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191634

Ordinance

Authorize a Contract-Specific Special Procurement with SERVUS for the Smart Discount Program not to exceed \$350,000

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. As the cost of living in Portland continues to increase and utility rates increase to address issues of aging infrastructure, climate change, decreasing demand, and regulatory mandates, Portland Water Bureau and Bureau of Environmental Services (the bureaus) are exploring new ways to be more equitable, effective, and efficient in making utility services more affordable for Portlanders.
2. The City of Portland (City) has a Low-Income Assistance Program (LINC) to provide sewer/stormwater/water bill discounts to economically vulnerable customers. The program has provided millions of dollars in discounts in the form of flat fee bill discounts and annual crisis vouchers.
3. The bureaus have worked to expand the LINC program and innovate on the offerings available to customers and are working to increase awareness of LINC and remove access barriers to ensure the LINC meets Portland's increasing need for utility financial assistance, affordable water, and wastewater services.
4. To address these concerns of equity, efficiency, and affordability, the bureaus developed the Smart Discount Program in partnership with SERVUS, the Government Finance Officers Association (GFOA), and The University of Chicago Harris School of Public Policy.
5. By combining economics and machine learning, the City seeks to develop a personalized algorithm for utility bill discounts. This algorithm aims to increase the number of eligible residents who can benefit from a discount on their utility bills and ensure that implementing this discount does not have a negative impact on customers or the overall revenue generated by utility bill payments.
6. The Smart Discount Program places great importance on reducing the number of accounts that may be in danger of water shut off and lowering the outstanding balances on those accounts. By implementing the Smart Discount Program, we aim to create a fair and efficient approach to utility bill discounts that benefits residents who need

Introduced by

[Commissioner Mingus Mapps](#)

Bureau

[Water](#)

Contact

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

February 14, 2024

- financial assistance while still maintaining the financial sustainability of the bureaus.
7. This legislation will endorse the Smart Discount Program and authorize a contract with SERVUS under Portland City Code (PCC) 5.33.220, which allows the City Council, acting as the Local Contract Review Board, to approve a Contract-Specific Special Procurement so long as the award is unlikely to encourage favoritism in the award of a public contract or substantially diminish competition for public contracts and if the award promotes the public interest.
 8. SERVUS will provide machine learning algorithms that analyze various data sources, including account, usage, credit bureau, and census tract data, to estimate a customers' ability to pay for utility services and assign a percentage-based discount ranging from 0% to 80%. In addition, SERVUS will offer discounts that ensure affordability, while maximizing cash flow for the City.
 9. Machine learning is an extremely powerful technology. The Smart Discount Program is a combination of the unique expertise of SERVUS, the University of Chicago, GFOA, and the over 16 months of data analysis and conversations with the Bureau's staff. The algorithms, data analysis, and other applications have been edited or established to provide unique predictive analytics focused specifically on sewer/stormwater/water utility customer payment behavior and payment abilities.
 10. The Smart Discount Program involves the handling of sensitive customer data that requires strict security measures, for which the bureaus, SERVUS, and the University of Chicago have already put in place the necessary data sharing agreements and protocols.
 11. The bureaus have spent significant time with SERVUS, the University of Chicago, and GFOA, helping them gain the specific domain knowledge and familiarity with Portland's customers and system, so that algorithms can be developed to help the bureaus remove access barriers to financial assistance, more effectively evaluate and distribute limited financial assistance dollars, and ensure that Portlanders maintain affordable access to safe and clean drinking water and wastewater services.
 12. Total estimated cost for the procurement is \$350,000.
 13. Funding for this Project is available in the FY 2023-24 Budget and will be requested in FY 2024-25 through FY 2025-26 Budgets.

NOW, THEREFORE, the Council directs:

- A. The Council authorizes an Award to SERVUS as a Contract-Specific Special Procurement in the amount of \$350,000 for the Smart Discount Program.
- B. The Chief Procurement Officer is authorized to negotiate and execute a contract with SERVUS once all public notice requirements in PCC 5.33.220.E are satisfied, provided that the contract has been approved as to form by the City Attorney's Office.

C. The Mayor and Auditor are hereby authorized to draw and deliver checks chargeable to the Water and Sewer Funds when demand is presented and approved by the proper authorities.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
February 14, 2024

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

The Smart Discount Program will help us remove access barriers to financial assistance, more effectively evaluate and distribute limited financial assistance dollars, and ensure that Portlanders maintain affordable access to safe and clean drinking water and wastewater services. The Smart Discount Program accomplishes this by evaluating customer accounts and offering percentage-based discounts on bills for low- to middle-income customers.

In 1995, Portland Water Bureau and Bureau of Environmental Services (the bureaus) developed the Low-Income Assistance Program (LINC) to provide sewer/stormwater/water bill discounts to our more economically vulnerable customers. LINC has provided millions of dollars in discounts in the form of flat-fee bill discounts, annual crisis vouchers, and multifamily assistance. On average, LINC provides Portland customers approximately \$8.5 million a year in discounts. In addition to LINC, the bureaus offer customers crisis vouchers worth up to \$500 annually. The bureaus have made numerous efforts to increase program participation, but even with those efforts the program has never exceeded 8,500 customers served in one year.

Financial assistance programs are vital to our community. The cost of living in Portland continues to increase, and utility rates are increasing to address issues of aging infrastructure, climate change, regulatory mandates, and other issues. We must explore new ways to help Portlanders manage the costs of utility services. Additionally, we must ensure that customers are aware of and are able to easily access the benefits of our programs.

To address these concerns of access, equity, efficiency, and affordability, the bureaus began partnering with SERVUS, the Government Finance Officers Association, and the University of Chicago Harris School of Public Policy in June 2022 to develop the Smart Discount Program. Over the past year, SERVUS and the University of Chicago team have analyzed millions of lines of sewer/stormwater/water data and collaborated with bureau staff to design the Smart Discount Program.

The Smart Discount Program will test the effectiveness of using a machine learning algorithm to identify eligible customers and discount their bills to a level that encourages payment. The Smart Discount Program aims to improve the efficiency and accuracy of LINC, ensuring that assistance is effectively targeted to and received by those in need.

LINC program applications currently require manual processing, which is time consuming and resource intensive. The low awareness of the program and the administrative burdens of applying for LINC have stagnated the program's growth. The Smart Discount Program aims to streamline the financial assistance process by leveraging technology, data, and automation to proactively offer customers discounts, removing the need for customers to apply for assistance. By using a machine learning algorithm, the Smart Discount Program can analyze numerous variables and data sources to identify eligible customers more accurately than the team of individuals manually reviewing each application. This targeted approach ensures that assistance is provided to those who genuinely need it, optimizing the allocation of resources, reducing the need for customer awareness of the program, and reducing access barriers.

This legislation provides for the City's endorsement of the Smart Discount Program and awards a contract to SERVUS under Portland City Code 5.33.220, which allows the City Council, acting as the Local Contract Review Board, to approve a Contract-Specific Special Procurement so long as the award is unlikely to encourage favoritism in the award of a public contract or substantially diminish competition for public contracts and if the award promotes the public interest.

SERVUS will provide machine learning algorithms that estimate a customers' propensity and ability to pay for utility services and assign a percentage-based discount. In addition, SERVUS will use its dynamic segmented pricing model to conduct randomized control tests, analyze and modify the algorithms following each randomized test, conduct data intake and data analysis at each phase of the program, and help develop communications and reports for the program. Through the Smart Discount Program, the bureaus will offer discounts that help customers manage costs while maximizing cash flow for the City.

Financial and Budgetary Impacts

The bureaus allocate a small portion of revenue to fund LINC and other current financial assistance offerings each fiscal year. For fiscal year 2023–24, the bureaus plan to allocate \$9,810,661 to such programs. This equates to about \$2.4 million per quarter available for financial assistance. A similar amount will be available in future fiscal years.

The Smart Discount Program will use a portion of this funding for fiscal years 2023–24, 2024–25, and 2025–26 to provide bill discounts ranging from zero to eight percent off the customer's utility bill. During fiscal year 2025–26, the bureaus will collaborate with SERVUS and other program partners to evaluate the Smart Discount Program and determine any potential funding needs for its future.

Current financial assistance revenue will also be used to cover the cost of services provided by the contract with SERVUS. The contract shall not exceed \$350,000. Any amounts exceeding \$350,000 shall require additional Council approval.

The Smart Discount Program will not require any additional budget and will not affect sewer/stormwater/water rates. Project managers from each bureau will closely monitor the financial impacts of the Smart Discount Program to ensure there are no unintentional consequences to revenue.

At first, the Smart Discount Program will run alongside LINC. The program will run for two years to collect data and fine tune our algorithms and approach. During this time, LINC enrollment will be paused. Current LINC customers that are seniors or individuals with disability will not be affected. However, all other LINC customers will be enrolled in the Smart Discount Program as their two-year LINC discount expires. We will continuously monitor the program to ensure that it is successfully distributing aid to more customers, positively impacting former LINC customers, and not having a negative financial impact on the bureaus.

Community Impacts and Community Involvement

To assess the potential impact of the Smart Discount Program, the bureaus hosted a session with various community partners, including Latino Network, Our Just Future, Impact NW, the Native American Youth and Family Center, Self-Enhancement, Inc., and the Immigrant and Refugee Community Organization. The bureaus shared the design and goals of the program and solicited feedback.

Overall, the community partners supported the program and the bureaus' innovative and data-driven approach to improving LINC. Community partners advised the bureaus to maintain some level of human intervention and not lose sight of the housing and other issues that create economic strain for customers. The bureaus will continue to check in with community partners at key phases of the program to share results and provide an analysis of the program's performance.

We believe the Smart Discount Program will provide the following community benefits:

§ Increased access to affordable water: The Smart Discount Program aims to improve the efficiency and accuracy of identifying eligible customers for discounted utility rates, potentially increasing the number of low- to middle-income, underserved, and disenfranchised customers—specifically Black and Indigenous Portlanders—who will receive the financial assistance they need.

§ Equity and fairness: The Smart Discount Program will address potential biases and disparities that may arise from LINC's manual verification process. By using an algorithm to select customers, the Smart Discount Program aims to reduce subjectivity and promote fairness in determining eligibility for discounted utility rates. This can contribute to a more equitable distribution of resources and help bridge existing gaps in access to affordable utility services.

§ Data-driven decision making: The Smart Discount Program provides an opportunity to gather valuable data and insights on the effectiveness of using a machine learning algorithm and how this data can inform future decision-making processes, future financial aid programs, program evaluation and monitoring, and policy adjustments. The learnings from the program can help the bureaus make informed decisions that benefit the community in the long run.

§ Innovation and learning: The Smart Discount Program will demonstrate the bureaus' commitment to innovation and exploring new approaches to improving customer financial assistance programs.

100% Renewable Goal

Not applicable.

Budget Office Financial Impact Analysis

The bureau plans to use a portion of their revenue set aside for financial assistant offerings to fund this contract. The bureau has the resources in the Water Operating Fund to fund this contract.

Agenda Items

113 Time Certain in [February 7, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/2/7)
(<https://www.portland.gov/council/agenda/2024/2/7>)

Passed to second reading

Passed to second reading February 14, 2024 at 9:30 a.m.

156 Regular Agenda in [February 14, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/2/14)
(<https://www.portland.gov/council/agenda/2024/2/14>)

Passed

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea