - Sr. Engineer (Project Management for Stormwater Condition Assessment)	Support	Consensus
ES_02 CIP Planning and Delivery Improvements	FTE - Business Systems Analyst (Stormwater Condition Assessment)	Support	Consensus
ES_02 CIP Planning and Delivery Improvements	FTE - Industrial Maintenance Millwright (Field Technician for Condition Assessment)	No Recommendation	(5-4)
ES_02 CIP Planning and Delivery Improvements	Non-FTE Requests	Support	Consensus
ES_03 Workforce	FTE - Training and Development Analyst (limited term Training Coordinator)	Support	Consensus
ES_03 Workforce	Non-FTE Requests	Support	Consensus
ES-04 Bureau Culture	Non-FTE Request	Support	Consensus
ES_05 Responsive Business Systems	FTE - Business Systems Analyst (Investigations)	No Recommendation	(3-5)
ES_05 Responsive Business Systems	FTE - Financial Analyst	Support	Majority (8-1)
ES_05 Responsive Business Systems	FTE - Management Analyst (Procurement Assistance)	Support	Majority (6-3)
ES_05 Responsive Business Systems	Non-FTE Request	Support	Consensus
ES_06 Community Relationships	Non-FTE Request	Support	Consensus
ES_06 Community Relationships	Non-FTE Multifamily Assistance	Support	Majority (8-0-1)
ES_07 Leadership in Government	Non-FTE Request	Support	Consensus

*For items where there was a consensus, all members shared the same view. For items where there was a majority, six or more members shared the same view. Poll tally = (support - not support - undecided).

ES_01 Service Delivery

BES is requesting eight FTE (one Environmental Technician I, three Environmental Technician II, one Engineering Technician II, one Laboratory Specialist, one Environmental Program Coordinator, one Wastewater Operator II) for current needs related to service delivery.

There was consensus among the member to support five of these positions including:

- Environmental Technician I to augment the Maintenance Inspection Program for stormwater management facilities on private property.
- Environmental Technician II for the Industrial Stormwater program.
- Engineering Technician II for the facilities management team in the Wastewater Group.
- Laboratory Analytical Specialist to do analysis and reporting in the nutrients section of the Water Pollution Control Lab, and
- Wastewater Operator II for the biosolids work in the Wastewater Group

There was also consensus among the member to support one of the Environmental Technician II requested for the Plan Review team and to not support the second requested Environmental Technician II. Plan Review is part of the city-wide development process. These positions are being requested to address a current work load issue. The service delivery goal is to process 90% of permit folders within set timelines. Several factors have resulted in more than 40% of reviews not meeting city or state mandated time goals. BES requested and City Council approved an Environmental Technician I in the FY 2017-18 budget process. That position was filled in September 2017. BES will be use existing resources to hire casual employees this year and has implemented process improvements to help address the backlog. In further conversation between BES and CBO, the bureau stated, given the current staff plan and process improvements, it needs only one of the requested positions this year.

Finally, a majority of members supported the request for an Environmental Program Coordinator for the Spill Protection and Citizen Response program (SPCR). SPCR responds to sanitary sewer overflows, investigates potential violations, and imposes enforcement actions. This position would be dedicated to enforcement actions that have been a lower priority for the group than responses to overflows.

In addition to the requested FTE, there were several non-FTE requests. There was consensus among members generally to support non-FTE requests.

ES_02 CIP Planning and Delivery Improvements

BES is requesting 10 FTE (one Supervising Engineer, one Senior Engineer, three Engineers, one Senior Engineering Associate, one Engineering Associate, one Principal Management Analyst, one Business Systems Analyst, and one Industrial Maintenance Millwright) for capital planning

and delivery improvements. As a result of the Capital Improvement Planning Process Review and Enhancement Project (CIP PREP), BES will be implementing bureau-wide organizational changes and restructuring, which is planned for completion by Fall 2018. Emphasis on integrated planning and project management are major components of these changes.

PUB members are supportive of these organizational changes which are required to improve capital output which has been between 20% and 30% under plan for the last several years. As such, there was consensus to support five of the 10 requested positions:

- Senior Engineer for Project Management Stormwater Condition Assessment,
- Business Systems Analyst for Stormwater Condition Assessment, and
- Engineer for Pump Station Project and RR&M Project Management,
- Senior Engineer for Treatment Plant Project Management,
- Principal Management Analyst for Project Cost Estimating and Scheduling.

While three members were supportive of all of the requested positions, several members expressed concern regarding the overall number of staff being requested and BES's ability to onboard those staff while undergoing major organizational change within the bureau. In addition, some members felt that BES could use management techniques to realign existing staff to meet current need and reassess needs once the reorganizational plans are clearer. The members did not have a majority that supported recommending for or against the following positions:

- Engineer for Surface Water Project Management,
- Supervising Engineer for Wastewater Design,
- Engineer for Construction Management,
- Senior Engineering Associate for System Planning and Modeling, and
- Industrial Maintenance Millwright

In addition to the requested FTE, there were several non-FTE requests. There was consensus among members generally to support non-FTE requests.

ES_03 Workforce Development

BES is requesting a Training and Development Analyst to create a comprehensive approach for professional development of the engineering, construction, and technical staff within BES. There was consensus among member to support this position though it was noted that while this is requested as a limited-term position, it is a need that could be expected to continue.

ES_04 Bureau Culture

BES is requesting \$10,000 for implementation of its Racial Equity Plan. There was consensus among members generally to support non-FTE requests.

ES_05 Responsive Business Systems

BES is requesting three FTE (one Business Systems Analyst, one Financial Analyst, and one Management Analyst) for Responsive Business Systems.

BES is requesting one Business Systems Analyst for the Environmental Investigations Division (EID) in Pollution Prevention. This position is being requested to focus on data deficiencies within EID. Currently, BES has insufficient data management structures and processes which make it difficult to recognize and capitalize on opportunities to use data long-term for needs beyond their original purpose. It was noted that BES recently received authorization for data specialist positions and there were existing vacancies that could be reclassified for this need. The members did not have a majority that supported recommending for or against this position.

BES is requesting one Financial Analyst in the Financial Planning Division to assist with budget development, budget monitoring, responses to finance related inquiries, and the fiscal components of bureau-wide initiatives. A majority of members supported this request.

BES is requesting one Management Analyst in Business Services to streamline bureau work related to contract services. It is envisioned to be single point of contact for BES staff who manage goods, non-professional, and professional construction services. Long procurement processes and contract negotiations were identified as a reason for delayed capital projects. A majority of members supported this request.

In addition to the requested FTE, there was a non-FTE request. There was consensus among members generally to support non-FTE requests.

ES_06 Community Relationships

BES is requesting an adjustment related to its Intergovernmental Agreement with Multnomah County Drainage District. There was consensus among members generally to support non-FTE requests.

This package also includes \$400,000 towards to the expansion of the financial assistance to residents in multifamily units presented in the WA_07 decision package. A majority of members support this request.

ES_07 Leadership in City Government

BES is requesting \$20,000 for Disaster Response Team trailers. There was consensus among members generally to support non-FTE requests.

PORTLAND UTILITY BOARD

Members:

Allan Warman, Co-chair
Colleen Johnson, Co-chair
Meredith Connolly
Ted Labbe
Robert Martineau
Micah Meskel
Lee Moore
Dan Peterson
Scott Robinson
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To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: PUB Support for the Spring BMP Requests of the Bureau of Environmental Services and the Portland Water Bureau

Date: April 16, 2018

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). In that capacity, we have reviewed the bureaus' requested budget adjustments submitted for your approval during the City's Spring Budget Monitoring Process (BMP) and offer the following input for your consideration.

The bureaus presented their requests and the board considered the analysis of the City Budget Office at its meeting on April 12.

Generally, the bureaus are requesting to move existing budget authority between funds and line items and budget higher than expected revenues from a number of sources. Of note, BES requests to transfer \$26 million from the Sewer Operating Fund - \$16 million would be moved to the Rate Stabilization Fund and \$10 million to the Sewer Construction Fund. These transfers result from higher than expected development fees and lower than expected debt service costs. PWB requests to transfer \$34.4 million from its capital plan to contingency in the recognition of anticipated underspending. BES is not adjusting its plan but also expects significant capital underspending.

PUB unanimously concurs with the City Budget Office to recommend all of the requests as submitted. Thank you for considering this input. We appreciate the opportunity to review these requests and provide you with our feedback.

PORTLAND UTILITY BOARD

Members:

Allan Warman, Co-chair
Colleen Johnson, Co-chair
Meredith Connolly
Ted Labbe
Robert Martineau
Micah Meskel
Lee Moore
Dan Peterson
Scott Robinson
Hilda Stevens
Mike Weedall

Ex-officio Members:

Alice Brawley-Chesworth
Ana Brophy
Van Le

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City Budget Office
111 SW Columbia St., 5th Floor
Portland, Oregon 97201

To: Mayor Ted Wheeler

CC: Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: Assignment of the Bureau of Environmental Services and the
Portland Water Bureau

Date: June 6, 2018

Portland residents receive a combined utility bill. The individual decisions of the Bureau of Environmental Services and the Portland Water Bureau are combined in their effects on customers. Having the utility bureaus under the management of one City Commissioner was a recommendation of the Blue-Ribbon Commission which we strongly support. In addition to the many benefits for the bureaus, singular leadership from City Council has positively contributed to our task in providing community oversight. We hope you will continue this management approach as you reassign bureaus.

These utilities are large, complex bureaus that benefit from long-term stability in leadership as the last few years have demonstrated. We think there is room to improve how these bureaus work together, both in presenting information to the public and in coordinating similar work such as communications, equity, budgeting, and financial planning. One commissioner facilitates holistic thinking about the efficient delivery of utility services and enables critical examination of issues of affordability and value of the services provided to customers.

Thank you for considering this input.

Agenda No.
REPORT
 Title

Accept Portland Utility Board Annual Report to City Council (Report)

INTRODUCED BY Commissioner/Auditor: Commissioner Amanda Fritz and Commissioner Nick Fish	CLERK USE: DATE FILED <u>OCT 30 2018</u>
COMMISSIONER APPROVAL Mayor—Finance & Administration - Wheeler Position 1/Utilities - Fritz <i>Amanda Fritz</i> Position 2/Works - Fish <i>Nick Fish</i> Position 3/Affairs - Saltzman Position 4/Safety - Eudaly	Mary Hull Caballero Auditor of the City of Portland By: <i>[Signature]</i> Deputy
BUREAU APPROVAL Bureau: Office of Commissioner Fritz Bureau Head: Tim Crail	ACTION TAKEN: NOV 07 2018 ACCEPTED
Prepared by: Cristina Nieves Date Prepared: October 12, 2018	
Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
City Auditor Office Approval: required for Code Ordinances	
City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan	
Council Meeting Date Nov 7 th 2018	

AGENDA	FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
TIME CERTAIN <input checked="" type="checkbox"/> Start time: <u>3:00pm</u> Total amount of time needed: <u>10 min</u> (for presentation, testimony and discussion)			
CONSENT <input type="checkbox"/>			
REGULAR <input type="checkbox"/> Total amount of time needed: (for presentation, testimony and discussion)			
	1. Fritz	1. Fritz	✓
	2. Fish	2. Fish	✓
	3. Saltzman	3. Saltzman	✓
	4. Eudaly	4. Eudaly	—
	Wheeler	Wheeler	✓