

482

TESTIMONY SIGN-UP

35876

Water, sewer, stormwater rates
FY 2000-2001IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME & ADDRESS

NAME

ADDRESS & ZIP CODE

✓ Kathleen Curtis Dotten	Dotten & Associates
✓ Gary Rehmsberg	East Side Plating
✓ Don McClave	Chamber of Commerce
✓ Patrick Wolfe	Portland Public Schools
✓ Tony Ellis	Graphics Sciences
✓ Matt Cusma	Schnitzer Steel
✓ Anne Neckel	CCA PO Box 55651 97238
✓ DUANE POWELL	MASSING AUTHORITY OF PORTLAND 8910 N. WOODSBY AVE PORTLAND 97203
✓ HOWARD F. HORNER	13105 SE Salmon 97233
* SEE PAGE 2 *	
✓ Steve Brown	Associated Chemists Inc. 4401 SE Johnson Ct. Blvd 4550 Portland Or 97222
✓ Mike Tubinville	ESCA Corp

Date: 4-5-00Page 1 of 3

* PAGE 2 *

IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME & ADDRESS

NAME

ADDRESS & ZIP CODE

<p><i>Morning</i> <input checked="" type="checkbox"/> Jose Ruana</p>	<p>6706 NE Killingsworth Ave.</p>
<p><input checked="" type="checkbox"/> Chad Orloff</p>	<p>1200 SW Park Ave</p>
<p><input checked="" type="checkbox"/> Joe Bec</p>	<p>6300 SE 111th</p>
<p><input checked="" type="checkbox"/> LINDA HOOVER</p>	<p>5524 NE Wygant 97218</p>
<p><i>#488</i> <input checked="" type="checkbox"/> Peter Meijer</p>	<p>2936 NE 66th Ave</p>
<p><input checked="" type="checkbox"/> Dan Field ✓ OR Assoc. of Hospitals</p>	<p>OR Assoc. of Hospital</p>
<p><input checked="" type="checkbox"/> Doug Spencer ✓ w/OAHS</p>	<p>Providence Portland Med</p>
<p><input checked="" type="checkbox"/> Rich Beam w/OAHS</p>	<p>Prov. Portland Med Center</p>
<p><i>together</i> <input checked="" type="checkbox"/> Ali Sadri ✓ w/OAHS</p>	<p>OHSU</p>
<p>Robert Hertert w/OAHS</p>	<p>VA. Hospital.</p>
<p>Steve Donadeo w/OAHS</p>	<p>Academy Health.</p>
<p><input checked="" type="checkbox"/> Tomesina gabrielle Institution Facilities Coalition</p>	<p></p>

Date: _____

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TESTIMONY SIGN-UP

35876

482 Water-sewer rates FY 2000-2001

IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME & ADDRESS

NAME

ADDRESS & ZIP CODE

✓ Ron Burbach	3907 SE 108 TH 97266
✓ HANK ASHFORTH	825 NE MULTNOMAH ST 97232
✓ JIM WORTHINGTON	3232 SE 153 RD 97236
✓ Roban White	1211 SW 5 TH 97204
BOB McCLAVE dup.	221 NW 2 ND 97209
✓ AL JUBIETZ	10210 N. Vancouver Way 97221
Richard Wolf	PO BOX 501 N DIXON 97221
✓ LISE GLANCY	121 NW EVERETT
✓ Mary Dolich	1000 SW Vista Ave
MARY BENAFRANTO	2309 SW TURANE W.L 97068
✓ Rep Jeff Merkle Merkley	1351 SE 114 TH PDX 97216
✓ DAN O'DHAM	938 NE 175 PDX 97230

Date: 4-5-00

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35876

35876

Olson, Britta

From: Vizzini, Dan
Sent: April 14, 2000 4:08 PM
To: Olson, Britta
Cc: Rodgers, Rich; Durston, Bob; Campbell, Edward; Rojo de Steffey, Maria; Gooley, Dave; Hagerman, James
Subject: Rate Reform Resolution

Earlier today, Jim Hagerman and I were looking over the rate reform resolution filed by Rich Rodgers on Thursday (13 April). We discovered an error on the second page of the document. The seventh resolve, regarding an independent audit, should be removed. This item was replaced by the sixth resolved that calls for an independent analysis. I have taken the liberty of attaching a revised resolution. I hope to hear from Rich Rodgers later today or early on Monday to make the necessary changes, assuming this can be fixed now rather than in Council.

Thanks,

Dan Vizzini

City of Portland, Oregon
Bureau of Environmental Services
danv@bes.ci.portland.or.us
503.823.4038



Rate Reform
Resolution 14 APR ...

Olson, Britta

From: Rodgers, Rich
Sent: April 14, 2000 4:01 PM
To: Olson, Britta
Cc: Vizzini, Dan; Campbell, Edward
Subject: Error in resolution



amended rate reform
resolution...

Britta,

Attached is a correct version of the resolution. What I gave you yesterday had a "Resolved" that shouldn't have been there. I'm sorry for not getting this right the first time.

Thanks,

Rich

RESOLUTION NO.

*The original - 1st of 3
submitted*

35876

482

Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 that reflect City Council goals to improve the fairness, controllability and affordability of these rates.

WHEREAS, the City Council shares citizen concerns regarding the fairness and affordability of water, sewer, and stormwater charges; and

WHEREAS, the long-term financial stability of the water, sewer and stormwater utilities is of utmost concern to the entire City of Portland; and

WHEREAS, improved acceptance and understanding of the nature of water, sewer and stormwater charges will help ensure support for the important work underway in the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, the Bureau of Environmental Services and the Water Bureau have completed a thorough analysis of rate reform proposals presented to the City Council on March 2, 1999; and

WHEREAS, the Offices of Commissioner Saltzman and Sten and the Office of Neighborhood Involvement have conducted a series of over 18 neighborhood and business meetings on the results of the analysis conducted by the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, water and sewer rates should be based more directly on the volume of water and sewer services consumed by each user; and

WHEREAS, fairness calls for recognition and financial incentives for customers who take the appropriate steps to manage stormwater on their own property; and

WHEREAS, the responsibilities of protecting rivers and streams, enhancing fish habitat, and maintaining a safe, well-drained road system should be shared by all Portland residents; and

WHEREAS, water and sewer services are essential, and therefore should be affordable to senior citizens and customers with limited incomes; now, therefore

BE IT RESOLVED, that the City Council directs the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 which reflect these community values; and be it

FURTHER RESOLVED, that the Water Bureau will develop water rates, for implementation on July 1, 2000, that are based on a option 2A in its report to Council, modified so that the service charges are calculated using the costs centers identified in Attachment A; and be it

FURTHER RESOLVED, that the Water Bureau will combine the current water and sewer service charges into one "Basic Service Charge" effective July 1, 2000; and be it

FURTHER RESOLVED, that, by September 30, 2000, the Bureau of Environmental Services will create and implement a stormwater discount program that provides incentives to customers who manage their stormwater on site; and be it

FURTHER RESOLVED, that, upon implementation of the stormwater discount program, the Bureau of Environmental Services and the Water Bureau will distinguish on customers' bills those charges associated with the drainage of the public right of way and those charges associated with on-site drainage; and be it

FURTHER RESOLVED, that, starting July 1, 2000, the Bureau of Environmental Services will eliminate stormwater fee exemptions for riparian properties as well as those properties not connected to the sanitary sewer system; and be it

FURTHER RESOLVED, that, by July 1, 2000, the Bureau of Environmental Services will complete its Intergovernmental Agreement with the Multnomah County Drainage District in order to establish a fair allocation of City and Drainage District costs related to stormwater; and be it

FURTHER RESOLVED, that the Bureau of Environmental Services will continue to evaluate alternatives methods for recovering the costs of draining public streets; and be it

FURTHER RESOLVED, that by July 1, 2000, the Water Bureau will expand the definition of eligibility for its low-income discount program to include housing owned by non-profits or the Housing Authority of Portland, provided every housing unit on the water and sewer account is affordable to residents who meet the program's income threshold; and be it

FURTHER RESOLVED, that the Council intends to lower the existing utility license fee for the water and sewer utilities from 7.75% to 7.5%; and be it

FURTHER RESOLVED, that, by December 31, 2000, the Water Bureau will complete its current work on its Conservation Program, which will include the identification of effective price and non-price strategies for improving conservation; and be it

FURTHER RESOLVED, that the Water Bureau will discuss with the Council the advantages and implications of a move to monthly meter reading and billing.

Attachment A**Components of Service Charge Under Modified 2A Option**

Function	Current Costs for FY 99/00
Customer Services	\$4.3 million
Meter Reading & Inspection	\$1.9 million
Information Technologies	\$1.6 million
Total costs:	\$7.8 million
Less delinquency revenues	\$1.1 million
Total service charge revenue requirements:	\$6.7 million (Approx. 30% of current service charges)

RESOLUTION NO.

3 5 8 7 6

As Amended

Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 that reflect City Council goals to improve the fairness and affordability of these rates. (Resolution)

WHEREAS, the City Council shares citizen concerns regarding the fairness and affordability of water, sewer, and stormwater charges; and

WHEREAS, the long-term financial stability of the water, sewer and stormwater utilities is of utmost concern to the entire City of Portland; and

WHEREAS, improved acceptance and understanding of the nature of water, sewer and stormwater charges will help ensure support for the important work underway in the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, the Bureau of Environmental Services and the Water Bureau have completed a thorough analysis of rate reform proposals presented to the City Council on March 2, 1999; and

WHEREAS, the Offices of Commissioner Saltzman and Sten and the Office of Neighborhood Involvement have conducted a series of over 18 neighborhood and business meetings on the results of the analysis conducted by the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, water and sewer rates should be based more directly on the volume of water and sewer services consumed by each user; and

WHEREAS, fairness calls for recognition and financial incentives for customers who take the appropriate steps to manage stormwater on their own property; and

WHEREAS, the responsibilities of protecting rivers and streams, enhancing fish habitat, and maintaining a safe, well-drained road system should be shared by all Portland residents; and

WHEREAS, the Utility Franchise Fee does not currently support activities involving the utilities, and

WHEREAS, water and sewer services are essential, and therefore should be affordable to customers with limited incomes; now, therefore

BE IT RESOLVED, that the City Council directs the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 which reflect these community values; and be it

FURTHER RESOLVED, that the Water Bureau will develop water rates, for implementation on July 1, 2000, that are based on option 2A in its report to Council,

modified so that the service charges are calculated using the costs centers identified in Attachment A; and be it

FURTHER RESOLVED, that the Water Bureau will combine the current water and sewer service charges into one "Basic Service Charge" effective October 1, 2000; and be it

FURTHER RESOLVED, that, by October 1, 2000, the Bureau of Environmental Services will create and implement a stormwater discount program that provides incentives to customers who manage their stormwater on site; and be it

FURTHER RESOLVED, that, by January 1, 2001, the Water Bureau shall modify its billing system so as to accommodate the stormwater discount program created by the Bureau of Environmental Services; and be it

FURTHER RESOLVED, the Bureau of Environmental Services will commission an independent analysis of the relative costs of managing stormwater from private property as compared to public rights-of-way, including an estimation of the cost savings to the stormwater utility that result from on-site stormwater management; and be it

✓ → FURTHER RESOLVED, that the Bureau of Environmental services shall commission an independent audit to verify the validity of its calculations for the costs of managing stormwater in the public right of way; and be it

FURTHER RESOLVED, that, starting July 1, 2000, the Bureau of Environmental Services will eliminate stormwater fee exemptions for riparian properties as well as those properties not connected to the sanitary sewer system; and be it

FURTHER RESOLVED, that, by July 1, 2000, the Bureau of Environmental Services will complete its Intergovernmental Agreement with the Multnomah County Drainage District in order to establish a fair allocation of City and Drainage District costs related to stormwater; and be it

FURTHER RESOLVED, that the Bureau of Environmental Services will continue to evaluate alternatives methods for recovering the costs of draining public streets; and be it

FURTHER RESOLVED, that by July 1, 2000, the Water Bureau will expand the definition of eligibility for its low-income discount program to include housing owned by non-profits or the Housing Authority of Portland, provided every housing unit on the water and sewer account is affordable to residents who meet the program's income threshold; and be it

FURTHER RESOLVED, that the Council intends to lower the existing utility license fee for the water and sewer utilities from 7.75% to 7.5%; and be it

FURTHER RESOLVED, that annual reviews, to begin one year after rate reform takes effect, shall be conducted to examine low-income and senior participation in the city's rate relief programs with recommendations and implementation plans to increase low-income and senior involvement; and be it

FURTHER RESOLVED, that, by December 31, 2000, the Water Bureau will complete its current work on its Conservation Program, which will include the identification of effective price and non-price strategies for improving conservation; and be it

FURTHER RESOLVED, that Portland Parks and Recreation, the Water Bureau, the Bureau of Environmental Services, and the Office of Finance and Administration shall jointly explore options to reduce the demand for irrigation waters in parks, respond to increased water costs to the General Fund and implement more effective stormwater management practices; and report back to Council within 90 days to discuss what steps can be taken to reduce water use, what impacts remain to the park system due to the new rates and financing options which may be available.

FURTHER RESOLVED, the City Council directs staff to work with industry to explore how the City can offer incentives to business and commercial users that have implemented substantial water conservation or stormwater management efforts; and be it

FURTHER RESOLVED, that the Water Bureau will discuss with the Council the advantages and implications of a move to monthly meter reading and billing.

Adopted by the Council:

APR 12 2000

Prepared by: 4/6
Rich Rodgers/ Commissioner Sten
Frank Hudson/ City Attorney's Ofc.

GARY BLACKMER
Auditor of the City of Portland

By 

April 6, 2000

TO: Mayor Vera Katz, Commissioner Francesconi, Commissioner Sten,
Commissioner Saltzman, Commissioner Hales

FROM: Kathleen Curtis Dotten on behalf of the Portland Wastewater Treatment
Association and the Oregon Metals Industry Council

SUBJECT: Suggested Amendments for the Sewer and Water Rate Reform plan

Thank you for the opportunity to provide input at yesterday's hearing. I have described several concepts below for you to consider including in amendments. Although the sewer and water rate reform plan will still impact businesses, these amendments would help to mitigate the increases and make the reforms more equitable.

1. Phase in rate reforms for businesses whose stormwater and water bills would increase by more than 10% when the plan is adopted.
2. Consider a 50% service charge and 50% charge based on volumetric rates.
3. Direct staff to work with industry to explore how the city can offer water rate discounts to business and commercial users that have implemented substantial water conservation efforts.

**Testimony on the Utility Rate Restructuring Proposal
Presented by Robin White, Executive Vice President
Portland BOMA**

I am here today representing the members of BOMA who applaud you and agree with your efforts to restructure the utility rates to provide fairness and affordability, and to ensure a long-term financial stability of the water, sewer and stormwater systems within the city of Portland. We are, however, greatly concerned about the proposal before you today. Let me touch on a few of the points:

- Fairness: All citizens of the City benefit from the services provided. All citizens contribute to the wear and tear on the system, the need to upgrade to meet state and federal mandates, and the administrative needs of running the system. The responsibility to protect watersheds and streams, etc. is shared by everyone. Yet, the proposal before you today shifts the burden of paying these costs from residential to business. Where is the fairness there?

While it has been suggested that the residential customer bill has gone from \$14 - \$32 a month, the cost to business for the same services has tracked equally. According to our Income and Operating Expense Survey, since 1990 the cost of water and sewer has increased 40% for downtown buildings, while in our surrounding communities that increase has been less than 20%. While I can't speak to large industrial plants, I can note that small retailers that rely on water, who are either metered separately or monitored by their landlord, will be impacted even more than that. Who knows, your favorite coffee shop might not be around much longer if their proposal passes. Your own report dated January 18th indicates that 70% of the demand on Portland's system is related to the transportation system, and not business. Yet, business will be burdened with a disproportionate share of the fee when the experience clearly doesn't warrant it.

- This will have a negative impact on the City's economic viability. PDC's "Cost of Doing Business Report" already establishes that the additional fees imposed on business within the city presents a

disincentive to doing business in Portland. While the ECO NW Report indicates that this rate increase, in itself, may not have a major impact in loss of jobs (although I would not like to be one of the 2,200 jobs they indicate will be lost) this combined with all of the other fees imposed will cost us business and jobs. A downtown building owner who also owns property in other cities indicated that his fixed costs here in Portland equal 50% of his operating income. In Los Angeles it is one half of that percentage. The City and business has had a long-standing partnership to work together to attract business and to maintain the downtown as a thriving component of our community. This proposal is just one more attempt to chip away at those efforts.

- The proposal is a shell game. While a decrease in rates for residential customers may make the City look good, you're not presenting the true picture. The businesses in Portland (whether they are an office building, a restaurant, a retailer or a service provider) are not going to absorb these increased costs. They are going to be passed on to the consumer in higher fees. So, while senior citizens might save some money in their utility rates, their cost of buying a meal or other necessary services are going to be higher. We believe the direction in the resolution to expand low income discounts will provide far more tangible savings to the seniors on fixed incomes than this proposal does.

We applaud your goal to encourage business to conserve water and invest in systems to mitigate storm water runoff. We don't believe that increased rates will accomplish that goal. And any incentives you establish must be adequate to offset the costs of doing so. In a meeting this morning a staff member indicated that discounts or credits would equal about \$100/month for a business. That's only \$1,200 a year and short of minimal landscaping improvements, that amount is not going to be an incentive for a business to spend say \$50,000 - \$100,000 for more involved options. And, please keep in mind that for existing downtown buildings there aren't many (if any) alternatives to deal with storm water on site. So, this isn't really isn't an option for them.

Finally, we want to thank you for taking the trip generation option out of the proposal. If that were included, you could take all of the anticipated increases and multiply them 200 fold.

In closing let me encourage you to instruct staff to go back to the drawing board and challenge the Bureau to come back with a proposal that is balanced and fair. One that actually encourages water conservation, establishes a long-term strategy for utility rate reform, and one that takes pro-active steps to reduce fees and impacts the storm water management of the city as a whole.

PPS Sewer Use

- PPS Seeking Ways to Disconnect Storm Water
- Sewer Use Projected 8% Lower Than 5-Year Average

Sewer Use	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
94-95	22,500	24,950	20,734	20,692	16,579	14,235	14,816	14,956	16,713	17,846	20,242	18,202
95-96	23,483	21,988	17,792	16,724	16,062	14,145	14,261	15,551	16,013	16,190	17,553	15,093
96-97	17,032	18,006	17,506	16,942	14,772	12,846	12,752	13,162	14,046	15,209	16,904	13,958
97-98	14,330	17,711	16,726	15,863	14,654	12,408	13,910	14,378	14,749	14,617	17,035	15,910
98-99	17,632	25,257	27,484	19,054	14,782	13,731	14,421	13,436	14,430	15,430	17,061	17,208
Average	18,995	21,582	20,048	17,855	15,370	13,473	14,032	14,297	15,190	15,858	17,759	16,074
99-00	18,760	18,961	20,416	14,490								
	-1%	-12%	2%	-19%								

35876 #482

PPS Sewer Costs

- Sewer Costs 27% Over Five-Year Average
- Billing Changes Will Add an Estimated \$75,000/Yr.
- Billing Changes & Rate Increase = 54% Increase

Sewer Cost	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
94-95	\$41,791	\$44,037	\$46,689	\$51,683	\$45,786	\$41,932	\$44,089	\$42,873	\$46,826	\$48,564	\$51,824	\$44,780
95-96	\$50,462	\$49,647	\$48,248	\$54,682	\$54,684	\$50,193	\$50,491	\$51,919	\$53,087	\$49,988	\$60,350	\$54,743
96-97	\$62,726	\$68,134	\$66,109	\$67,160	\$62,379	\$57,282	\$57,117	\$56,798	\$62,054	\$63,399	\$67,686	\$61,988
97-98	\$67,945	\$78,762	\$75,213	\$74,108	\$69,644	\$61,170	\$68,738	\$67,523	\$71,216	\$69,672	\$74,357	\$63,543
98-99	\$65,452	\$81,118	\$93,122	\$85,521	\$77,481	\$75,598	\$77,772	\$71,332	\$76,646	\$75,111	\$81,834	\$72,741
Average	\$51,660	\$53,939	\$53,682	\$57,842	\$54,283	\$49,802	\$50,566	\$50,530	\$53,989	\$53,984	\$59,953	\$53,837
99-00	\$70,435	\$68,586	\$74,123	\$62,543								
	36%	27%	38%	8%								

PPS Water Use

- PPS Pursues Water Bureau Conservation Incentives
- Use Projected to Drop 18% Under 5-Year Average

Water Use												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
94-95	25,340	28,469	22,790	26,073	25,232	21,381	21,436	21,583	22,802	23,738	25,813	20,988
95-96	25,107	23,535	19,016	17,691	16,709	14,587	15,376	16,663	16,334	14,629	19,198	20,041
96-97	25,850	28,853	24,203	19,273	15,828	13,417	13,290	13,761	14,812	16,515	20,021	18,252
97-98	24,493	27,732	20,873	17,228	15,222	12,516	14,259	14,785	15,264	15,203	17,770	16,495
98-99	19,817	27,711	28,476	20,524	15,489	14,278	14,935	13,695	14,671	16,117	17,518	18,035
<i>Average</i>	<i>24,121</i>	<i>27,260</i>	<i>23,072</i>	<i>20,158</i>	<i>17,696</i>	<i>15,236</i>	<i>15,859</i>	<i>16,097</i>	<i>16,777</i>	<i>17,240</i>	<i>20,064</i>	<i>18,762</i>
99-00	20,211	20,728	21,917	14,880								
	-16%	-24%	-5%	-26%								

PPS Water Costs

- Conservation Will Reduce Costs by Projected 19%

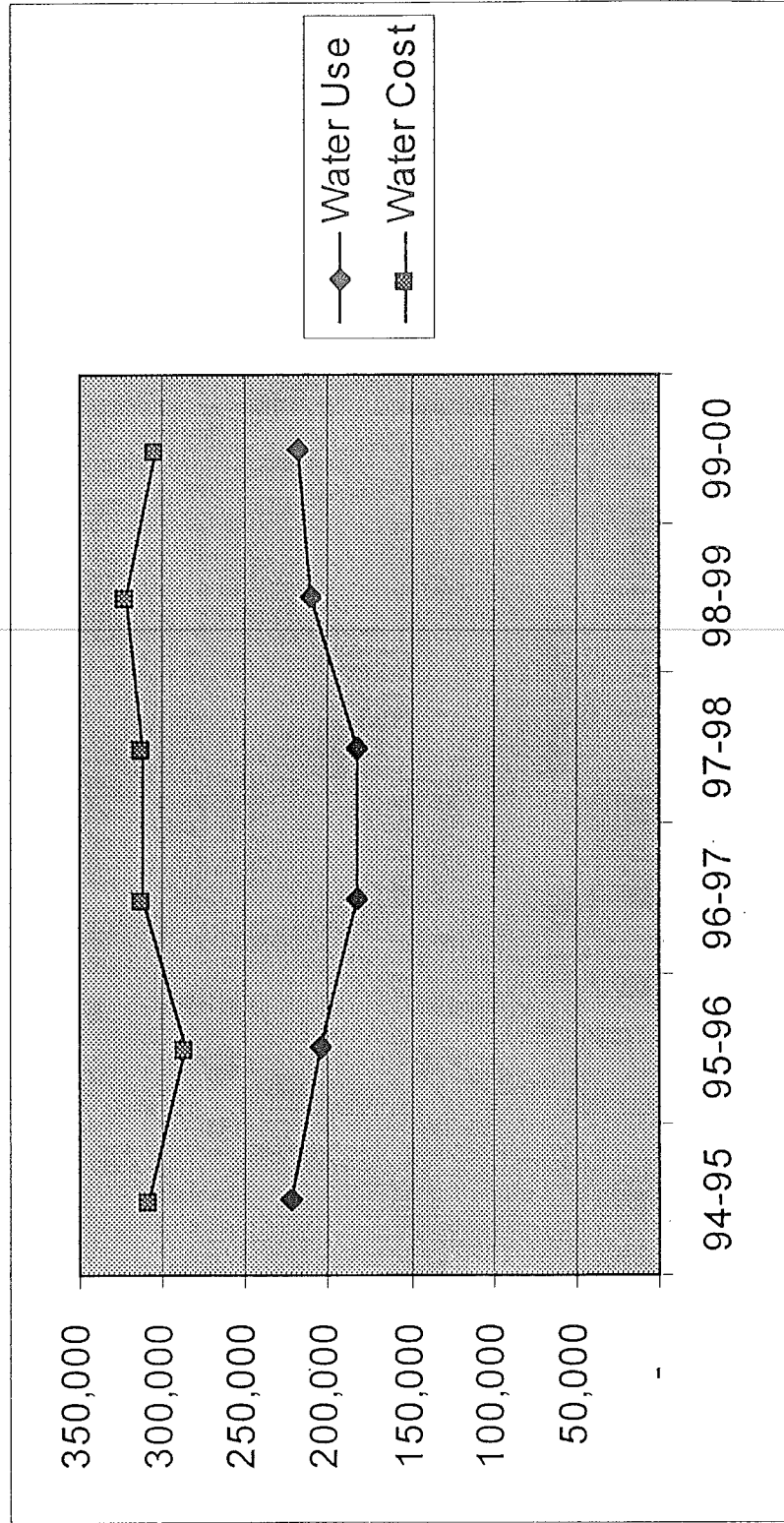
Water Cost	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
94-95	\$31,473	\$33,914	\$26,052	\$25,581	\$22,991	\$22,407	\$23,274	\$22,166	\$23,431	\$24,137	\$26,818	\$25,023
95-96	\$31,931	\$29,754	\$24,257	\$22,799	\$21,484	\$19,296	\$20,513	\$21,363	\$21,265	\$19,955	\$25,761	\$27,457
96-97	\$35,964	\$38,364	\$31,846	\$26,338	\$22,910	\$20,560	\$19,896	\$19,983	\$21,848	\$22,952	\$26,105	\$25,345
97-98	\$33,034	\$35,753	\$28,426	\$29,324	\$26,972	\$22,502	\$21,522	\$20,976	\$22,131	\$22,056	\$26,124	\$22,904
98-99	\$26,781	\$38,637	\$40,418	\$32,435	\$24,091	\$22,173	\$21,889	\$19,696	\$21,600	\$23,746	\$27,083	\$24,352
<i>Average</i>	<i>\$31,837</i>	<i>\$35,285</i>	<i>\$30,200</i>	<i>\$27,296</i>	<i>\$23,690</i>	<i>\$21,388</i>	<i>\$21,419</i>	<i>\$20,837</i>	<i>\$22,055</i>	<i>\$22,569</i>	<i>\$26,378</i>	<i>\$25,016</i>
99-00	\$28,093	\$26,875	\$27,465	\$18,906								
	-12%	-24%	-9%	-31%								

PPS Water & Sewer Costs

- Sewer Costs Have Doubled in Five Years
- Sewer/Water Is the Second-Highest Utility Cost

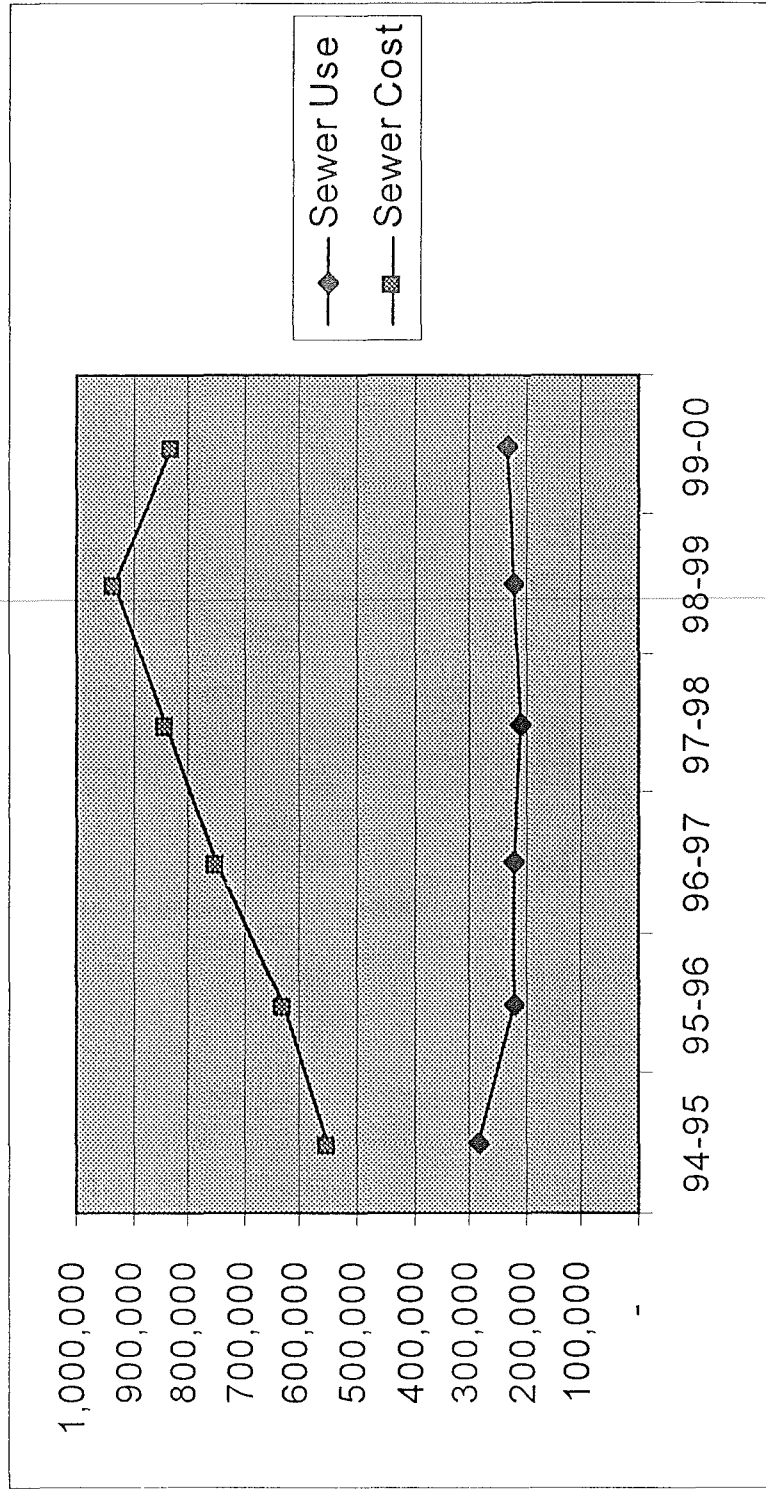
Annual Cost Projections			
Fiscal Yr.	Sewer	Water	Total
1994-95	\$550,874	\$307,267	\$858,141
1995-96	\$628,494	\$285,835	\$914,328
1996-97	\$752,831	\$312,112	\$1,064,943
1997-98	\$841,890	\$296,667	\$1,138,557
1998-99	\$933,727	\$322,899	\$1,256,626
1999-2000	\$1,098,365	\$335,815	\$1,434,180
2000-2001	\$1,219,185	\$355,964	\$1,575,149
2001-2002	\$1,353,296	\$370,202	\$1,723,498
2002-2003	\$1,488,625	\$385,010	\$1,873,636

PPS Water Analysis



PPS Sewer Analysis

35876



Expanded Low-Income Assistance Proposals

Existing Program

**Discounts bills a fixed amount
(30% of charges for typical bill payer with
income \leq 60% of median family)
Funded by water and sewer rates**

**Extends existing program to HAP and other
private non-profit low income housing providers
Funding source is 0.25% of franchise fee**

**Senior citizens — 10% discount
Qualify with 60 - 80% of median family income
Funding source is 0.25% of franchise fee**

Utility Rate Reform Proposal
Council Hearing, April 5, 2000
Commissioners Dan Saltzman and Erik Sten

Rate Reform Proposal

- **Make utility bills more controllable and affordable.**
 - Shift roughly 70% of fixed account service charges into volume and stormwater rates.
 - Limit fixed account service charges to the costs of customer service, meter reading and inspection, and information systems.

2

Rate Reform Proposal

- **Make utility bills more affordable for low income homeowners and renters.**
 - Expand existing low income assistance to non-profit providers of affordable apartment housing.
 - Finance this expansion by reducing the Utility Franchise Fee from 7.75% to 7.50%.

3

Rate Reform Proposal

- **Improve the fairness of the stormwater management charge.**
 - Maintain the existing unified stormwater utility, financed by charges based on impervious area.
 - Provide an incentive program for private investments to manage the quantity and quality of stormwater runoff.

4

Rate Reform Proposal

- **Improve the equity of stormwater management charges.**
 - Extend stormwater charges to all properties that benefit from stormwater utility.
 - Complete intergovernmental agreement with the independent drainage districts to clarify financial and management responsibilities.

5

Rate Reform Proposal

- **Improve the ability of ratepayers to understand the utility bill.**
 - Consolidate the water and sewer account service charges into a single charge.
 - Separate the street maintenance component of the stormwater charge from the components that relate to runoff from private property and restoration of the environment.

6

Rate Reform Proposal

- **Increase water conservation efforts.**
 - Consider price and non-price water conservation incentives and program.
 - Consider monthly billing for all utility ratepayers.

7



ESCO CORPORATION
2141 N.W. 25TH AVE.
PORTLAND, OREGON
97210-2578
(503) 228-2141

March 24, 2000

482

35876

Mr. Erik Sten
Mr. Dan Saltzman
Multnomah County Commissioners
1221 SW Fourth Avenue
Portland, OR 97204-1998

RE: UTILITY RATE REFORM INITIATIVES

Commissioners:

ESCO Corporation is very concerned about the potential changes presented in the reform initiatives regarding Water, Sanitary Sewer, and Storm Water Management.

In the global market that ESCO serves, the pressure to reduce costs is relentless. Cost increases in any form must be absorbed as there is little opportunity to pass these costs into the marketplace. The proposed changes would cause a substantial increase in the operational costs of our Portland facility.

Founded in Portland in 1913, ESCO today employs 800 people at our Portland site. These are valuable inner-city jobs. The long-term viability of any of our operations is predicated upon that location's ability to manufacture ESCO products in a cost-effective manner.

In addition to the potential cost impact, it is very disturbing that these potential changes would not be applied equitably across all customer classes. Any changes in the above services must be equally borne by residential, commercial and industrial customers.

Sincerely,

Larry R. Huget
President
ESCO Products Group

35876 #482

**Oregon Association
of Hospitals and Health Systems**

Thank you for the opportunity to testify at the hearing today on your resolution changing the method of determining water/sewer rates. I am Dan Field, Vice President and Legal Counsel for the Oregon Association of Hospitals and Health Systems. Joining me in providing testimony are Doug Spencer, Director Regional Physical Plant Services, Providence Health Systems, and Ali Sadri Facilities Management Department, Oregon Health Sciences University. Richard Beam, Manager Utilities Management Program, Providence Health System is providing informational graphs within our testimony.

We are here today representing the Portland hospitals who are members of OAHHS, including Adventist Medical Center, Legacy Emanuel Hospital & Health Center, Legacy Good Samaritan Hospital & Medical Center, Oregon Health Sciences University, Providence Portland Medical Center, Shriners Hospital for Children and Portland Veterans Affairs Medical Center.

We want to express our concerns about the proposed changes to the method of calculating water and sewer rates and their impact on Portland hospitals. In our presentation we will address several of the goals that the proposed rate reforms have been developed to address, and which were outlined in the original proposal. Specifically, we plan to discuss the following issues: fairness, affordability and conservation.

First, we do support the current resolution, specifically that direct service charges be charged to all users.

However, we do want to state, for the record, our opposition to a total volumetric approach. One of the assumptions used in developing the original proposal of a volumetric only method was that there are greater costs associated

with servicing institutional and commercial customers than with residential customers. While a hospital uses much larger quantities of water, it requires less service per unit of water consumed.

One of the stated objectives in the January proposal was to minimize rate increases and to keep them to 10% or less, with the exception of 50 of the 78 largest water users, who were targeted for a more than 16% increase.

As a group, hospitals are one of the largest water users in the community. In fact when we calculated the 3-A Option for the hospitals mentioned above, the average increase would have been 18%.

While we as a group are among the largest water users, we believe there are reasons to limit our increase to no more than 10% over the status quo.

These hospitals are not-for-profit institutions that provide essential services to the community and whose missions are to serve all of the citizens of our community, especially the low income and indigent – the same population you want to assist with the proposed rate restructure. In fact the charity care provided in 1999 was in excess of \$24,500,000 and this figure does not include care provided by Shriners Hospital for Children and the VA Medical Center, which provide care without charge to nearly all of their patients.

In addition to this charity care, our facilities provide many other services and programs to enhance the quality of life in our community. Some examples of this are low income housing, services for those with mental health and chemical dependency conditions, immunizations for children, programs that address healthcare and social issues that are of concern to our community as a whole.

Each additional dollar that we spend on water/sewer costs reduces the dollars available to provide healthcare and other services for those who would otherwise not receive any care.

Second, as not-for-profit institutions, Portland's hospitals have some unique considerations that do not allow them to absorb and pass on increasing costs to patients. Governmental health programs - Medicare and Medicaid - do not reimburse hospitals for increases in direct costs. Reimbursement is based on a fixed cost per diagnosis. The actual cost of treatment is not considered under these programs.

In fact, we are also on a fixed income which is declining. The Balanced Budget Act of 1997 will cut \$92.2 million in Medicare reimbursement to Portland's hospitals over its five-year implementation. Due to the competitive managed care market in Portland, there is little opportunity to absorb additional costs and no opportunity to pass them on. Instead, these increases affect the ability of hospitals to provide charity care and other programs that address community needs.

Again, both Shriners Hospital and Portland VA have their own unique situations. Shriners' ability to provide care for seriously ill children is based upon the amount of charitable contributions received, and increased costs directly reduces the dollars available to provide that care. And the Veteran's Medical Center also has a budgeted amount of money to provide care, which, like Medicare, has seen substantial cuts. In the past few years, increases in costs such as the proposed rate restructuring reduces the number of patients for which care can be provided.

Finally, because of the cost constraints in the healthcare industry in the past ten years, hospitals have already implemented water/sewer conservation programs and continue to work with the Water Bureau to further decrease consumption.

In fact, we have attached two graphs that compare the increase in

square footage of facilities as contrasted with the decrease in water usage. These charts show a dramatic reduction in water use at the same time that our facilities are growing and providing more services.

While these charts reflect the successful efforts at water conservation from 1994 on, many of the major conservation efforts were completed prior to 1994, beginning in the mid-to-late 1980s. For instance, as one example of the major efforts completed in that time span by hospitals, Legacy Emanuel Hospital converted the showerheads in 250 patient rooms to low flow devices.

With all of the efforts at water conservation, hospitals are still seeing increases in water consumption due to growth, and are using more water per year than ever. Also, there are growing requirements for infection control of hepatitis, HIV and other organisms which drive additional increases in water consumption.

Therefore our position regarding conservation is two-fold: 1) while there is still opportunity to conserve, these efforts do not necessarily reduce our consumption; and, 2) these efforts will not substantially offset any of the cost increases proposed, either from the change in rate structure or the scheduled annual increase for water/sewer rates of approximately 8% scheduled for July 1. For these reasons, the assumption that, as institutional customers, we can reduce costs by implementing conservation efforts is not a valid one.

We are an essential part of this community and are also responsible community members. In stating our concerns on this issue, we are not implying that we are opposed to paying our fair share. Indeed, we support a fair process for offering relief to low- or fixed income customers.

However, we would like to request that you consider the impact of any decision you make on hospitals in light of our unique situation. Specifically, we would request that:

- 1) any increase in the total package of water/sewer/storm sewer rates to our facilities be at the 10% level;
- 2) a discount/credit for past conservation efforts be offered; and
- 3) the timing of the implementation of the water/sewer rates be delayed to include the storm sewer proposals in order assure an overall increase of 10%.

We are very interested in working with the Council and the Water Bureau to resolve the issues we have addressed.

Thank you very much for your time and attention to our concerns.

Estimated Top 100 Commercial Customer Annual Rate Reform Impacts - Service charge + Drainage

35876

The Drainage option assumes a 35% on-site discount program with 50% customer participation

Estimates based on FY 1997-98 water/sewer volumes and impervious area.

03-Apr-2000

SORTED BY NEW ALT. 2A - NO DISCOUNT

RANK	Customer	Status Quo Annual Bill	New Alternative 2a No DRAINAGE DISCOUNT (\$\$\$ VARIANCE FROM SQ)	% Variance
1	Wacker	\$2,200,355	\$381,050	17.3%
2	Portland Public Schools	\$1,285,345	\$172,808	13.4%
3	Atochem	\$551,368	\$166,444	30.2%
4	Precision Castparts	\$1,182,480	\$147,305	12.5%
5	OHSU	\$1,086,319	\$134,444	12.4%
6	Fred Meyer	\$827,233	\$132,838	16.1%
7	Darigold	\$691,811	\$89,415	12.9%
8	Freightliner	\$389,047	\$81,984	21.1%
9	Washington Park Zoo	\$555,765	\$78,305	14.1%
10	Emanuel Hospital	\$511,484	\$77,965	15.2%
11	Cascade General Inc.	\$245,015	\$69,531	28.4%
12	Multnomah County	\$553,361	\$69,088	12.5%
13	Providence Medical Center	\$465,717	\$61,383	13.2%
14	Portland Adventist	\$322,355	\$52,962	16.4%
15	Parks	\$716,016	\$52,675	7.4%
16	Portland State University	\$391,678	\$50,454	12.9%
17	Good Samaritan Hospital	\$377,991	\$48,354	12.8%
18	Port of Portland	\$419,199	\$48,224	11.5%
19	US Vets Hospital	\$288,168	\$47,447	16.5%
20	Hercules	\$296,572	\$43,290	14.6%
21	Safeway	\$301,478	\$43,133	14.3%
22	Hayden Island Enterprises	\$241,718	\$42,684	17.7%
23	Lewis & Clark College	\$287,537	\$42,262	14.7%
24	Oregon Steel Mills	\$322,387	\$41,769	13.0%
25	Anodizing Inc	\$340,323	\$41,533	12.2%
26	Portland Community College	\$225,989	\$40,864	18.1%
27	Doubletree Hotel	\$294,164	\$40,261	13.7%
28	Glimcher-lloyd LLC.	\$249,141	\$37,088	14.9%
29	ESCO	\$206,213	\$36,796	17.8%
30	Granpac Foods	\$276,412	\$36,166	13.1%
31	Union Pacific RR	\$180,485	\$35,413	19.6%
32	Schnitzer	\$140,962	\$33,770	24.0%
33	Trammell Crow	\$173,746	\$33,410	19.2%
34	Melvin Mark Properties	\$258,422	\$30,494	11.8%
35	Oregon Arena Corp	\$223,936	\$29,665	13.2%
36	MAC Club	\$225,290	\$29,337	13.0%
37	Marriott	\$224,488	\$28,775	12.8%
38	Graziano Produce	\$213,576	\$28,694	13.4%
39	Steinfelds Products	\$120,932	\$27,687	22.9%
40	David Douglas Schools	\$139,432	\$27,459	19.7%
41	East Side Plating	\$237,025	\$27,294	11.5%
42	Norcrest China	\$170,324	\$26,733	15.7%
43	Johns Landing	\$141,730	\$26,417	18.6%
44	Parkrose School Dist	\$154,203	\$26,339	17.1%
45	Sunshine Dairy	\$201,759	\$26,321	13.0%
46	Portland Hilton	\$205,617	\$26,181	12.7%
47	Red Lion Hotels	\$196,567	\$25,918	13.2%
48	Kaiser Permanente	\$181,763	\$25,876	14.2%
49	Portland Bottling	\$108,428	\$24,050	22.2%
50	Ashforth Pacific	\$128,061	\$23,070	18.0%
51	GSA	\$135,480	\$22,558	16.7%

Estimated Top 100 Commercial Customer Annual Rate Reform Impacts - Service charge + Drainage

The Drainage option assumes a 35% on-site discount program with 50% customer participation

Estimates based on FY 1997-98 water/sewer volumes and impervious area.

03-Apr-2000

SORTED BY NEW ALT. 2A - NO DISCOUNT

RANK	Customer	Status Quo Annual Bill	New Alternative 2a No DRAINAGE DISCOUNT (\$\$\$ VARIANCE FROM SQ)	% Variance
52	TRI-MET	\$145,768	\$22,436	15.4%
53	Chevron Asphalt	\$187,193	\$22,094	11.8%
54	US Bank	\$210,422	\$21,144	10.0%
55	METRO	\$96,990	\$20,008	20.6%
56	Consolidated Freightways	\$104,463	\$19,647	18.8%
57	Benson Hotel	\$159,933	\$19,542	12.2%
58	Alcatel Submarine Network	\$142,672	\$19,444	13.6%
59	Maintenance Bureau	\$95,198	\$19,167	20.1%
60	Pacific Realty Assoc.	\$127,574	\$19,152	15.0%
61	5th \$ Washington Partners	\$147,739	\$18,835	12.7%
62	Owens Corning	\$115,732	\$18,825	16.3%
63	Shilo Inns	\$128,706	\$18,560	14.4%
64	Owens Illinois	\$154,969	\$18,087	11.7%
65	American Industrial	\$130,777	\$18,015	13.8%
66	University of Portland	\$134,766	\$17,846	13.2%
67	Lloyd Center Mgmt Office	\$79,009	\$17,514	22.2%
68	Mt St Joseph Residence	\$127,687	\$17,509	13.7%
69	US Postal Service	\$79,329	\$17,493	22.1%
70	General Services (BGS)	\$110,281	\$17,200	15.6%
71	Pepsi Cola Bottling	\$109,512	\$16,806	15.3%
72	Albertsons	\$88,786	\$16,746	18.9%
73	US West	\$110,546	\$16,616	15.0%
74	American Linen	\$122,099	\$16,485	13.5%
75	Mallory Hotel	\$129,293	\$16,151	12.5%
76	Water Bureau	\$79,768	\$15,956	20.0%
77	Standard Insurance	\$117,116	\$15,761	13.5%
78	Cintas Corp	\$106,238	\$15,527	14.6%
79	Widmer Brewing	\$116,502	\$15,394	13.2%
80	Nabisco	\$89,460	\$15,320	17.1%
81	Central City Concern	\$155,344	\$14,823	9.5%
82	Jubitz Truck Stop	\$120,182	\$14,613	12.2%
83	Bingham Willamette	\$101,529	\$14,511	14.3%
84	Imperial Hotel	\$118,707	\$14,477	12.2%
85	Columbia River Correctional	\$115,330	\$14,327	12.4%
86	Sheraton Portland Airport	\$114,145	\$14,173	12.4%
87	Pioneer Place LTD Partners	\$112,367	\$14,039	12.5%
88	Burlington Northern	\$55,765	\$13,885	24.9%
89	Coca Cola	\$91,733	\$13,542	14.8%
90	Freeway Land Co.	\$48,129	\$13,051	27.1%
91	TOSCO Corp	\$58,649	\$13,000	22.2%
92	Columbia Steel Casting	\$60,270	\$12,975	21.5%
93	Koldkist Bev Ice	\$62,656	\$12,864	20.5%
94	Ventura	\$89,044	\$12,839	14.4%
95	Legacy Health System	\$95,281	\$12,796	13.4%
96	Nordstroms	\$73,035	\$12,642	17.3%
97	R W Peterson	\$100,179	\$12,449	12.4%
98	US Bakery	\$81,498	\$12,396	15.2%
99	Oregon Air National Guard	\$101,555	\$12,340	12.2%
100	Continental Brass	\$131,458	\$12,118	9.2%
TOTAL		\$25,300,251	\$3,785,123	15.0%

STEN/SALTZMAN RATE REFORM

TOTAL MONTHLY WATER AND SEWER BILLS - SELECTED CUSTOMERS

35876

04-Apr-2000

WITH DRAINAGE DISCOUNT

Customer Type	Approximate Water/Sewer CCF	Billing Component	Status Quo Monthly Bill	New Proposed Option 2a	Monthly Bill Variance	Percent Bill Variance		
SFR - Low Income (Median)	6/4; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%		
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%		
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%		
		Water Volume Charge	\$5.91	\$7.54	\$1.63	27.6%		
		Sewer Volume Charge	\$13.16	\$13.92	\$0.76	5.8%		
		SUBTOTAL	\$19.07	\$21.46	\$2.39	12.5%		
		R/W Drainage Charge	NA	\$6.00	NA	NA		
		On-site Drainage Charge	\$8.78	\$0.00	NA	NA		
		SUBTOTAL	\$8.78	\$6.00	(\$2.78)	-31.7%		
		Less low income discount		(\$12.12)	(\$12.12)	NA	NA	
		TOTAL		\$26.61	\$18.79	(\$7.82)	-29.4%	
		SFR - General Pop. (Extremely low use)	2/2; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
				SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
				Water Volume Charge	\$1.96	\$2.60	\$0.64	32.7%
Sewer Volume Charge	\$6.58			\$6.96	\$0.38	5.8%		
SUBTOTAL	\$8.54			\$9.56	\$1.02	11.9%		
R/W Drainage Charge	NA			\$6.00	NA	NA		
On-site Drainage Charge	\$8.78			\$0.00	NA	NA		
SUBTOTAL	\$8.78			\$6.00	(\$2.78)	-31.7%		
TOTAL				\$28.20	\$19.01	(\$9.19)	-32.6%	
SFR - General Pop. (Very low use)	3/3; 2,400 SF			Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
				SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
				Water Volume Charge	\$2.94	\$3.90	\$0.96	32.7%
				Sewer Volume Charge	\$9.87	\$10.44	\$0.57	5.8%
		SUBTOTAL	\$12.81	\$14.34	\$1.53	11.9%		
		R/W Drainage Charge	NA	\$6.00	NA	NA		
		On-site Drainage Charge	\$8.78	\$0.00	NA	NA		
		SUBTOTAL	\$8.78	\$6.00	(\$2.78)	-31.7%		
		TOTAL		\$32.47	\$23.79	(\$8.68)	-26.7%	
		SFR - General Pop. (Low Use)	5/3; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
				SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
				Water Volume Charge	\$5.73	\$6.06	\$0.33	5.8%
				Sewer Volume Charge	\$9.87	\$10.44	\$0.57	5.8%
SUBTOTAL	\$15.60			\$16.50	\$0.90	5.8%		
R/W Drainage Charge	NA			\$6.00	NA	NA		
On-site Drainage Charge	\$8.78			\$0.00	NA	NA		
SUBTOTAL	\$8.78			\$6.00	(\$2.78)	-31.7%		
TOTAL				\$35.26	\$25.95	(\$9.31)	-26.4%	

TOTAL MONTHLY WATER AND SEWER BILLS - SELECTED CUSTOMERS

04-Apr-2000

WITH DRAINAGE DISCOUNT

Customer Type	Approximate Water/Sewer CCF	Billing Component	Status Quo Monthly Bill	New Proposed Option 2a	Monthly Bill Variance	Percent Bill Variance		
SFR - General Pop. (Median Use)	7/4; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%		
		Sewer Service Charge	<u>\$4.18</u>	<u>\$1.67</u>	<u>(\$2.51)</u>	<u>-60.0%</u>		
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%		
		Water Volume Charge	\$7.78	\$7.67	(\$0.11)	-1.4%		
		Sewer Volume Charge	<u>\$13.16</u>	<u>\$13.92</u>	<u>\$0.76</u>	<u>5.8%</u>		
		SUBTOTAL	\$20.94	\$21.59	\$0.65	3.1%		
		R/W Drainage Charge	NA	\$6.00	NA	NA		
		On-site Drainage Charge	<u>\$8.78</u>	<u>\$0.00</u>	<u>NA</u>	<u>NA</u>		
		SUBTOTAL	\$8.78	\$6.00	(\$2.78)	-31.7%		
		TOTAL		<u>\$40.60</u>	<u>\$31.04</u>	<u>(\$9.56)</u>	<u>-23.5%</u>	
		SFR - General Pop. (Higher Use)	9/5; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	<u>\$4.18</u>	<u>\$1.67</u>	<u>(\$2.51)</u>	<u>-60.0%</u>
SUBTOTAL	\$10.88			\$3.45	(\$7.43)	-68.3%		
Water Volume Charge	\$9.39			\$10.09	\$0.70	7.5%		
Sewer Volume Charge	<u>\$16.45</u>			<u>\$17.40</u>	<u>\$0.95</u>	<u>5.8%</u>		
SUBTOTAL	\$25.84			\$27.49	\$1.65	6.4%		
R/W Drainage Charge	NA			\$6.00	NA	NA		
On-site Drainage Charge	<u>\$8.78</u>			<u>\$0.00</u>	<u>NA</u>	<u>NA</u>		
SUBTOTAL	\$8.78			\$6.00	(\$2.78)	-31.7%		
TOTAL				<u>\$45.50</u>	<u>\$36.94</u>	<u>(\$8.56)</u>	<u>-18.8%</u>	
Small Commercial (Median)	11/10; 5,000 SF			Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	<u>\$7.82</u>	<u>\$1.67</u>	<u>(\$6.15)</u>	<u>-78.6%</u>
		SUBTOTAL	\$14.52	\$3.45	(\$11.07)	-76.2%		
		Water Volume Charge	\$10.78	\$14.30	\$3.52	32.7%		
		Sewer Volume Charge	<u>\$34.10</u>	<u>\$36.60</u>	<u>\$2.50</u>	<u>7.3%</u>		
		SUBTOTAL	\$44.88	\$50.90	\$6.02	13.4%		
		R/W Drainage Charge	NA	\$14.30	NA	NA		
		On-site Drainage Charge	<u>\$20.05</u>	<u>\$0.00</u>	<u>NA</u>	<u>NA</u>		
		SUBTOTAL	\$20.05	\$14.30	(\$5.75)	-28.7%		
		TOTAL		<u>\$79.45</u>	<u>\$68.65</u>	<u>(\$10.80)</u>	<u>-13.6%</u>	

TOTAL MONTHLY WATER AND SEWER BILLS - SELECTED CUSTOMERS

04-Apr-2000

NO DRAINAGE DISCOUNT

Customer Type	Approximate Water/Sewer CCF	Billing Component	Status Quo Monthly Bill	New Proposed Option 2a	Monthly Bill Variance	Percent Bill Variance
SFR - Low Income (Median)	6/4; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
		Water Volume Charge	\$5.91	\$7.54	\$1.63	27.6%
		Sewer Volume Charge	\$13.16	\$13.92	\$0.76	5.8%
		SUBTOTAL	\$19.07	\$21.46	\$2.39	12.5%
		R/W Drainage Charge	NA	\$6.00	NA	NA
		On-site Drainage Charge	\$8.78	\$5.71	NA	NA
		SUBTOTAL	\$8.78	\$11.71	\$2.93	33.4%
		Less low income discount		(\$12.12)	(\$12.12)	NA
TOTAL		\$26.61	\$24.50	(\$2.11)	-7.9%	
SFR - General Pop. (Extremely low use)	2/2; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
		Water Volume Charge	\$1.96	\$2.60	\$0.64	32.7%
		Sewer Volume Charge	\$6.58	\$6.96	\$0.38	5.8%
		SUBTOTAL	\$8.54	\$9.56	\$1.02	11.9%
		R/W Drainage Charge	NA	\$6.00	NA	NA
		On-site Drainage Charge	\$8.78	\$5.71	NA	NA
		SUBTOTAL	\$8.78	\$11.71	\$2.93	33.4%
		TOTAL		\$28.20	\$24.72	(\$3.48)
SFR - General Pop. (Very low use)	3/3; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
		Water Volume Charge	\$2.94	\$3.90	\$0.96	32.7%
		Sewer Volume Charge	\$9.87	\$10.44	\$0.57	5.8%
		SUBTOTAL	\$12.81	\$14.34	\$1.53	11.9%
		R/W Drainage Charge	NA	\$6.00	NA	NA
		On-site Drainage Charge	\$8.78	\$5.71	NA	NA
		SUBTOTAL	\$8.78	\$11.71	\$2.93	33.4%
		TOTAL		\$32.47	\$29.50	(\$2.97)
SFR - General Pop. (Low Use - 33rd Percentile)	5/3; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%
		Water Volume Charge	\$5.73	\$6.06	\$0.33	5.8%
		Sewer Volume Charge	\$9.87	\$10.44	\$0.57	5.8%
		SUBTOTAL	\$15.60	\$16.50	\$0.90	5.8%
		R/W Drainage Charge	NA	\$6.00	NA	NA
		On-site Drainage Charge	\$8.78	\$5.71	NA	NA
		SUBTOTAL	\$8.78	\$11.71	\$2.93	33.4%
		TOTAL		\$35.26	\$31.66	(\$3.60)

TOTAL MONTHLY WATER AND SEWER BILLS - SELECTED CUSTOMERS

04-Apr-2000

NO DRAINAGE DISCOUNT

Customer Type	Approximate Water/Sewer CCF	Billing Component	Status Quo Monthly Bill	New Proposed Option 2a	Monthly Bill Variance	Percent Bill Variance		
SFR - General Pop. (Median Use)	7/4; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%		
		Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%		
		SUBTOTAL	\$10.88	\$3.45	(\$7.43)	-68.3%		
		Water Volume Charge	\$7.78	\$7.67	(\$0.11)	-1.4%		
		Sewer Volume Charge	\$13.16	\$13.92	\$0.76	5.8%		
		SUBTOTAL	\$20.94	\$21.59	\$0.65	3.1%		
		R/W Drainage Charge	NA	\$6.00	NA	NA		
		On-site Drainage Charge	\$8.78	\$5.71	NA	NA		
		SUBTOTAL	\$8.78	\$11.71	\$2.93	33.4%		
		TOTAL		\$40.60	\$36.75	(\$3.85)	-9.5%	
		SFR - General Pop. (Higher Use)	9/5; 2,400 SF	Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	\$4.18	\$1.67	(\$2.51)	-60.0%
SUBTOTAL	\$10.88			\$3.45	(\$7.43)	-68.3%		
Water Volume Charge	\$9.39			\$10.09	\$0.70	7.5%		
Sewer Volume Charge	\$16.45			\$17.40	\$0.95	5.8%		
SUBTOTAL	\$25.84			\$27.49	\$1.65	6.4%		
R/W Drainage Charge	NA			\$6.00	NA	NA		
On-site Drainage Charge	\$8.78			\$5.71	NA	NA		
SUBTOTAL	\$8.78			\$11.71	\$2.93	33.4%		
TOTAL				\$45.50	\$42.65	(\$2.85)	-6.3%	
Small Commercial (Median)	11/10; 5,000 SF			Water Service Charge	\$6.70	\$1.78	(\$4.92)	-73.4%
				Sewer Service Charge	\$7.82	\$1.67	(\$6.15)	-78.6%
		SUBTOTAL	\$14.52	\$3.45	(\$11.07)	-76.2%		
		Water Volume Charge	\$10.78	\$14.30	\$3.52	32.7%		
		Sewer Volume Charge	\$34.10	\$36.60	\$2.50	7.3%		
		SUBTOTAL	\$44.88	\$50.90	\$6.02	13.4%		
		R/W Drainage Charge	NA	\$14.30	NA	NA		
		On-site Drainage Charge	\$20.05	\$11.90	NA	NA		
		SUBTOTAL	\$20.05	\$26.20	\$6.15	30.7%		
		TOTAL		\$79.45	\$80.55	\$1.10	1.4%	

Economic Analysis of Proposed Changes to Water, Sewer, and Drainage Rates

SECTION 1: INTRODUCTION AND SUMMARY

The City of Portland is considering four candidate rate structures that would more closely link a residence's or business' water and sewer bill to the amount of water they use. The proposals would represent a departure from the current structures, which incorporate fixed charges based on water meter size and billing frequency. Proponents of the changes believe the new structures would improve fairness and promote water conservation.

Preliminary analyses of the candidate structures indicate that most low-water users—especially residential ratepayers—would see a decrease in their annual water and sewer bill. Moreover, analysts predict that—through variable pricing—the new rates would induce customers to conserve up to 1.2 million gallons of water daily.

Somewhat less is known about the impacts on industrial and commercial customers. The City has calculated how much more it would charge commercial and industrial users. These estimates show that small and medium businesses, on average, would see their bills decrease, while most large businesses would experience sharp increases consistent with their heavy use of services. Under one of the proposed structures, analysts estimate that up to 1,000 businesses could experience rate shocks (i.e., >10% increase) in their water, sewer, and drainage bills.

In this study, we consider how the change in pricing would affect the businesses located within the City of Portland's water district. We focus exclusively on changes estimated for commercial and industrial water accounts. Specifically, we estimate a change in employment that could result through a change in water, sewer, and drainage charges.

We outline our key findings below:

- Our study isolates the economic impacts of a single change in local public policy. The effects compare the Portland economy with and without a restructuring of its water-utility rates. We assume all other factors that influence business activity are unchanged. In reality, the City Council—and other governing bodies—will make numerous decisions this year that affect business activity within the City of Portland. Those decisions, combined with numerous changes in economic conditions arising from other sources, will add to or subtract from the estimates we discuss here and help determine the area's overall economic performance.
- Economists generally agree that public-sector taxes or charges that change the cost of doing business in an area will affect the area's economic activity. In today's economy, with relatively low transportation costs, local jurisdictions within

metropolitan areas are close substitutes for one another, offering similar access to markets, suppliers, and labor. Even small changes in costs can alter which local jurisdiction is the lowest cost location. Enactment of one of the rate changes would alter the cost of doing business in the City without significantly changing the level or quality of water, sewer, or drainage service. Therefore, we anticipate a rate change would depress economic activity among firms facing higher charges. The changes would also stimulate economic activity among firms facing lower charges.

- Portland-based businesses spend \$52.8 million annually on water, sewer, and drainage charges, which represents about 0.14% of their total business costs. The relatively minor role of water charges in the cost structures of Portland companies would limit the economic impact of the proposed policies.
- We estimate that enactment of the alternative 3a—which would increase charges by a total \$12.2 million—would result in a *net decrease* in employment of 1.0%. This net effect would represent a loss of about 4,300 jobs out of a base of approximately 430,000. The losses would occur gradually over a number of years and would be comprised of foregone employment growth, as well as the possible elimination of existing positions. Most of these jobs would be reestablished in neighboring jurisdictions within the Portland metropolitan area. This net impact would consist of job losses among high-water-use firms and job gains at low-water-use firms.
- We estimate that enactment of the alternative 2b—which would increase charges by a total \$6.3 million—would result in a *net decrease* in employment of 0.5%. This net effect would represent a loss of about 2,200 jobs out of a base of approximately 430,000. As with alternative 3a, the losses would occur gradually over a number of years and would be comprised of foregone employment growth, as well as the elimination of existing positions. Most of these jobs would be reestablished in neighboring jurisdictions within the Portland metropolitan area.
- Under certain policy alternatives, the total amount of water-related charges to residential customers would fall, which would leave ratepayers with additional discretionary income. They would spend some of that income on local goods and services, which would support local employment. Based on a previous ECONorthwest study, we estimate that each \$1.0 million net reduction in total utility charges to residents would be associated with an increase of about 25 jobs in the region.
- Through a survey of large water users, a majority of responding firms indicated that enactment of alternative 2b would result in little or no change in their Portland-based workforce. One-half of responding firms (13 of 26) predicts no workforce change assuming enactment of alternative 3a. However, six firms foresee either a large workforce reduction or plant relocation if the City were to implement alternative 3a.

Our study proceeds as follows. The next section provides a brief overview of the rate-structure alternatives. Then in Section 3, we consider the economic impacts for the entire class of commercial and industrial customers. Finally, in Section 4, we provide a detailed

analysis of the proposals' impacts on large-water customers, which includes the results of a customer survey.

SECTION 2: OVERVIEW OF RATE STRUCTURE ALTERNATIVES

The Water Bureau and the Bureau of Environmental Services (BES) have identified three service charge alternatives, two of which have Options A and B, for evaluation. The first of the three alternatives is the status quo. We detail the alternatives below:

ALTERNATIVE 1: STATUS QUO

The Water Bureau and BES charge each of its customers a fixed-service charge that is based on the cost of reading water meters, preparing and sending bills, maintaining a customer service operation, processing payments, indirect organizational costs, and utility license fees¹. The Water Bureau distributes its service charges to customers based on meter size and billing frequency, while BES distributes its service charges based on billing frequency. Customer bills under the current rate structure have five line items: water service charge, water volume charge, sewer service charge, sewer volume charge, and drainage fees.

Under the status quo, the City assesses commercial and industrial customers a drainage fee equal to \$4.12 per 1,000 square feet of impervious surface.

ALTERNATIVE 2: SERVICE CHARGES WITH BILLING COST ONLY (OPTIONS A&B)

Alternative 2 would reduce the service charges by moving indirect organizational costs and utility license fees to volume charges. Additionally, the Water Bureau would charge for meter and service-line maintenance on a volume basis. Options A and B within Alternative 2 describe two different ways that costs would be transferred to the volume charges. Option A transfers costs uniformly to volume charges to all customers for water and sewer charges respectively. Option B confines the transfer of costs to volume charges within each of two major groups of customer classes (i.e., residential and commercial/industrial).

Under alternative 2, we assume drainage fees for commercial and industrial customers would increase from \$4.12 to \$6.67 per 1,000 square feet of impervious surface.

ALTERNATIVE 3: NO SERVICE CHARGES (OPTIONS A&B)

Alternative 3 would eliminate all service charges and transfer the related revenue requirements to volume and drainage charges. As in Alternative 2, Option A would recover lost service charges uniformly across all customers while Option B would recover revenues within the customer class.

¹ The Water Bureau also includes the cost of maintaining meters and service lines in its service charges.

Under alternative 3, we assume drainage fees for commercial and industrial customers would increase from \$4.12 to \$7.02 per 1,000 square feet of impervious surface.

The total amount of water and sewer charges to residential, commercial, and industrial users (\$159.7 million) is revenue neutral under all five scenarios: Status Quo, 2a, 2b, 3a, 3b. However, the means by which the Bureaus recoup the fixed service charges has important implications for commercial/industrial users. By design, options 2b and 3b do not change the total amount of water and sewer charges paid by commercial and industrial customers. Rather the options would create winners and losers within the commercial/industrial class, with large-volume customers paying more and small-volume customers paying less. By contrast under options 2a and 3a, total water and sewer charges to commercial/industrial users would increase. Under each of the options (2a, 2b, 3a, 3b), drainage charges would increase relative to the status quo.

In the following sections, we consider the effects of alternatives 2b and 3a. Alternative 2b is the least costly from the perspective of large-volume customers. Alternative 3a is the most costly.

SECTION 3: ECONOMIC IMPACTS FOR ALL COMMERCIAL AND INDUSTRIAL CUSTOMERS

Economists generally agree that public-sector taxes or charges that change the cost of doing business in an area will affect the area's economic activity². In today's economy, with relatively low transportation costs, metropolitan areas are likely to be close substitutes for one another, offering similar access to markets, suppliers, and labor. Even small changes in costs can alter which metropolitan area is the lowest cost location. Not all public-sector charges are necessarily bad for the economy. A charge or tax that improves a public service that is valued by business (e.g., infrastructure, public safety, or fire protection) can stimulate the local economy. For example, the increase in taxes or charges may be more than offset by lower insurance costs (because of improved public safety) or reduced transportation costs (because of road improvements). However, if an increase in public-sector charges does not translate into service improvements, economic activity will be depressed by some amount.

The City's proposed changes to water, sewer, and drainage rates fall into the latter category. That is, enactment of one of the rate changes would alter the cost of doing business in the City without significantly changing the level or quality of water, sewer, or drainage service. Therefore, we anticipate a rate change would depress economic activity by firms facing higher charges. The changes also would stimulate economic activity by firms facing lower charges.

To thoroughly understand how the increased charges would affect business activity in the Portland area, we would have to delve into the detailed financial documents for each of the

² See for example, Bartik, Timothy J. "The Effects of State and Local Taxes on Economic Development: A Review of Recent Research." *Economic Development Quarterly*. Volume 6 Number 1, February 1992. 102-110.

affected firms. Needless to say, such an analysis is not possible here. Rather we base our estimates on a body of literature that evaluates how changes in business costs—induced by public-sector taxes or charges—affect business activity. To undertake the analysis, we need two pieces of information:

- Water-related charges as a percent of total business costs. The more important water-related charges are in a business' overall cost structure, the more likely that rate restructuring would impact the business. Moreover, once we know how water charges relate to business costs, we can calculate the percentage by which business costs would increase under rate restructuring.
- Elasticity of economic activity with respect to a change in business costs. To estimate how an increase in business costs would affect economic activity, we review studies that estimate the relationship between public-sector charges and local economic growth.

We estimate the importance of water-related charges on business costs by comparing the total business costs for all Portland-based firms to the Bureaus' estimates of status quo bills for commercial customers. Our estimate proceeds as follows. Using data from the Bureau of Economic Analysis, we estimate that Portland-based businesses generate about \$39.9 billion in output (or, sales) annually. We subtract the businesses' estimated net income—or profits—of \$2.1 billion to arrive at total business costs of \$37.9 billion. The Water Bureau and BES estimate that—under the status quo—commercial and industrial customers pay about \$52.8 million annually in water, sewer, and drainage charges. That implies that the water-related charges represent about 0.14% of business costs when averaged across all Portland-based companies. Assuming enactment of alternative 3a—the most costly from business' perspective—total charges would increase by \$12.2 million, which would represent a 0.032% net increase in business costs *averaged across all firms*. Enactment of alternative 2b would increase total charges by \$6.3 million, which would represent a 0.017% increase in business costs.

To determine how that increase in business costs would translate into a change in business activity, we turn to existing research. We found an abundance of studies that estimate how a change in state and local taxes affects business activity (i.e., employment). Using data from the most-commonly-cited work in the area, we estimate a relationship between a change in business costs and local employment. Specifically, we calculate that a 0.1% increase in business costs—resulting from a change in public-sector charges—yields a 3% decrease in employment in the long-run³. These studies show that most of the jobs would be reestablished in neighboring jurisdictions within the same metropolitan area.

³ We derive this relationship as follows. From previously-published studies, Bartik (Reference below) estimates that a 1% increase in state and local taxes yields a 1.5% decrease in business activity (or, employment). We estimate that state and local taxes, in turn, equal 5% of business costs and calculate that a 1% increase in state and local taxes represents a 0.05% increase in business costs. Therefore, these relationships imply that a 0.05% increase in business costs yields a 1.5% decrease in employment. Assuming a constant elasticity, a 0.1% increase in business costs yields a 3% decrease in employment. See Bartik, Timothy. *Who Benefits from State and Local Economic Development Policies?* WE Upjohn Institute for Employment Research. 1991. Page 43.

Applying this relationship to the estimated increase in business costs associated with alternative 3a, we calculate that enactment of the alternative would result in a *net decrease* in employment of 1.0%. This net effect would represent a loss of about 4,300 jobs out of a base of approximately 430,000. The losses would occur gradually over a number of years and would be comprised of foregone employment growth, as well as the possible elimination of existing positions. We estimate enactment of alternative 2b would result in a 0.5% reduction in employment or about 2,200 jobs. As with alternative 3a, the impact of alternative 2b would evolve gradually. Under each of the alternatives, most of the lost jobs would be reestablished in neighboring jurisdictions within the Portland metropolitan area. The net impacts would consist of job losses among high-water-use firms and job gains by low-water-use firms.

To this point, our estimates have ignored the job impacts associated with a potential change in spending by residential customers. Under certain policy alternatives, the total amount of water-related charges to residential customers would fall, which would leave ratepayers with additional discretionary income. They would spend some of that income on local goods and services, which would support local employment. Based on a previous study that we conducted for the Oregon University System⁴, we estimate that each \$1.0 million net reduction in total utility charges to residents would be associated with an increase of about 25 jobs in the region.

⁴ See ECONorthwest. 1999 *Economic Impacts of Expenditures Associated with the Oregon University System*. Oregon University System. Eugene, OR.

SECTION 4: IMPACTS FOR LARGE WATER CUSTOMERS

Previous reports to the City Council indicate that enactment of the proposed rate structures would generate rate shocks for a class of large-volume water and sewer users. Given that these customers would disproportionately bear the impacts of the changes, we single them out for more detailed analysis. We use two methods to estimate the potential impacts on the group:

- A company-level analysis of the relationship of water, sewer, and drainage charges to total business costs;
- Survey of large customers.

In the following sections, we discuss the findings from each of these analyses.

COMPANY-LEVEL ANALYSIS

Through this method, we seek to estimate the relationship between the water-related charges and total business costs for a group of high-impact customers. With that estimate in hand, we can determine how much a particular alternative represents in the firm's overall cost structure.

We define high-impact customers as those that would face more than a \$10,000 annual increase in their combined water, sewer, and drainage bill under alternative 3a. We identify 228 customers that meet this definition and disregard several public-sector customers that are unlikely to alter employment in response to a rate change (e.g., Portland Public Schools, Bureau of Parks). To estimate the water bill's share of total business costs for these customers, we need the following information for each firm:

- Status quo water, sewer, and drainage charges;
- Estimated total business costs

The first piece of information comes from the Water Bureau's rate-impact model, which reports the estimated status quo charges for each firm under study, as well as its water meter and billing addresses. Estimating total business costs for these firms is more complex. We begin by matching water-meter addresses to a database that reports firm employment⁵. Not all firms produce a match, as some companies list the address of their corporate headquarters rather than a local address on the employment database. Additionally, some water-meter addresses do not correspond to building addresses. In all, we are able to match employment levels to 118 (of 228) large water customers in six industrial sectors (see Table 1). For several companies, we match employment to only some

⁵ We draw our employment estimates from the ES-202 file, which contains all employment subject to federal unemployment insurance.

of the companies' water accounts. In those instances, we analyze only those water accounts for which we have a corresponding employment estimate⁶.

Table 1: Profile of Selected High-Impact Customers

Industrial Sector	Number of Firms	Number of Employees
Construction	3	746
Manufacturing	29	10,337
Transp., Comm, Utilities	14	2,623
Wholesale Trade	9	773
Retail Trade	20	4,432
Services	43	12,271
TOTAL	118	31,182

Source: ECONorthwest based on ES-202 data

Having associated a number of employees with each company, we estimate firm output (or, sales) using data from the Bureau of Economic Analysis (BEA). The BEA data provide industry-specific estimates of the ratio of output to the firm's employees. For example, BEA estimates that—*on average*—each employee in a bakery is associated with \$135,888 in sales. Therefore if we identify a bakery with 50 employees, we estimate the firm's sales at \$6.8 million. We repeat this exercise to estimate output for each of the 118 firms.

In Table 2, we compare the status-quo bills reported by the Water Bureau to our estimated business costs, which we define as total output less estimated profits. The analysis indicates that the status quo charges total about 0.31% of business costs, which is roughly twice the percentage we estimate for all commercial and industrial customers (i.e., 0.14%). The relative importance of the bill varies considerably across industrial classifications. We estimate that water, sewer, and drainage charges comprise about 0.09% of business costs for our selected transportation, communications, and utility firms and 0.95% of business costs⁷ for our selected retail-trade companies.

⁶ We estimate that the 118 companies under study paid a total \$15.8 million in status-quo charges. The sum of water charges for the subset of those accounts that having matching employment levels is \$9.9 million.

⁷ Business costs do not include the costs of goods sold.

Table 2: Estimated Status Quo Bill and Business Costs for Matched High-Impact Customers

Industrial Sector	Status Quo Annual Bill	Estimated Business Costs	Status Quo Charges as a Percent of Business Costs
Construction	100,143	80,254,000	0.12%
Manufacturing	4,197,099	1,807,573,000	0.23%
Transp., Comm, Utilities	511,770	544,160,000	0.09%
Wholesale Trade	210,711	76,067,000	0.28%
Retail Trade	1,411,694	148,453,000	0.95%
Services	3,503,776	519,656,000	0.67%
TOTAL	9,935,192	3,176,163,000	0.31%

Source: ECONorthwest based on Bureau of Water and ES-202 data

Having estimated the relationship between the City's status-quo charges and overall business costs, we then calculate how the *increase* (or, variance) in charges—through alternatives 2b and 3a—relate to business costs (see Table 3). We find that—on average—alternative 2b would increase business costs by about 0.04% while alternative 3a would increase costs by about twice that percentage. As expected, we find the largest increase—in percentage terms—in the retail-trade sector (0.19% and 0.30% for alternatives 2b and 3a respectively).

Table 3: Estimated Bill Variance (Alternative 2b and 3a) and Business Costs for Matched High-Impact Customers

Industrial Sector	Alternative 2b			Alternative 3a		
	Variance Amount	Variance as % of Status Quo Bill	Variance as % of Business Costs	Variance Amount	Variance as % of Status Quo Bill	Variance as % of Business Costs
Construction	9,123	9.11%	0.01%	19,749	19.72%	0.02%
Manufacturing	322,550	7.69%	0.02%	952,062	22.68%	0.05%
Transp., Comm, Utilities	143,706	28.08%	0.03%	195,792	38.26%	0.04%
Wholesale Trade	94,198	44.70%	0.12%	114,497	54.34%	0.15%
Retail Trade	286,299	20.28%	0.19%	438,244	31.04%	0.30%
Services	447,085	12.76%	0.09%	858,428	24.50%	0.17%
TOTAL	1,302,960	13.11%	0.04%	2,578,772	25.96%	0.08%

Source: ECONorthwest based on Water Bureau calculations

We conclude the analysis by applying the previously-described elasticity of business activity with respect to business costs. Recall that a 0.1% increase in business costs—induced by public-sector charges—is associated with a 3% decrease in employment. We adjust the elasticity by industry to account for the fact that industries with high-profit-margins (e.g., construction, retail trade) would be less sensitive to the rate change than industries

operating on very thin profit margins (e.g., manufacturing, wholesale trade)⁸. Applying our industry-specific relationships to the matched high-impact customers, we estimate a decrease of 660 - 1,300 jobs (out of a base of 31,182) depending on the rate alternative (see Table 4). The losses would occur gradually over a number of years and would be comprised of foregone employment growth, as well as the possible elimination of existing positions. We believe the largest declines—in percentage terms—would be experienced in the wholesale-trade sector given the relative importance of water-related charges in the firms' cost structures and the sector's low profit margins.

Table 4: Estimated Change in Employment for Matched High-Impact Customers

Industrial Sector	Alternative 2b		Alternative 3a		
	Employment	Estimated Change in Employment	Percentage Change in Employment	Estimated Change in Employment	Percentage Change in Employment
Construction	746	0	0.0%	0	0.0%
Manufacturing	10,337	-180	-1.7%	-510	-4.9%
Transp., Comm, Utilities	2,623	-50	-1.9%	-60	-2.3%
Wholesale Trade	773	-60	-7.8%	-70	-9.1%
Retail Trade	4,432	-170	-3.8%	-270	-6.1%
Services	12,271	-200	-1.6%	-390	-3.2%
TOTAL	31,182	-660	-2.1%	-1,300	-4.2%

Source: ECONorthwest

The estimated losses for these 118 firms comprise about one-third of the total losses we reported in the previous section.

SURVEY OF LARGE CUSTOMERS

As a final component of our study, we directly ask large water customers to comment on the proposed rate changes through a survey. In developing the survey instrument, we received input from both City officials and potential private-sector respondents. Some private-sector reviewers expressed concerns that the survey and resulting analysis would not be placed in an appropriate context. Specifically, they requested that questions be added that would allow businesses to comment on cumulative effect of all changes in public-sector charges that have been implemented over last decade. Our survey instrument consists of six questions about management responses to rate restructuring, with a special emphasis on potential workforce reductions and water conservation (see Appendix A).

The Water Bureau provided a roster of 85 contacts who participate in the City's water conservation program. The intended respondents were typically plant and environmental

⁸ For example, profit margins in the construction industry are about twice the weighted average of all sectors combined. Therefore, we assume firms in the construction industry would be less sensitive to the rate changes. In the construction industry, we take that into account by multiplying our standard elasticity by 0.5.

managers. As of March 28, 2000, we received responses from 29 firms, which represents a 34% response rate. We detail their responses below.

Water-Related Charges as a Percent of Total Revenues

Firms that responded to the survey were above-average water users, reporting that water-related charges represent 1.2% of total firm revenues⁹. This suggests that survey responses were biased toward firms that are the most likely to be impacted by the rate restructuring. A firm-by-firm review of respondents confirmed a bias toward heavy water users, such as bottling companies and breweries.

Water Conservation

Water conservation is one of the explicit goals of rate restructuring. Among the 24 firms that responded the conservation questions, 14 (58%) report they anticipate no change in water use assuming the enactment of alternative 2b. Among the 10 firms that anticipate a change, six forecast a reduction of less than 5%, one anticipates a reduction of 6%-10%, and three foresee a reduction of 11%-20%.

Consistent with expectations, respondents believe the higher charges associated with alternative 3a would induce additional conservation measures. The number of firms reporting no change in use falls from 14 to 11. Among the 13 firms that anticipate a change, seven forecast a reduction of less than 5%, four anticipate a reduction of 6%-10%, and two foresee a reduction of 11%-20%.

⁹ The reported percentage is a simple average across respondent firms.

Figure 1: Estimated Change in Water Use (Alternative 2b)

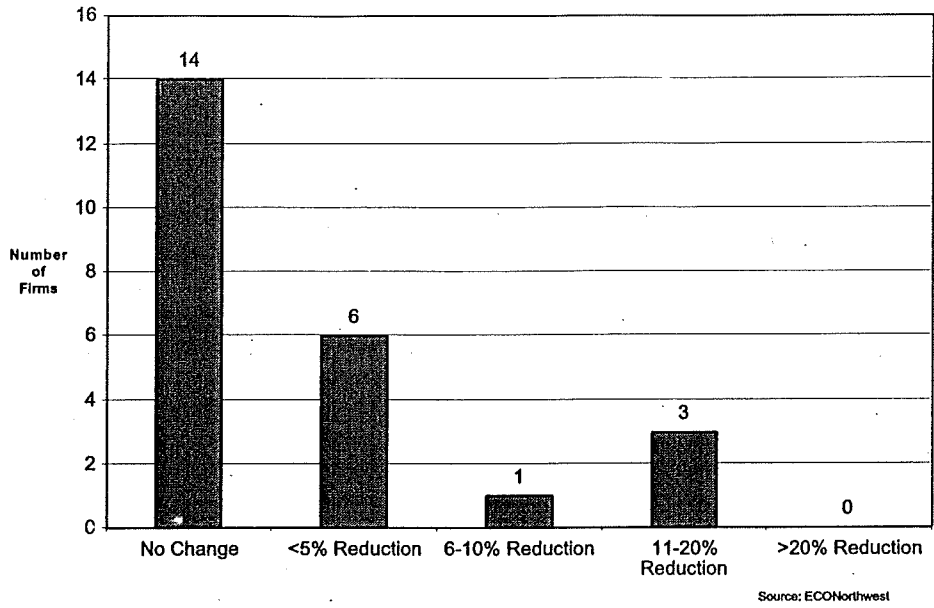
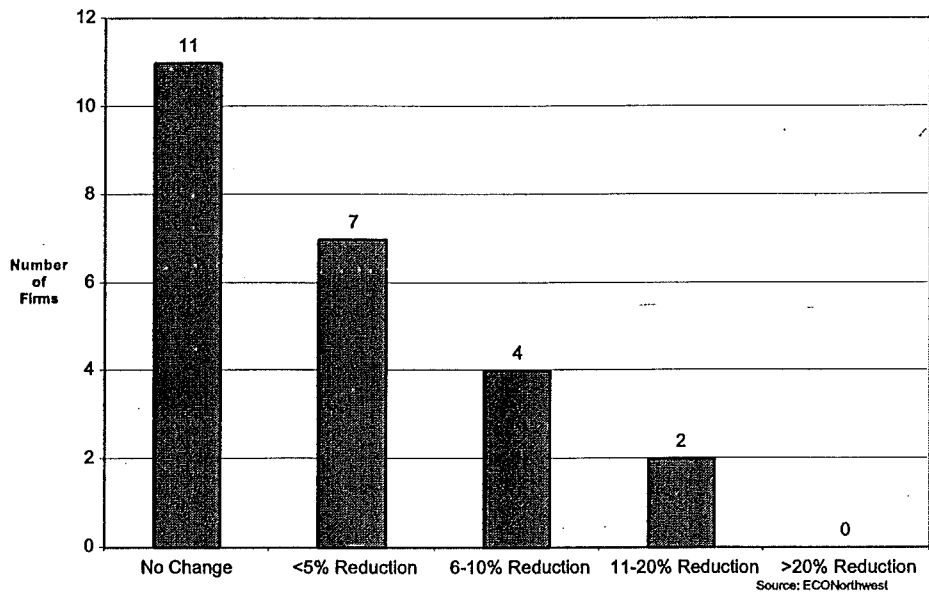


Figure 2: Estimated Change in Water Use (Alternative 3a)



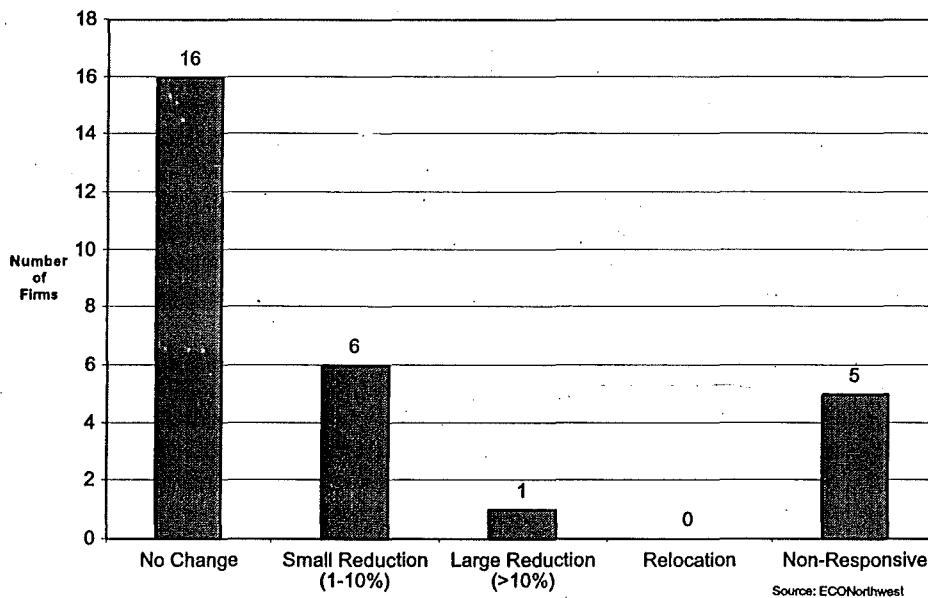
Workforce Impacts

A firm could respond to the rate changes by relocating its production, in part or in whole, outside the City of Portland's water district. We asked respondents to assess the likelihood that a change in water-related charges would result in a workforce reduction or plant relocation.

Most survey respondents anticipate that enactment of alternative 2b would result in no change in their Portland-based workforce (see Figure 3). Among the seven firms forecasting some reduction in jobs, six report the reduction would be less than 10% and one reports a reduction of greater than 10%. None foresee that the enactment of alternative 2b would result in relocation of their business activities outside of the Portland water district.

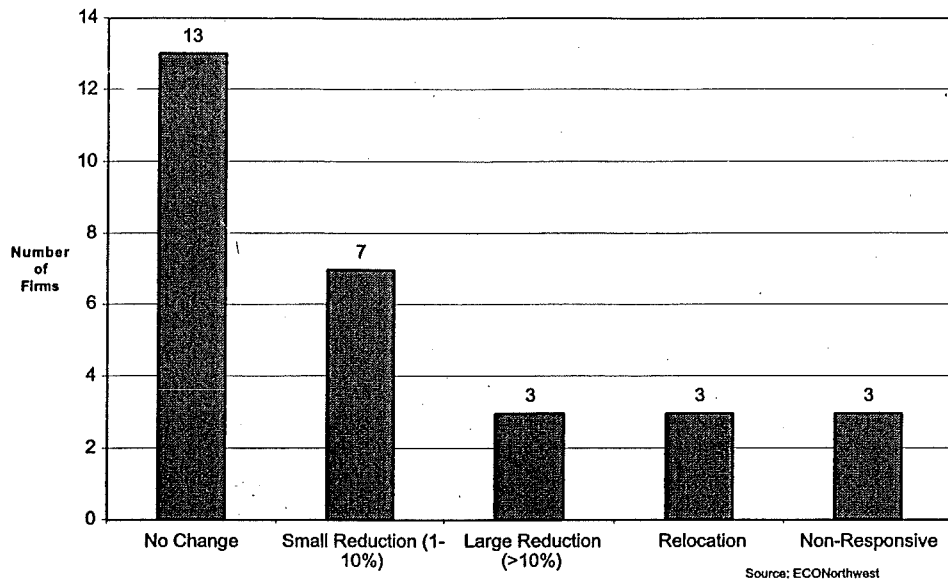
Responding firms foresee a greater potential for job loss assuming enactment of alternative 3a (see Figure 4). Of those responding to the workforce question, one-half believe implementation of the 3a structure would not affect their local employment decisions. Seven firms foresee a small reduction in Portland-based employment and three forecast a large reduction. Finally, three firms report that enactment of alternative 3a would likely result in the relocation of their business activities outside of the Portland water district. Those three firms indicate that water-related charges comprise 3.6% of their firms' annual revenues¹⁰.

Figure 3: Anticipated Change in Workforce (Alternative 2b)



¹⁰ This figure represents a simple average of water charges as a percent of firm revenues across the three firms.

Figure 4: Anticipated Change in Workforce (Alternative 3a)



SECTION 5: CONCLUSIONS

Altering water, sewer, and drainage charges with no corresponding change in service quality will affect economic activity in the Portland area. We anticipate a rate change would depress business activity by firms facing higher charges and would stimulate business activity by firms facing lower charges. The importance of water-related charges within the overall cost structure of a firm will—in part—determine the economic impact of rate restructuring. Across all Portland-based firms, we estimate status-quo charges comprise 0.14% of total business costs. The enactment of alternatives 2b and 3a would increase business costs by 0.017% and 0.032% respectively.

We base our impact estimates on a body of economic literature that evaluates how changes in business costs—induced by public-sector taxes or charges—affect business activity within a jurisdiction. From that literature, we conclude that 0.1% increase in business costs would yield a 3% decrease in business activity (i.e., employment). Given that relationship, we estimate enactment of alternative 3a would result in a 1.0% decrease in Portland-based employment. This net effect would represent a loss of about 4,300 jobs out of a base of approximately 430,000. The losses would occur gradually over a number of years and would be comprised of foregone employment growth, as well as the elimination of existing positions. We estimate enactment of alternative 2b would result in a 0.5% reduction in employment or about 2,200 jobs. As with alternative 3a, the impact of alternative 2b would evolve gradually. Under each of the alternatives, most of the lost jobs would be reestablished in neighboring jurisdictions within the Portland metropolitan area. The net impacts would consist of job losses among high-water-use firms and job gains by low-water-use firms.

Under certain policy alternatives, the total amount of water-related charges to residential customers would fall, which would leave ratepayers with additional discretionary income. They would spend some of that income on local goods and services, which would support local employment. Based on a previous ECONorthwest study, we estimate that each \$1.0 million net reduction in total utility charges to residents would be associated with an increase of about 25 jobs in the region.

In a survey of large water users, a majority of responding firms indicated that enactment of alternative 2b would result in little or no change in their Portland-based workforce. One-half of responding firms (13 of 26) predict no change in employment assuming enactment of alternative 3a. However, six firms foresee either a large workforce reduction or plant relocation if the City were to implement alternative 3a.

APPENDIX A: INSTRUMENT FOR SURVEY OF LARGE WATER USERS

Company _____

SURVEY REGARDING PROPOSED CHANGES TO WATER, SEWER, AND DRAINAGE RATES

The City of Portland is considering four candidate rate structures that would more closely link a residence's or business' water and sewer bill to the amount of water they use. The proposals would represent a departure from the current structures, which incorporate sizable fixed charges based on water meter size and billing frequency.

The City has calculated how much more it would charge commercial and industrial users. The attached table indicates the change in rates for your enterprise for each of the four proposed rate structures (labeled 2A, 2B, 3A, 3B). Through our study, policymakers would like to know the extent to which the increased cost would affect your business.

The survey consists of three sections, and may require the input of more than one individual in the firm. For example, questions about potential conservation measures should be directed to environmental managers while questions about the firm's overall response to the proposals should be directed to a general manager or chief executive officer.

*We will not report responses of individual firms and will ensure that information provided through this survey remains confidential. **Please return the survey by fax to (503) 222-1504 no later than Friday March 24th.***

WATER CHARGES AND OPERATING EXPENSES

1. Please report current water/sanitary sewer/drainage charges as a percent of total revenues (or sales) for the most recent fiscal year.

_____ %

WATER CONSERVATION

2. Assuming the enactment of Alternative 2B (the least costly from your firm's perspective), would your firm implement additional water conservation measures? If so, by how much would your water use fall?

- _____ No change
- _____ <5%
- _____ 6-10%
- _____ 11-20%
- _____ >20% (specify) _____%

Roughly, how much would you spend to achieve the water savings just described?

3. Assuming the enactment of Alternative 3A (the most costly from your firm's perspective), would your firm implement additional water conservation measures? If so, by how much would your water use fall?

- _____ No change
- _____ <5%
- _____ 6-10%
- _____ 11-20%
- _____ >20% (specify) _____%

Roughly, how much would you spend to achieve the water savings just described?

4. (Optional) Over the past 10 years, how much has your company spent on water conservation measures and what impact has that had on your daily water use.

FIRM RESPONSE TO RATE INCREASES

5. A firm could respond to the rate charges by relocating its production, in part or in whole, outside of the City of Portland. Again, considering Alternatives 2B and 3A, please assess the likelihood that a change in water rates would result in a workforce reduction or plant relocation (Check the appropriate box for each alternative).

Likely Response to Rate Proposal	Alternative 2B	Alternative 3A
No change to Portland-based workforce		
Small reduction in Portland-based workforce (1-10%)		
Large reduction in Portland-based workforce (>10%)		
Plant relocation		

6. (Optional) How have changes in public-sector taxes and charges affected your firm's operations over the past 10 years?

Attachment A**Components of Service Charge Under Modified 2A Option**

Function	Current Costs for FY 99/00
Customer Services	\$4.3 million
Meter Reading & Inspection	\$1.9 million
Information Technologies	\$1.6 million
Total costs:	\$7.8 million
Less delinquency revenues	\$1.1 million
Total service charge revenue requirements:	\$6.7 million (Approx. 30% of current service charges)

RESOLUTION NO. 35876
As Amended

Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY 2000-01 that reflect City Council goals to improve the fairness and affordability of these rates (Resolution)

WHEREAS, the City Council shares citizen concerns regarding the fairness and affordability of water, sewer, and stormwater charges; and

WHEREAS, the long-term financial stability of the water, sewer and stormwater utilities is of utmost concern to the entire City of Portland; and

WHEREAS, improved acceptance and understanding of the nature of water, sewer and stormwater charges will help ensure support for the important work underway in the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, the Bureau of Environmental Services and the Water Bureau have completed a thorough analysis of rate reform proposals presented to the City Council on March 2, 1999; and

WHEREAS, the Offices of Commissioner Saltzman and Sten and the Office of Neighborhood Involvement have conducted a series of over 18 neighborhood and business meetings on the results of the analysis conducted by the Bureau of Environmental Services and the Water Bureau; and

WHEREAS, water and sewer rates should be based more directly on the volume of water and sewer services consumed by each user; and

WHEREAS, fairness calls for recognition and financial incentives for customers who take the appropriate steps to manage stormwater on their own property; and

WHEREAS, the responsibilities of protecting rivers and streams, enhancing fish habitat, and maintaining a safe, well-drained road system should be shared by all Portland residents; and

WHEREAS, the Utility Franchise Fee does not currently support activities involving the utilities, and

WHEREAS, water and sewer services are essential, and therefore should be affordable to customers with limited incomes; now, therefore

BE IT RESOLVED, that the City Council directs the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 which reflect these community values; and be it

FURTHER RESOLVED, that the Water Bureau will develop water rates, for implementation on July 1, 2000, that are based on option 2A in its report to Council,

modified so that the service charges are calculated using the costs centers identified in Attachment A; and be it

FURTHER RESOLVED, that the Water Bureau will combine the current water and sewer service charges into one "Basic Service Charge" effective October 1, 2000; and be it

FURTHER RESOLVED, that, by October 1, 2000, the Bureau of Environmental Services will create and implement a stormwater discount program that provides incentives to customers who manage their stormwater on site; and be it

FURTHER RESOLVED, that, by January 1, 2001, the Water Bureau shall modify its billing system so as to accommodate the stormwater discount program created by the Bureau of Environmental Services; and be it

FURTHER RESOLVED, the Bureau of Environmental Services will commission an independent analysis of the relative costs of managing stormwater from private property as compared to public rights-of-way, including an estimation of the cost savings to the stormwater utility that result from on-site stormwater management; and be it

~~FURTHER RESOLVED, that, starting July 1, 2000, the Bureau of Environmental Services will eliminate stormwater fee exemptions for riparian properties as well as those properties not connected to the sanitary sewer system; and be it~~

FURTHER RESOLVED, that, by July 1, 2000, the Bureau of Environmental Services will complete its Intergovernmental Agreement with the Multnomah County Drainage District in order to establish a fair allocation of City and Drainage District costs related to stormwater; and be it

FURTHER RESOLVED, that the Bureau of Environmental Services will continue to evaluate alternatives methods for recovering the costs of draining public streets; and be it

FURTHER RESOLVED, that by July 1, 2000, the Water Bureau will expand the definition of eligibility for its low-income discount program to include housing owned by non-profits or the Housing Authority of Portland, provided every housing unit on the water and sewer account is affordable to residents who meet the program's income threshold; and be it

FURTHER RESOLVED, that the Council intends to lower the existing utility license fee for the water and sewer utilities from 7.75% to 7.5%; and be it

FURTHER RESOLVED, that annual reviews, to begin one year after rate reform takes effect, shall be conducted to examine low-income and senior participation in the City's rate relief programs with recommendations and implementation plans to increase low-income and senior involvement; and be it

FURTHER RESOLVED, that, by December 31, 2000, the Water Bureau will complete its current work on its Conservation Program, which will include the identification of effective price and non-price strategies for improving conservation; and be it

FURTHER RESOLVED, that Portland Parks and Recreation, the Water Bureau, the Bureau of Environmental Services, and the Office of Finance and Administration shall jointly explore options to reduce the demand for irrigation water in parks, respond to increased water costs to the General Fund and implement more effective stormwater management practices and report back to Council within 90 days to discuss what steps can be taken to reduce water use, what impacts remain to the park system due to the new rates and financing options which may be available.

FURTHER RESOLVED, the City Council directs staff to work with industry to explore how the City can offer incentives to business and commercial users that have implemented substantial water conservation or stormwater management efforts; and be it

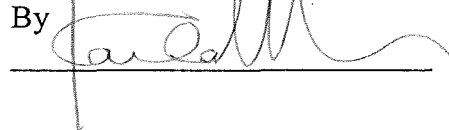
FURTHER RESOLVED, that the Water Bureau will discuss with the Council the advantages and implications of a move to monthly meter reading and billing.

Adopted by the Council:

APR 06 2000

Prepared by:
Rich Rodgers/ Commissioner Sten
Frank Hudson/ City Attorney's Ofc.
Commissioner Saltzman

GARY BLACKMER
Auditor of the City of Portland

By 

RESOLUTION NO. 35876
As Amended

Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY2000-01 that reflect City Council goals to improve the fairness, controllability and affordability of these rates.
(Resolution)

INTRODUCED BY	DATE FILED: March 30, 2000 MAR 31 2000
Commissioner Erik Sten and Commissioner Dan Saltzman	Gary Blackmer Auditor of the City of Portland
NOTED BY COMMISSIONER	By: <u>Britt Olsen</u> Deputy
Affairs <u>Dan Saltzman/DR</u>	
Finance and Administration	For Meeting of: _____
Safety	ACTION TAKEN: APR 05 2000 CONTINUED TO APR 06 2000 2 P.M.
Utilities	
Works <u>Erik Sten</u>	
BUREAU APPROVAL	
Bureau: Environmental Services & Water	
Prepared by _____ Date _____	
Budget Impact Review: Completed _____ Not Required _____	
Bureau Head: _____	

AGENDA		FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
				YEAS	NAYS
Consent	Regular	Francesconi	Francesconi	✓	
NOTED BY		Hales	Hales	✓	
City Attorney		Saltzman	Saltzman	✓	
City Auditor		Sten	Sten	✓	
City Engineer		Katz	Katz	✓	