

IMPACT STATEMENT

Legislation title: Revise Sewer and Stormwater Rates, Charges and Fees in accordance with the Fiscal Year 2019-2020 Sewer User Rate Study

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Presenter name: Michael Jordan and Jonas Biery

Purpose of proposed legislation and background information:

This annual ordinance establishes rates, charges and fees to generate sufficient revenue for projected expenditures in FY 2019-2020. Under these proposed rates, the typical single-family residential bill is expected to increase by \$2.17 per month. Increases to each individual customer and other customer classes may vary based on actual usage and circumstances. The proposed rate ordinance will enable the Bureau to continue collecting and treating wastewater from residences and businesses; managing stormwater to prevent erosion, flooding and water quality problems; operating the combined sewer overflow (CSO) system to prevent sewage overflows into the Willamette River and Columbia Slough; and repairing and replacing inadequate public sewer lines that cause sewage overflows and basement backups.

Financial and budgetary impacts:

This rate ordinance will generate \$405 million in operating revenue to support the Mayor's FY 2019-2020 Proposed budget for the Bureau of Environmental Services. \$357 million of this estimate is from billed retail revenues for sanitary, stormwater and Superfund services.

The rate ordinance does not create costs or expenses to the City.

This legislation does not specifically create or eliminate positions in future years. Future position decisions will be made by the Council within the annual budget process.

Community impacts and community involvement:

The Portland Utility Board (PUB) began meeting on September 1, 2015 and has held public meetings at least monthly thereafter. Among the PUB's responsibilities is acting as the bureau's Budget Advisory Committee by reviewing the bureau's operating and capital programs and budgets, the proposed FY 2019-2020 budget request and the financial impact to ratepayers of the proposed budget. Additionally, the bureau has received input throughout the budget and ratemaking process from the Citizens' Utility Board. Should this rate ordinance pass, the typical residential monthly bill for sewer and stormwater will increase by \$2.17 or 2.95%.

100% Renewable Goal:

Revenues from rates and fees proposed by this ordinance fund the annual cost to the bureau for Renewable Energy Credit (REC) purchases, per City Council Resolution No. 36983 and the 2015 Climate Action Plan.

In addition, the Renewable Compressed Natural Gas (RCNG) facility is scheduled to be completed in summer 2019 and will allow conversion of waste to produce biogas for sale directly to NW Natural Gas. While the biogas reuse project will add assets to CBWTP that will require operation and maintenance, the facility will also generate revenue for the bureau.

Budgetary Impact Worksheet**Does this action change appropriations?**

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

2019 Utility Rate Hearing Talking Points – Portland Utility Board

Opening Statement

- Good Morning Mayor Wheeler, Commissioners – The co-chairs of the Portland Utility Board, Colleen Johnson and Allan Warman, were unable to attend the hearing today due to unforeseen circumstances so this testimony is being provided on their behalf.
- The PUB serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). The public utilities make up approximately 20% of the total City budget and the PUB was created to provide year-round oversight and recommendations to the Mayor and Council for the water, sewer and stormwater utilities.
- Each PUB member invested substantial time over the past 8 months reviewing the proposed program offers, operating budgets, major additions and adjustments to the five-year capital improvement plans, decision package and City Budget Office analyses for both bureaus.
- The PUB wants to take this opportunity to publicly thank both bureau directors and staff that have dedicated time to provide clear information and support the PUB through our budget review process.
- Overarching themes of board discussion on the bureau budgets included concerns with:
 - the overall affordability of the utilities,
 - the capacity of both bureaus to deliver the ambitious capital programs envisioned, and
 - the importance of performance metrics that are still under development.

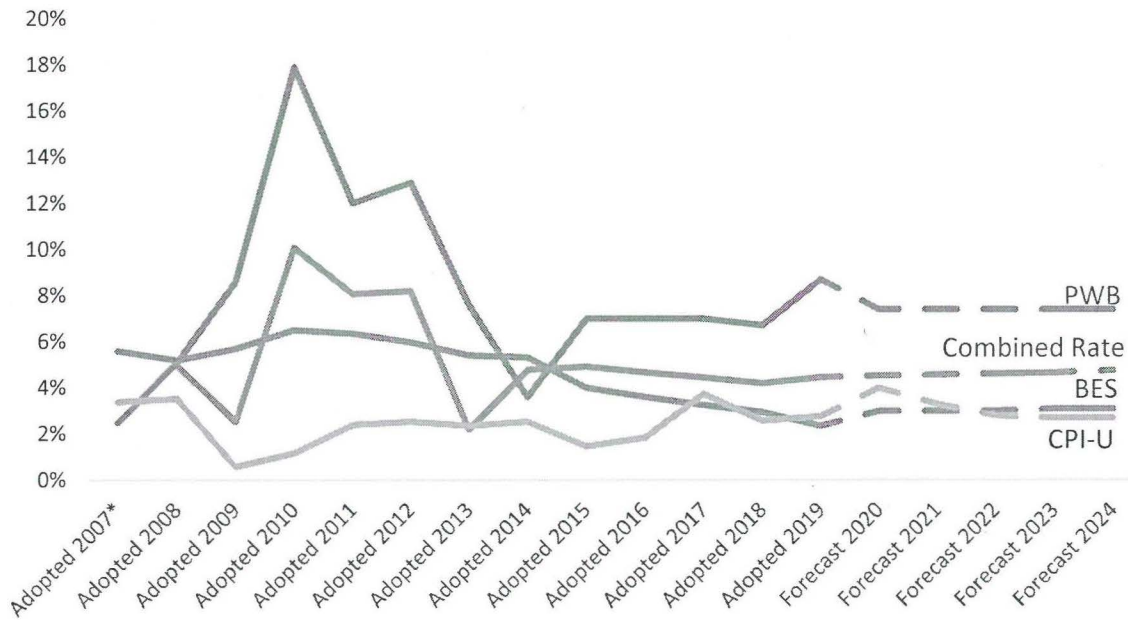
General Comments – BES and PWB

- There was just one decision package to consider, a request from PWB for the required preservation work at Mt. Tabor. The PUB is supportive of the Mayor's proposal to continue to fund the final year of the commitment with General Fund dollars and avoid any rate impacts for this project.

- With the shift to program offer budgeting, the bulk of PUB time was spent understanding the base budget within this new framework. There were three key issues to highlight.
- **First I'll touch on the issue of Affordability –**
 - The combined rate of increase in the Mayor's Proposed Budget is 4.5%, and although consistent with Council direction the PUB remains concerned that the ongoing annual increases outpace inflation year after year.
 - At the current planned rate increase the utility bill will increase another 20% by Fiscal Year 2024, up to approximately \$424 for a typical single family quarterly bill. We are concerned about the impact on ratepayers and particularly those most vulnerable.
 - PUB is very supportive of the low-income discount program to mitigate some of that concern. This program that started last July provides a good foundation and a model to follow. The PUB advocates for good data collection and program evaluation later this year to ensure success and identify areas for enhancement to maximize the impact.
 - The challenge of affordability for multifamily units is a broader City concern that cannot just be addressed by the two utility bureaus. All Council and other City partners need to be thinking about a wholistic approach to get at affordability for multifamily units.
- **Next, I'll briefly discuss monitoring of Staffing levels –**
 - The new budget process does not require FTE changes to be discreet decision packages. However, the PUB noted an increase of 20 positions within the BES requested base budget.
 - Some of the increase this year is a shift from contracted work and the PUB supports addressing the capacity gap to deliver on capital projects.
 - PUB is not debating the need for specific position changes requested; however, there is general concern for the long-term impacts on the financial plan with the risk of a slowing economy that could impact revenues needed to support the new ongoing staffing expense.
 - Staffing levels will be an area the PUB will continue to monitor for both bureaus as it impacts rates and affordability.

- **Finally, I'll discuss the need to focus on Performance Metrics –**
 - A critical priority for the PUB is early development and implementation of meaningful and measurable performance metrics to monitor success of the programs at PWB and BES.
 - The PUB recognizes that PWB is in the midst of a strategic planning effort that impacts metric development and BES is working to align metrics with their Strategic Plan and Equity Plan. Both bureaus are also working through the shift to the program offer budgeting.
 - However, effectiveness in both bureaus depends on developing a budget process that includes key metrics that can be used to evaluate services and program offers against measurable outcomes.
 - It was challenging for PUB to evaluate program offer budgets in the absence of performance measure data and we are committed to working with both bureaus in the coming months to support development of effective metrics to track programs and impacts of decisions.
- The PUB looks forward to continuing to work with the bureaus and with you Mayor and Commissioners to encourage utility operations and investments that ensure safety, value, transparency, and financial sustainability of these systems for the customers of Portland.
- Council created PUB to provide citizen oversight of the utility bureaus and they appreciate the opportunity to provide feedback at this point in the budget process.
- Thank you for your time today.

Recent and forecasted rates are much *less volatile* than ten years ago but the combined rate of increase continues to be *above the rate of inflation*.



Compared to FY 2018-19, the quarterly typical single-family household bill for water, wastewater, and stormwater services *would increase 4.53% to \$354 in FY 2019-20, increasing by 25% to \$424 over the next 5 years.*

