



April 7, 2025 Transportation and Infrastructure Committee Agenda

City Hall, Council Chambers, 2nd Floor – 1221 SW Fourth Avenue, Portland, OR 97204

In accordance with Portland City Code and state law, City Council holds hybrid public meetings, which provide for both virtual and in-person participation. Councilors may elect to attend remotely by video and teleconference, or in-person. The City makes several avenues available for the public to listen to and watch the broadcast of this meeting, including the [City's YouTube Channel](#), the [Open Signal website](#), and Xfinity Channel 30 and 330.

Questions may be directed to councilclerk@portlandoregon.gov

Monday, April 7, 2025 9:30 am

Session Status: Adjourned

Committee in Attendance:

Councilor Tiffany Koyama Lane

Councilor Mitch Green

Councilor Angelita Morillo, Vice Chair

Councilor Loretta Smith

Councilor Olivia Clark, Chair

Councilor Clark presided.

Officers in attendance: Rebecca Dobert, Deputy Council Clerk

Committee adjourned at 11:13 a.m.

Regular Agenda

1

[Utility rates and budget discussion](#) (Presentation)

Document number: 2025-129

Introduced by: Councilor Olivia Clark

City department: Environmental Services; Water

Time requested: 1 hour

Council action: Placed on File

2

[Solid waste rates discussion](#) (Presentation)

Document number: 2025-130

Introduced by: Councilor Olivia Clark

City department: Planning and Sustainability (BPS)

Time requested: 40 minutes

Council action: Placed on File

Portland City Council, Transportation & Infrastructure Committee

April 7, 2025 - 9:30 a.m.

Speaker List

Name	Title	Document Number
Olivia Clark	Councilor, Committee Chair	
Rebecca Dobert	Council Clerk	
Tiffany Koyama Lane	Councilor	
Angelita Morillo	Councilor, Vice Committee Chair	
Mitch Green	Councilor	
Loretta Smith	Councilor	
Lori Brocker	Council Operations Manager	
Priya Dhanapal	DCA Public Works	2025-129
Ting Lu	Interim Director, Bureau of Environmental Services	2025-129
Farshad Allahdad	Business Services Manager, Bureau of Environmental Services	2025-129
Quisha Light	Interim Director, Portland Water Bureau	2025-129
Cecelia Huynh	Finance & Support Services Group Director, Portland Water	2025-129
Julia DeGraw	Portland Utility Board Member	2025-129
Kyle Chipman	Portland Utility Board Member	2025-129
Eric Engstrom	Interim Director, Bureau of Planning and Sustainability	2025-130
Eben Polk	Solid Waste & Recycling Manager, Bureau of Planning and	2025-130

Portland City Council Committee Meeting Closed Caption File

April 7, 2025 – 9:30 a.m.

This file was produced through the closed captioning process for the televised city Council broadcast and should not be considered a verbatim transcript. The official vote counts, motions, and names of speakers are included in the official minutes.

Speaker: But I'm going to call the meeting. Call the meeting of the transportation infrastructure committee to order. It is Monday. You can tell April 7th at 930.

Rebecca, could you please call the roll? Koyama lane here.

Speaker: Morillo here. Green. Here. Smith. Here. Clark. Here.

Speaker: Thank you. So today we're going to be discussing the rates and fees. With presentations from our public works bureaus and solid waste team at the bureau of planning and sustainability. First, we'll have a discussion or have a presentation and discussion on water and sewer rates and fees for the upcoming fiscal year. And we're also going to hear invited testimony from members of the Portland utility board, who I hope are here. Then we'll have a preview from the solid waste and recycling team at bts on anticipated rates. And I want to clarify for all of us today that the committee, this committee is not going to be voting on the rates and fees that we're going to hear about this morning. This is just a briefing for us to educate us. These are part of a much larger package that the finance committee will be discussing and taking action on at the meeting immediately following this one. So I'm hoping that councilor green will carry forth all of our concerns and messages to the finance committee this afternoon or this. Yes, this afternoon. So, rebecca, can you please read the next item?

Speaker: First, we're going to read the rules of decorum.

Speaker: Oh, sorry. Don't see that on my script. Yes. So, lori, can you please read the statement of conduct?

Speaker: Happy to chair. Welcome to the meeting of the transportation and infrastructure committee to testify before this committee in person or virtually. You must sign up in advance on the committee agenda at [ww. Dot gov slash agenda slash transportation and infrastructure committee](http://ww.dot.gov/agenda/transportation-and-infrastructure-committee). Information on engaging with the committee can be found at the link. Registration for virtual testimony closes one hour prior to the meeting. In person. Testifiers must sign up before the agenda item is heard. If public testimony will be taken on an item, individuals may testify for three minutes unless the chair states otherwise, your microphone will be muted when your time is over, the chair preserves order. Disruptive conduct such as shouting, refusing to conclude your testimony when your time is up, or interrupting others testimony or committee deliberations will not be allowed. If you cause a disruption, a warning will be given. Further disruption will result in ejection from the meeting. Anyone who fails to leave once ejected is subject to arrest for trespass. Additionally, the committee may take a short recess and reconvene virtually. Your testimony should address the matter being considered. When testifying, state your name for the record. If you are a lobbyist, please identify the organization you represent and virtual testifiers should unmute themselves when the clerk calls your name. Thank you.

Speaker: Thank you lori. Now, rebecca, can you please read the next item?

Speaker: Agenda item one utility rates and budget discussion.

Speaker: Thank you. And as I mentioned earlier, this is a presentation from bts and the water bureau to learn about our water and sewer rates for the upcoming year. And it's really an opportunity for us to weigh in and to learn more about those utility rates. I believe this discussion will provide a better context for the work of

these bureaus. And what services are contingent on these rates. So I'd like to turn it over to deputy city administrator priya dhanapal to kick off the presentation. Thank you. Welcome.

Speaker: Good morning. Chair. Clerk. Councilors. Thank you for the opportunity to be here. For the record, I'm priya paul, deputy city administrator of public works, and I'm honored to be joined here today by ting liu, interim director of biz farshad al-hadi, business services manager from biz quisha light, interim director of the Portland water bureau, and cecilia heun, finance and support services group director from the Portland water bureau. Today's conversation is focused on utility rates and the budget implications for water and sewer utilities, two of the most critical systems in our city. These are services Portlanders rely on everyday. Every time when someone turns on the tap, flushes the toilet, or walks through a neighborhood that's protected from flooding. Today we are here to talk about how we fund those systems. What's driving our costs and the trade offs we are navigating in this year's proposed budget. Next slide please. We'll start with what our utility bills do and why it matters to Portlanders. The bureau of environmental services manages our wastewater and stormwater systems protecting public health and the environment, especially our rivers, our neighborhoods and our communities. And the Portland water bureau delivers clean, safe drinking water to homes and businesses in Portland 24 hours a day, seven days a week. It is a mission grounded in public health, reliability and resilience. And these missions are deeply connected. Together, they provide the foundation for public health and environmental safety and economic vitality. And unlike many other services in the city, they are not funded by general tax dollars. And that brings us to our next point. And next slide please. Utilities are funded almost entirely by the people we serve. Nearly 1 million people across Portland are our wholesale customers. These

are enterprise funds, which means we operate like a public utility. Every dollar we receive in rates, fees and charges must go back to those into providing service. And again, no general fund dollars are used. Our budgets are restricted by city charter and city code. That means we can't use utility revenue for anything outside of water, sewer and storm water services. These are also highly regulated services. We are required to meet rigorous federal and state standards for clean water and environmental protection, and we are also managing \$46 billion in assets. Much of it is underground and over a century old. That means we are constantly balancing the need to maintain aging infrastructure with the responsibility to keep services affordable and reliable. And this financial model works, but it requires careful stewardship, and small changes in rates can have significant impacts on our ability to deliver core services now and into the future. In today's presentation, you'll hear from the bureau teams about the current proposed budget requests and the drivers of cost increases, our capital improvement plans, the action we've already taken to reduce spending and limit rate increases, and the long, long term implications of underfunding this work. And thank you again for your time and partnership. I'll turn it over to the bureau directors and staff to walk through the details.

Speaker: Thank you dana. Good morning, chair clark and councilors. My name is ting liu. I'm the interim director for bts. I'll be walking you through for the next few slides, for both bhs and the water bureau, for the high level budget. Next slide. As you can see here, our budget is enterprise funds are highly regulated. And a large part of this is already spoken for. So there's debt services and the large capital improvement that is really required to support major infrastructure projects that we are required to complete. For instance, water bureaus, filtration plant and bts wastewater facility, as well as the collection system upgrade. This project are not

optional. They are required to meet state and federal regulations and keep Portland's water safe and clean and environment healthy. The only adjusted part for this budget is orange, part of the chart, which is about 20% within operating budget. So you can see these are coming from personnel services and also external materials and services. Because we can only make cuts from this. More parts of the budget, even small reductions could have big impact and consequences. So in short, the utilities don't have the flexibility to absorb big budget cuts without real impact on service safety and reliability. Next slide. As you heard from dca, we are infrastructure bureaus with over 46 billion of assets. Some of these critical assets are over 100 years old. So what we are really relying on is asset management approach to prioritize our investment. And our combined five year cip investment is \$2.8 billion for both bureaus, for bs, over 75% of the anticipated work is within our three top key portfolios, including the blue slice treatment plant and resource recovery portfolio, green slice collection system and pumping and orange slice, which is the sanitary and combined sewer collection systems. On the right side, it shows the major investment for water bureau. The green slide shows the filtration project to comply with the federal regulations. The orange slide shows the pipeline from the filtration plan, which also includes replacement of the aging pipeline with new seismically and resilient pipelines. The blue slide shows the ongoing replacement of core assets mains, which include pipes in the streets, services pipes from the mains to homes, meters, hydrants, as well as the advanced metering infrastructure project. Next slide. Before we get to the conversation on what is being reduced from our budget, I thought it would be nice to share at the high level services of what our utilities provide and our key priorities for both bureaus. First, compliance with all federal and state drinking water and clean water regulations and meeting regulatory permit requirements remains our top priority. And second,

its operation and maintenance of all infrastructure assets, including water quality operations, environmental quality monitoring, community engagement are some of the key part of our priority. Third, from a capital side, addressing aging assets and also reduce system failure risk, comply with the existing and future federal mandate that requires system expansion, reduce climate and seismic risk, as well as making sure to provide equitable service delivery to communities at the backbone. All of these services require core administrative support functions that enables operational and capital delivery. At the same time, maintain high quality customer service and support and affordability program remains our priority and service. You will hear more from director quisha light later this. Next slide. And from a national perspective, we also want to share with you some of the benchmarking and industry perspective. Standard inflation metrics are important indicators for how costs are changing broadly across the nation. So you can see the blue and teal color lines at the bottom for producer price index and consumer price index. However, they tend to underestimate the unique environmental challenges that water utilities operate within. So we would like to share with you the orange line shows the cost of doing business nationally for water and wastewater. Utilities are rising at a significant higher rate than general inflation. Since the pandemic. It basically doubles every year. And this figure is from the government finance officers association. So that's a challenge we have. And next slide we'll share with you some of the cost drivers. As we as you see the utilities are experiencing cost increase across all lines of business and driven by both external and internal factors. We're managing the cost drivers through strategic choices and also trade offs being guided by our core priorities and services. Some of these drivers include significant construction costs, increases materials and services, inflation, and personnel costs. And more. Resource required to complex with increasingly and

also complex uncertain regulatory regulatory environment and like everything else, like chemicals, materials, wage, energy. As such, city overhead has also increased as well. Next slide. The utility bureaus have submitted budget that has been balanced against the previous mayor's budget guidance for reducing our forecasted rate increase by 5%, which is on the left column, and the to offset increased citywide costs this year. You can see on this slide a high level summary of what reductions are being recommended to achieve a balanced budget. Reductions total nearly \$3 million for water and over \$6 million for bts. Our ability to meet public health, safety and environmental needs of our community are directly tied to sustain adequacy of available resources. Before I hand it over to charlotte to offer more information on utility rates, I want to summarize that bees and water bureau have a relatively large budget, but almost 80% of that budget is already spoken for. Like I mentioned earlier, it pays for things that we can't cut, like loan payments on past project required fees and legally mandated app upgrades to keep our system safe and working. And there is very little room in the budget for electricity. This reductions will have a significant negative impact on the utility's ability to effectively meet our regulatory requirements and commitment to our community. Dc donna paul will speak more in detail about the negative impact. And with that, i'll turn it over to farshad.

Speaker: Thank you, director liu, committee chair and councilors. For the record, my name is farshad allahdadi. I'm the business services group manager at the bureau of environmental services. I'd like to just do a quick run through of some of the high level details that were referenced earlier in this presentation. First, on our funding sources, i'll repeat again, the utilities are not are not funded by taxes nor the general fund. We're funded by two enterprise funds, the water and sewer fund. And those are established in city code, also in city code are the requirements for

City Council to take any to take actions annually to make adjustments to our our rates and any fees and charges. Every dollar goes back into the provisioning of services to our customers and communities. And these services are not optional. Rates are how we fund public health, environmental safety and reliability every day. Next slide please. In previous committee meetings, councilors have expressed an interest in better understanding the utilities rate setting methodologies. And we'd very much like to have that opportunity to get into those details today. I did want to set up that deeper dive conversation with a high level explanation of the process of rate setting for the utilities. Each year, we generally calculate rates by starting with our budget for the next year and a five year outlook on both cip and operational plans. This analysis, I should say, those those plans do extend far into the future, and this analysis results in a multi-decade bureau expense model. We then subtract non rate revenues we are expecting to receive over the same time period to calculate the year over year revenue gap that needs to be filled by customer rates. That is what establishes our rate request in any given year. The final step is allocating costs fairly across all classes of customers, so their individual bills reflect their impact on the system. For example, customers property characteristics have a high impact on stormwater services compared to wastewater services. In this example, that customer will see higher stormwater charges relative to the wastewater charges. This way, we are balancing the impact on the system that each customer represents with the bills that they're they're charged. Next slide. On this chart we're displaying the categories of revenue for bills and water respectively. You see that each that even with the application of the mayor's guidance rate, revenue for both utilities is approximately 90% of total revenues. The next largest revenue category for the utilities is background are revenues from sdcs fees and charges, which for bills account for a little less than 10% and a little less than 8% for

water. Next slide. Current and past regulatory obligations are creating multiyear cost pressures for the utilities. The utilities manage these costs over multiyear forecast windows through careful and consistent financial planning to avoid major rate spikes. Recommended rate adjustments are made to ensure modest and predictable rate increases sufficient to meet our current and future financial obligations, such as regulatory capital or operational obligations, while also balancing affordability for our customers. The utilities communicate our five year rate profile to the mayor and council every year, to orient city leadership to the revenues needed to meet our evolving utility risks and regulations. With the exception of fiscal year 2526 data points on this chart, which have been adjusted down in accordance with the mayor's guidance, this rate profile has not changed from the last year. We will be updating this rate profile in the coming months, likely upward, to incorporate ongoing citywide cost increases and any council actions this year specific to rates sdcs fees and charges. Next slide. It is important to note that changes to forecasted rates have only minimal impacts to customer bills, but have major impacts to utility revenues and budgets. The previous mayor's budget guidance to reduce the rate of increase by 5% to promote affordability may go unnoticed by most customers, but will have a material negative impact to the utility's ability to manage system risks, including current and future operational and regulatory requirements. Specifically, the mayor's guidance will result in an average customer seeing only a 50 cent reduction to their monthly bill. However, the utilities have needed to reduce our budget expenditures by a little more than \$1 million each to offset this lost revenue. Next slide. So what does this mean for the typical single family household bill you see here? Current forecasted rates and bill impacts for typical and low income program participants. Calling back to the previous slide as an example. And at the risk of being repetitive, that it takes a huge reduction in

budgets and reductions in service levels to our customers and community to achieve very modest impact to the utility bill. These reductions predictably drive increasing costs or increasing risks of failure and more significant future costs that will be unavoidable. Applying the mayor's guidance to rate increases should rates be approved at the typical family's single family residential customer will see an increase of a little more than \$9 per month for the whole utility bill compared to last year for our qualifying low income tier one customers. Those are customers that are at 60% of the median household income for the Portland metropolitan area. We'll see an increase of only \$4.59 a month. And for customers qualifying for the low income tier two discount, and those are customers that are 30% of mfi, their monthly increase is only \$1 and 86 per month. These bills assume 500 cubic feet of consumption, or approximately 3740 gallons per month. Usage continues to go down, likely due to conservation and more efficient plumbing fixtures, and we're expecting typical usage rates of closer to 400 cubic feet per month, or 2992 gallons. This is a 20% lower usage, and as a result, the median bills for single family residential customers with the rate increase is likely to be around \$125 a month rather than 160. Before I hand it off to director light, who will provide more details about how customer bills and the wide range of shared affordability programs work, which i'll mention is focused on providing assistance to customers most in need. I did want to present some information about how Portland Portland's water utility rates compare to other communities. Next slide. A common misconception is that Portland has some of the highest utility rates in the region, or even the country. Despite cost pressures, Portland utilities continue to keep costs to customers within range of comparable national peer cities that have similar water, sewer and stormwater systems. The chart on this slide includes two types of utilities neighboring utilities, which are geographically close to Portland and are

here for reference, and peer utilities, which share similar system characteristics such as a combined sewer overflow infrastructure and drinking water filtration requirements. The most apples to apples cost comparisons are made between our peer utilities. Utility costs vary based on geography, infrastructure, age, and regulatory requirements, but this chart provides important context. Portland's rates are not an outlier. They reflect the real cost of maintaining a safe, reliable and modern system. Many of our peers have completed filtration but haven't addressed combined sewer overflows, which we did with the big pipe big pipe project. So we expect to remain in the middle of the pack of comparable utilities as filtration is completed in Portland and other cities. Address CSOs as these capital investments represent similar magnitudes of cost. And now I'll hand it off to Director Light to talk about bills and affordability.

Speaker: Thank you. Good morning, Chair Clark and Councilors. As stated, my name is Quisha Light and I'm the interim director for the Portland Water Bureau. One of the first questions I get when I talk with customers about rates is, where's all this money going? And that's what this chart is showing, because it's a fair question for people to ask. And the short answer is it goes right back into the systems and services that we provide to Portlanders every day. Let's start with what most folks are familiar with. And that's the combined quarterly utility bill. Every Portland household gets one bill that covers water, sewer, and stormwater services. Our bureaus work in close coordination to deliver these essential services 24 over seven. And then about 15% of the utility bill goes to the base charge, which covers administrative services such as metering, billing, customer service related services that we offer. And these are the folks that are sending out accurate bills, answering customer questions, managing payment plans and supporting affordability programs. Then the other 85% goes directly into system operations and

infrastructure. That includes treatment pipe replacements, environmental monitoring, compliance with state and federal regulations, and all the behind the scenes work that keep our systems flowing and safe. Next slide please. So with that bill explainer, I want to highlight that for 75% of Portlanders, our rates are affordable, but we have an increasing percentage of customers that are in need of some financial assistance. And we strategically invest in robust financial assistance programs to help those customers with lower income. We provide bill discounts. We offer interest free payment plans, crisis assistance, support for affordable housing providers, and a leak repair program, which we recently received pcf funding. That's allowing us to expand that. These are all funded through our rate structure because we believe access to water is a basic need. And so far this year we have given out over just about \$10 million in assistance to customers. And that's that's gone to well over ten. I'd say about 12,000 households that have received those dollars and maybe a little bit more. So we have given out quite a bit in just this year. Next slide. This slide shows the impact of our affordability programs in real terms. We benchmark against median household income. And what you see here is how much lower the bill becomes for Portlanders on our single family residential discount program. For a household that qualifies for our tier two discount, that the combined monthly bill drops to less than 1% of income. And that's a big deal for families living on tight budgets. These programs are making a real difference, and they're only possible because of the strategic investments we're making through rates. We're not at any point when we're running our affordability programs. I want to emphasize this. This is not a check the box exercise for us. We're building a structure that supports long term affordability and equity, and our bureaus are committed to that. Next slide. I'll turn it back over to paul.

Speaker: Thank you, director light. I'd now like to talk about what happens if we don't keep up with the rate adjustments. We're often asked, can we just hold off on raising rates this year? And the reality is, if we delay now, we pay more later. First, we take on more system risk. Without steady investment. We move from proactive maintenance to reactive repairs, which is more expensive and disruptive. We also see reduced service levels, things like slower customer service delays and billing adjustments, and risks of falling out of compliance with environmental and health regulations. Additionally, the delaying rates increases shifts the delay. Delaying rates increases shifts the cost burden in ways that are less equitable, keeping rates artificially low today means future rate payers, many of whom are already contributing their fair share, will have to shoulder more of the burden. And in some cases, we are effectively subsidizing growth without the revenues to support it. Next slide please. There can also be rate increase pressure. If we don't keep pace now, we will likely face sharper increases later, which can be harder on our customers and our organization. We build up an increasing capital backlog. This means critical investments like replacing old pipes or upgrading treatment facilities get delayed and delayed projects don't get cheaper, they get more expensive and riskier. Additionally, when we defer investments today, we're pushing those costs onto future Portlanders, often at a much higher price, creating intergenerational equity issues. And finally, we create forecast risk. Our rate models are built on stable, gradual changes. When we hold rates artificially low now, we lose predictability and set ourselves up for financial instability later. So our approach isn't about raising rates just to raise rates. It's about doing so in a way that is predictable, modest, and aligned with our values. And that's how we maintain service, preserve affordability, and build trust with the people we serve. Next slide please. At the end of the day, this is what it's really about. Our city, our people and

the role that these essential services play in keeping Portland going. Over a million people count on us every day for clean drinking water, safe wastewater system and flood protection, for making coffee in the morning to flushing the toilet at night. Our work touches every everyone's life, every single day, and how we invest today really does matter. Every dollar we put into something, into maintaining and improving our water system now prevents breakdowns, disruptions, and unaffordable spikes later. It's an investment not just in pipes and pumps, but in public health, economic stability and environmental resilience. When we make smart, steady investments today, we are building a stronger, safer and more equitable city for generations to come. Thank you.

Speaker: Thank you, director donna paul, and thank you to the panel members. That was an excellent presentation. Great data. I have to say, one of my takeaways is I'm very proud of what beis and the water bureau have been able to do. Your environmental stewardship, as well as your sensitivity to affordability for those less fortunate. I very much appreciate the values that underlie beis and water bureau. So i'll turn to my colleagues here for their comments and questions. So I see a hand up for councilor green.

Speaker: Thank you, chair clark, and thanks again for this presentation. I echo everything the chair just just said, you know, outstanding work. I can you bring up the first presentation again please, which showed the cost indices. Is that possible? While that's coming up for my for my colleagues here, you presented a series that shows the consumer price index, the producer price index over time, and then also another index called the handy whitman. Whitman construction cost index. And it's and it's going to come up here on the screen in a second. It's really alarming because construction costs for public utilities have grown much faster than the rate of inflation. As far back as the data goes. There are probably a number of drivers of

that, but I think the point I'd like to make is that there doesn't seem to be any way to control that. That's an external cost to municipalities. And so thank you for bringing that back up. Just for my colleagues, this is a standard series of data that is a proprietary index. But it is it is used in regulatory commissions to evaluate allowable costs when we set rates. And the point here is that, you know, it's grown faster than the rate of inflation, but particularly so after the pandemic. As as every rate setting institution has had to deal with rising costs. So electric utilities, natural gas utilities and, you know, water and sewer, of course, what I am worried about is if we if we reduce our normal rate increase, does that put us in a situation where we are going to have to delay, maybe a contract purchase or, you know, contracting for service delivery at today's price and could then potentially have to be in a situation where we would do that contract a couple years down the road when this index is much higher. Can you guys provide some color on that?

Speaker: Absolutely. I think exactly what you're saying the construction costs for water and wastewater are much higher than cpi and the npi because they involve specialized materials, skilled labor and regulatory compliance, and also the aging infrastructure and complex urban construction costs increase drive up costs as well. So anything that we delay, if you're going with lower rates, of course, we will have to hold back on some of our projects. And if we delay projects and do it in the future, it's going to drive up costs too. And maybe I can have one of our finance directors or finance managers answer to it as well.

Speaker: Sure. I think this is a really important insight. Just some background on how we manage capital projects. Both bureaus maintain a five year cip, and i'll speak specifically to bts that cip is scaled at about \$1 billion over five years, primarily the funding for the for that cip is bond funding, though there is cash funding directly from rates for some projects. So when we see inflation as indicated

on this slide, it just means that the cost of projects within that budget for our cip goes up, which means we can deliver less projects over time. And so our experience is both specifically after the pandemic, both from supply chain issues and geopolitical issues that were disrupting supply chains and increasing materials costs, that we were seeing significant increases on a project by project basis. And we could afford to do fewer projects in that window, which means that as a consequence, we're accepting higher risk of failure. That's that's the dynamic that's not expected to improve. And so this is something that we're we're grappling with right now, trying to find other sources of revenue to pay. Beyond just ratepayers. Ultimately everything is paid for by the rate by the ratepayer. Our debt service comes out of ratepayer budget, but leveraging other external federal sources six months ago was the was the big idea. I'm not sure if that's going to be an option soon, but our primary driver for our cip is compliance and risk mitigation, and we're trying to find every alternative to meet those, meet those objectives even in limited resource situation.

Speaker: Yeah. And that's helpful. And, you know, i'll just say at the tariffs, the tariff situation only adds fuel to this. And so when so when you do out of scope of work and you bid out a project, whether it's in-house, outsourced or some combination of the two, when you write a contract, does that have is that like a fixed price cost or is there like an index cost adder that allows the counterparty to pass through the cost that they have? Because i, I worry that we're just going to see 30% increase on cost from tariffs.

Speaker: Yeah. Yeah. So for cip delivery we do look at some of the uncertainties. And there are different ways to deliver capital projects. There's alternative delivery. We consider that cost and risk. So there's a maximum kind of a pricing and bid the contractors will provide versus others. We think it's a more straightforward. We'll

focus on the low bid option. Obviously there is a risk that continuously there is a project cost increase there too. And I do want to also add on to what fairchild is saying about what's the drivers for this cost. And you can also think about nationally or regionally, every utility is focusing on this drivers and the complex regulatory requirement. So there's a competing for all the local contractors, which doesn't make things easier because we're looking to the limited contractor resource. And that's how it's also driving the cost here as well.

Speaker: And thank you. So I guess. That puts me in a position where I don't really favor the temporary reduction in the rate. The rate proposal. In light of that, just so the committee hears my voice on that. And then I guess my last question would be for rate setting, you mentioned non rate revenues. Can you just give me an example of a non rate revenue.

Speaker: Yes. Non rate revenues are are sdcs fees and charges.

Speaker: All right. Thank you.

Speaker: Yeah.

Speaker: So I was going to ask councilor koyama lane if you'd mind if I riff off of councilor green here for a moment. I'm glad you took us to that place because after facade's presentation on the rates, it just seems like we spread them across such a large population that the rate increase is really not that significant, given the impact on the bureau. You know, the loss of \$1 million for each, each of the bureaus. So I'm really interested to hear you say that about the rates, because I think I'm in in I'm feeling the same way that the, the, the, the directive that was given from the past mayor to, to reduce the rate or reduce the increase of the rate, if you will, may not be a smart move for us, particularly given the what you pointed out, what's coming in the future. So I would maybe we can have that conversation a little later about what message that you take to the finance committee regarding this

increase, and I definitely want to hear from the rest of my colleagues here, but I want to just add on to that point. Thank you.

Speaker: Yeah. And you know, my views have been fluid. I think if you remember, when I started this, I was very interested in bringing down these rates. But we it's about weighing the costs and benefits and the long term impacts. And we have to be nimble on that. So thank you.

Speaker: Yes, exactly. The environment has changed considerably since we first started talking about this. So councilor koyama lane.

Speaker: Thank you so much for this presentation. I want to say that I do feel proud of our city for having this financial assistance program. I know I found out about it, I've been a public school teacher for 16 years and oftentimes I'm in. I've been in the position where families are embarrassed that they don't have enough money to pay their bills. And I'm often I was yeah, teachers are oftentimes some of the first people that parents will open up to and share about that. So I heard about it from the school counselor at the school I was working at, and she helped the family apply. And yeah, I'm thinking about a family last school year and get support. And I'm just a little interested in hearing more about. How how this program works. I'm, I'm interested in in the outreach. How is there outreach to school counselors, to teachers, to nurses? I was actually on a trimet bus the other day and was watching a trimet driver deescalate escalate a situation where someone was really not in a good place and just was thinking about, especially in the last five years since covid. I think almost anyone who has a community facing job is like doing social work. So wondering, yeah, what's the outreach around this? What's the comms? I know from a website and from my own experience that you can change the language into spanish, russian, vietnamese, chinese. I'm also wondering, because we have even more languages in Portland that are spoken, what happens if someone doesn't

speak one of those languages? Is there support to actually have? I also know there's a customer service number. Is there some something offered like an office hour? Or if you really need one on one help, which is oftentimes what I've seen where it's either myself or a school counselor or social worker sitting down and helping someone go through these steps. That is oftentimes what's needed. So I would just love to hear a little bit about that.

Speaker: Yeah. So thank you for asking that. Yes, I will agree with you. And first i'll just say I use my own sister to talk about this program. And she works for community action. And so I tell her about the program because she's a teacher, right. And she's out there. And so she she's put it through through community action. And I tell her to spread the word. But we do a lot of outreach and engagement we work with, whether it's with other utilities we work with. We have a group of about ten organizations that we work with to help us do outreach. We have community engagement liaisons. We're at every community fair festival, anything that we can be at. And to your question around the languages, yes, we will provide and we will translate materials and we think we are 11 languages now. And if people and we also have our, our language line. So if you're, if you're calling in, we can get an interpreter through that. We also have you can if you need it. I have staff, we have plenty of folks that come in and the staff will walk them through and help them fill out the application. So we do offer that we are we have somewhat slowly converted to more office hours because, you know, sometimes you never know how long it's going to take to try to assist someone. So we have converted to more of that, but we will do whatever we can to help. You know, you can call on the phone and staff will get you started on filling out the application. So we do a lot of engagement trying to ensure that we're getting the word out. There is out in every

bill, just about every newsletter as a filler in the bill is on the bill. Contact us, contact us, contact us. Yes.

Speaker: I'm going to use this opportunity to plug in. Keisha, who's the director of the water bureau right now, was previously the customer service director. And she brings that great strength in this role. So wanted to share that quickly.

Speaker: Thank you.

Speaker: Thank you so much. And even as I'm hearing you speak, I was thinking, oh, I should put this in my councilor weekly newsletter. It's something that we can keep boosting to.

Speaker: Thank you. Yes.

Speaker: Thank you. Councilor koyama lane. I just want to say, I thought that was an excellent observation on your part about public facing city or trimet employees that they really are having to be social workers, given the level of anxiety and uncertainty that we live with today. So thank you for that comment, councilor smith.

Speaker: Thank you, madam chair. Thank you all for the presentation question. Are the new rates accounting for the cost that we're accumulating with the new water filtration plant being shut down for 4 to 6 months? Because that is a concern of mine.

Speaker: Just for the record, my name is cecilia heun, finance director for the Portland water bureau. So our rates does include collecting for paying for the project.

Speaker: But originally when you when you first came to talk to us in the big City Council meeting, you said that there were there were not going to be any additional fees for the water filtration plant.

Speaker: We have incorporated into our rates that we're collecting today, as well as in our financial plan that we will be charging through our rates, collecting the revenue to pay for the project overall.

Speaker: Okay. Thank you. And priya, who currently has the franchises with the city of Portland for solid waste recycling and yard debris collection.

Speaker: I believe I want to refer to the finance directors here. I don't think it is. The city of Portland is through through metro for waste collection. Or is it pbot?

Speaker: I can't speak to. Yeah.

Speaker: The reason why I'm asking will you all with these new rates, will you have to modify those franchise agreements or allow other companies to compete for those franchises?

Speaker: So I believe waste management is bts. That's not we don't manage those.

Speaker: Councilor smith I think we're going to get to that in the next presentation. I believe.

Speaker: Sure, sure. I just wanted to share that bts is also in the room, and they're happy to talk about it during the next presentation.

Speaker: Okay. Thank you.

Speaker: Can I just elaborate on what you just asked councilor smith? I think the question you were asking was that do the rates take into consideration the pause that we're experiencing? Yes. Can you. Yes. Can you address that?

Speaker: Well, there is a pause in the there's a pause in the construction for the bull run because of a luba complaint. And it is expected to last about 4 to 6 months, which is going to put the project back in. I guess the other question that comes to mind, not knowing when there's going to be a hearing or if it's going to be approved, how much is that going to cost us? Additional costs.

Speaker: I'm going to take an attempt at answering this. And then director light and our finance manager cecilia, can correct me if I'm wrong. I think we're going to pause on talking about the luba direction at this time. But the we are in remand right now and which would include, you know, any costs for mothballing the project until we're able to start again. The rates were the rates for that were proposed for this year were done before the remand was in place. And so any increased costs during the remand would be, I think, collected with the next rate setting. Is that correct? Can you.

Speaker: Yeah, I mean, at this point, at this time, we do not know how much additional cost that we will be incurred as a result of the remand. When we have that information, we will need to then update our rate forecast to incorporate that additional cost.

Speaker: Okay, that was my original question to you when I asked. That was the first question I asked you and you said no, it's already in the current new rates that you're putting forward, but now you're changing your answer. Am I correct?

Speaker: Yeah. I must have misunderstood your question. I was responding to that. Our rates includes paying for the project as we currently have it budgeted. And if you're asking me about the additional costs related to.

Speaker: Yeah, that was what I was asking.

Speaker: So I didn't understand that. So we don't have the information on the additional cost at this point.

Speaker: Okay. Thank you. And I do want to say I appreciate the great customer service that we're offering our residents in the city of Portland. And for those folks who can't afford those costs, that we have a program to help them. And thank you all for continuing to do that. That's very important.

Speaker: Thank you. Councilor smith, I'm afraid we got dangerously close to something we're not supposed to talk about, so thank you for that. Councilor morillo.

Speaker: Thank you. Chair. Thank you all so much for your presentation. This was incredibly helpful. I felt like I was in the same spot a few months ago, as far as wanting to see what we could do to lower rates for people just because the cost of living is so high. And I think it was incredibly helpful to understand the long term impacts of that. So thank you for all of your work and making that comprehensive for us non economics professors in the room. I, I guess I'm curious. And you know, it might be too soon because we all have the impending horrors of the tariffs upon us and we just are seeing the impacts of the stock market today. But I'm curious what you guys think the long term impacts will be for this work and what we can do as council to support you. And it's okay for you to chew on that and come back to us later. It might take some brainstorming from all of us, but if you have anything off the top of your head.

Speaker: I mean, I off the cuff would say that I think engagement with council to understand these dynamics is critical. I think if we're operating from a place of assumptions that aren't vetted or coordinated, we can have some misalignments in understanding, and that can cause some policy problems that have a financial impact. So I think as there's development in the tariff situation and the general economic conditions in the country and worldwide, having a dialog with council about how that plays out with the utilities will be essential for our financial planning.

Speaker: Thank you. I would just add to that that we definitely will have you back. And I think we will want to know what the impact is on the future, the cip as well, and we'll want to take a deeper dive into the cip at some point, all under the rubric

of asset management, which is my favorite topic. Let me just ask my colleagues. I don't see any other. Hands up and we have a few more minutes. Can we have a little bit more of a discussion about what councilor green and I were mentioning regarding the rate increase, the decrease in the increase that was requested by the past council and mayor? Do can I ask for your opinions about that so that councilor green can take our the sense of this committee back to finance this afternoon? Anybody else want to comment on that? Because it's a relatively small increase. And given the fact that we just heard again about the terrific affordability programs that the bureau has, I'm I'm certainly willing to entertain going back to the original increase before the small decrease. Yes, please.

Speaker: Thank you. Chair. I don't know if we need to motion and approve any kind of ad hoc resolution on this, or we can just talk, but I'm inclined. I mean. If we're only saving \$0.50 on a bill, on an average bill. Residential. But it it creates a cost burden for our children and their children in the future. That's not good stewardship. If we were looking at \$50 a bill, that'd be a different question. But that's not what's at stake here. So i, I don't know if this committee wants to empower me to give a committee opinion or if people trust that I can just sort of do a vibes based opinion. Either way.

Speaker: I think we need.

Speaker: To hear from the other members of the committee and particularly in regard with with what councilor morillo mentioned or queried about in terms of the tariffs, what may be coming, possibly cuts in the epa budget. I, I think there's so much uncertainty that really looking forward is important. So I'd be interested in hearing from my colleagues how you feel about that.

Speaker: Madam chair? I haven't had enough time to kind of process this yet, so I apologize for that.

Speaker: That's fine. Councilor koyama lane.

Speaker: Yeah. My inclination is. Hearing what I'm hearing from my colleagues and from experts at the table that have dedicated a lot of their life to this work. It makes sense. This piece makes sense to me that we need to make sure that we're not just kind of pushing the issue a year, which I which I see has been done many times in a lot of different areas. But that we are thinking long term here to this is maybe bringing up another question. I, as we have gotten more information, I've seen our perspective shift. I wonder about how that will be portrayed to the public, how we can educate this perspective. So at this point, I'm feeling like it's important to, you know, do a raise now. So we're not just deferring the increase.

Speaker: Thank you for that, councilor morillo. I would just say, too, that we have members of the public utility board who may want to address this as well, and let's give them an opportunity after we hear from you.

Speaker: Thank you. Chair. Yeah. Just in response to your question, councilor green, and bringing this back to the finance committee, I would say after getting all of this information, I'm not sure that we really have a choice in how we handle these rates. And I think that too often in government, we do make choices that end up impacting future generations in terrible ways, because we keep pushing that off and not thinking about what that's going to do to young people as they end up aging in our society. So I don't feel I don't love it. I would love to lower rates. I would love to have free housing, free food and water as well. But that's not the world we live in so far. So I guess I'm saying I don't feel like I have a choice, and that this might be the hard decision we have to make.

Speaker: Thank you, councilor morillo. It is a difficult decision. I think you're getting a sense for things, but let's hear from the our local public utility board. We've got I

think they're all online. Is that right, rebecca? Yeah. Do you want to process that for us?

Speaker: Board member chipman had their hand up.

Speaker: So I respectfully pass to my fellow board member, julia degray. Thank you.

Speaker: Yes. Excuse me. Thank you. Kyle chipman. I really appreciate this discussion. That's happening with with this committee today. So thank you so much. For the record, my name is julia degray and I live and work in district three, and I'm here alongside kyle chipman as a voting member. And representative of the Portland utility board. I wanted to just let you know at the top here that I had hoped to be in person today, but I am really sick. I caught a nasty bug over the weekend, so I really appreciate the opportunity to testify virtually today. Personally, I first heard about the pub in Portland, was forced to explore a water filtration plant and covering our reservoirs, and I was impressed at the role the pub played in engaging the public and in clear oversight they provided to the city on those issues, and it made me interested in serving on the board in the future. And that's exactly what I did a few years later. And I've built a career working on environmental and social issues, and this work on the pub feels like an extension of that work and my passion for public service. Kyle and I are here to highlight some of the pub's priorities for your consideration. And these priorities were outlined in a letter the pub shared with the mayor and council. Some of this might be a little bit repetitive from what you heard before, but we do feel that it's really important that you hear this from the pub and the public interest perspective. And again, I think from the conversation you've already been having, it sounds like you share a lot of our values. The pub was formed in 2015, in response to a public ratepayer concern. Ratepayer concerns and legal challenges. The pub had worked as a community

based advisory board to ensure improved transparency, accountability and oversight of Portland's utilities. We seek early information sharing and sufficient time for public, authentic engagement in decision making. This has been a very challenging. This has been very challenging during the transition at the city, where significant decisions have moved so quickly with little time for notification, let alone effective engagement. We commit a lot of time serving as informed representatives of the community and ask you to engage us early and often enough to have influence and impact in major utility decisions. The pub believes every person is entitled to clean and affordable drinking water, healthy communities and healthy watersheds. We center equity in our decisions and considerations, so affordability is at the core. However, the city must prioritize intergenerational equity as well as affordability of current ratepayers. We are responsible to maintain and build a resilient and sustainable system for 100 plus years into the future, requiring investments today to avoid pushing infrastructure burdens to future generations. Reducing rates below financial plans gives a false sense of savings now, when delays and potential emergency repairs will cost the ratepayers significantly more, do not hold rates below what is needed to maintain the system. Expanding access to targeted financial assistance is the most effective way to respond to increased rates and protect the most vulnerable. We've heard concerns that utility rates increases are far above inflation, but remind you that context is important. Most of the utility board goes to most of the utility budget, goes to system improvements, maintenance, and debt service for prior investments. The original 8.1% water increase includes implementation of large projects to meet regulatory requirements, including the bull run filtration project required by 2027. This must be higher than overall inflation because it is improving, not just sustaining the system. The increase was also planned before recent changes in

circumstances such as inflation, for construction spikes spiking up to 8 to 12% annually, and other cost pressures including escalation and labor. And another year lower. Excuse me, another year of lower than projected rate increases. Unknown future liabilities caused by deferred maintenance and additional costs for charter transition and other city wide issues. The utilities must also be allowed to update financial plans based on new and increased costs. With that, I would like to give the floor to kyle chipman to share a bit more about our recommendations on this rate increase.

Speaker: Thank you. Thank you. Julia. My name is kyle chipman. I'm also a voting member of the Portland utility board. I joined last year in 2024 and I also live in district three. I want to begin by just really sharing from the heart that the good work, that and preparation you've seen from cecilia, hewn from pwb, from on biz and dca, as well as the new interim directors. They've been regularly, regularly attending our pub meetings with the same good faith, preparation and diligence and framing of very difficult decisions. So just deep a depth of appreciation to their team and to the bureaus that they represent from the citizens. I'll be reading from a prepared statement, and many of the points are re-emphasizing through a community lens. The concerns that were raised by the representatives today. All right. It appeared that this year's budget planning rate guidance with general fund reductions, rather than consider the realities facing the utilities, even the planned rate increases are not sufficient to maintain services and projects and are essentially serve as reductions. The pub supports the bureau's approach to manage their reductions, understanding the elimination of hiring vacancies and the delay of capital projects as the only real options available. However, we remain concerned about the impacts and risks and do not feel the reduction from plan was warranted. Utility rates have the potential to adequately fund needs and meet

community expectations, but only if council approves funding sufficient for preventative maintenance and operation. As a direct analog, you're discussing the challenges that transportation faces from years of funding issues limiting their infrastructure maintenance. The city is creating similar issues by repeatedly stripping away the incremental increases that allow for maintenance of utility services. Utility rate guidance must be based on the context of the utilities priorities, challenges, and financial circumstances. At a minimum, we ask that you retain the 6.33% combined rate increase originally planned to avoid added risks and costs. The change is not justified with the typical household savings of just \$0.50 per month. The pub also objected to prior council's decision to temporarily suspend planned increases to system development charges, or sdcs, for the utilities. The sdcs fund debt payments from investments already made in system capacity to accommodate increases in demand. Although we support policies encouraging development, it is reasonable for those who profit from their investments to contribute a fair share of the costs to support them. The pub opposes suspending sdc increases or holding them lower than reasonable, as it forces ratepayers to absorb even more of those costs. Finally, equity should be the focus for rate exceptions, encouraging low income housing or supplementing assistance programs. While we recognize the utilities integrated equity into their decision process around reductions, the lack of a city wide equity tool is concerning. Too often, equity programs are the first to go during cuts and are made even more vulnerable without a clear process to evaluate and highlight equity impacts of proposals. We reiterate prior advocacy that rate increases to support equity advances are a justifiable investment. The city must address past harms caused and prevent future harm to the community, particularly in the current national climate. We would like to hear council recommit to advancing equity. How you will

sustain dei efforts locally and how you will ensure every process applies an equity lens so that decisions consider the benefits and burdens of actions. The pub is eager to collaborate with you today and in future utility decisions. We appreciate your feedback on our role, priorities for the utilities and how to effectively engage with you, especially with large projects advancing quickly, such as one water and service area reorganization. Let us bring a community voice to your considerations in setting budget guidance, developing programs and policies, and delivering efficient and effective services. Thank you for the opportunity to share pub's feedback with you today. We look forward to working together to ensure responsible use of ratepayer dollars in the delivery of clean water, sewer, sewer, stormwater and natural resource services in Portland. Thank you.

Speaker: Thank you, thank you both, Julie and Kyle. Excellent. And I feel like we're all on the same wavelength, fortunately. And we'd love to have you back at another time. Councilor Green, do you want to make a comment?

Speaker: Thank you. Chair. Clark, I just I really appreciate the engagement. I want to thank you for your service on the pub. I think a critical point of interfacing with City Council. I just want to transmit my thinking on SDCS for transparency. And as part of a dialog with public utility board, our Portland utility board. I'm currently in favor of suspending or lowering system development charges. Not because I'm in the. I don't think anyone accused me of being in the pocket of big developer, but I do believe that we have an obligation to accelerate the rate of housing production by any, by any tool necessary. And I think if we're looking at things like a suspension of SDCS, which cost about \$20,000 per unit of construction, if the city can absorb that and it results in those units being built, then we're going to see an increase in the rate base, which will spread those costs over a larger rate base, and it will increase our property tax revenue. So there are some unintended consequences of

trying to assign the marginal cost of capital improvements to a developer that i, that I want the city to think about. And that's where I'm at right now. Thanks.

Speaker: Thank you for those comments. Any other comments from my colleagues regarding the presentation and the rate increase and the message that we want to send to our finance committee this afternoon? I think, councilor green, you've heard loud and clear where we are. There's some reluctance, but an understanding, given the information that we've been presented today and by our pub members, that we want to go back to the original proposed rate increase. So thank you for delivering that message for us this afternoon and thank our panelists. It was excellent presentation and we appreciate your time, your work, your commitment. It's very meaningful and important to us, and we'd love to have you back in the future. Thank you so much.

Speaker: Thank you. Thank you.

Speaker: Move on now and I will ask rebecca, can you please read the next item?

Speaker: Agenda item two solid waste rates. Discussion.

Speaker: Thank you. We've had a earlier deep dive into solid waste. I believe I wasn't able to be here for that, but as staff will note in their presentation, the rates are with the bureau is anticipating. But we will need to wait to see what metro adopts in their rates before we have any final numbers. So this is just a preview for us. They will be back. This should provide us with a pretty good starting point for a future discussion on what to expect for ratepayers in the city in the coming year on solid waste. So I'm going to hand it over to our bureau of planning and sustainability director, eric engstrom, to start the presentation. Thank you for being here.

Speaker: Thank you, councilor clarke and the committee. Appreciate taking the time this morning. For the record, my name is eric engstrom. I'm the director at the

bureau of planning and sustainability. With me is our solid waste manager, evan polk. We're going to try to accomplish a couple of things today. We're going to give you a brief reminder of how our system is structured and the process we use to set rates. We'll talk about the residential solid waste rates and then the commercial tonnage fee, which are the two main elements. I want to acknowledge, in addition to evan quinton bauer, our waste operations managers here, and our policy manager, pete chisholm, winfield is online. I also want to acknowledge some of the members of the Portland haulers association and as well as beth vargas duncan, who's the regional director with the Oregon refuse and recycling association, are in the room here if you have questions for them. As I mentioned, we'll start with a background of how our system works and then review the process for setting residential rates. In the initial data we're seeing. I want to as you just said, i'll remind you that this morning we don't have finalized numbers for the solid waste and recycling rates, the inputs for those which include a, a study of costs, as well as metro's contribution to the rates are pending and won't be available until may 8th. So this is preliminary information you're getting from us today about the process and where we think things are going. We'll talk about what factors are in play. And then we'll have some time for questions I hope. And with that I will pass it over to evan.

Speaker: Thanks, eric. Good morning. Committee chair. Vice chair. Councilors. It's good to be with you again. My name is evan polk, and I'm the solid waste manager, as eric mentioned in. This slide, which may look familiar from our March 10th briefing, shows the three collection systems that we work with. Residential collection systems cover single family homes up through fourplexes, and are governed under governed under a franchise system, which is the most common approach to regulating waste collection in Oregon. Commercial collection services

cover businesses, apartments and other multi-family buildings with five or more units, and also waste from construction activity. Finally, services in public spaces cover our garbage cans intended for public use and litter cleanup. And we won't be speaking in detail about the public trash program today. We'll just note here that it is funded by fees collected in the residential and commercial systems on the left.

Next slide. We have nine garbage and recycling companies serving over 155,000 households in the residential system. Four of those are locally owned businesses. In our last customer service survey in mid 2023, 90% of customers reported being satisfied. As you know, last July we added the newest recycling option batteries. And we I'm happy to share that we collected 16 tons of batteries for recycling in just the first six months of the of the program. Next slide please. Today, Portland discards about 1 million tons of garbage, recycling and compost each year. We recover about 60% of that with recycling and composting. That's twice the national average. And as you can see in this slide, one third of that waste originates in our residential system. And the remaining two thirds in the commercial system. Next slide. So I'm going to speak more about the residential collection system now and for the next several slides before concluding with the commercial system. The residential collection system is where we have the most regulatory authority. This allows us to manage the system for multiple public benefits and positive outcomes, including supporting recycling, waste reduction, reducing the environmental footprint of the system, including carbon emissions, ensure financial sustainability and good jobs, and maintain the system's reliability in a franchise. The city sets rates that are charged to customers and the rules and terms of service. We also set rules for the collection companies that we often refer to as haulers. The haulers serve designated areas and compete indirectly to provide cost effective service. There are many reasons that cities and counties use franchise systems, including efficient use

of heavy trucks on city roads, more cost effective service and cost controls, and a mix of private sector expertise with accountability to the community. This system is governed by the city's franchise agreement that we have with the haulers plus code and administrative rule. Under the terms of the agreement, Portland conducts must conduct an annual rate review and must set the rates to cover the cost of service delivery plus the operating margin in the city's franchise fee, which covers the cost of administering the system and some of the cost of meeting state and regional requirements for opportunities to recycle and reduce waste. The operating margin includes profits, but also other other payments and costs that the haulers may invest in that are not allowed to count under the cost of service. Next slide please. Next slide. Thanks. \$0.92 of each dollar paid by the customers goes to the haulers. Approximately 40% of that covers the cost of the trucks, labor and fuel to collect four different streams. That's garbage organics yard debris and mixed recycling and then glass. Approximately 25% of the cost covers the cost that our haulers then pay to deliver materials to transfer stations and recycling facilities. That includes the waste going to landfill and the sorting and processing of recycling. Administrative costs such as property rental, customer service, insurance, truck maintenance, etc. Make up about 20% of the operating customer payment. Excuse me. And then we have a system wide target on operating margins of 9.5%, though our system doesn't guarantee that amount of margin to any one hauler. And finally, the city receives 8% of the rate, which covers most of the expenditures already noted. Next slide please. So one of the critical functions in our residential collection system is rate setting. The reviews a six month process starting in January, when haulers begin reporting on costs from the prior calendar year. The city receives cost reports and works with the cpa to vet those. And then we work with an economist to prepare the rate model using reported costs and the forecast cost inputs. In

may, the findings in new rates are presented for approval by the City Council. In the fiscal year, rates become effective on July 1st. As noted on the prior slide, disposal costs are approximately 25% of the total. Our rates use metro's disposal fee as a benchmark, which means that each year we finalize our rates. After metro council adopts the disposal fee for the upcoming fiscal year. This year, metro council is scheduled to adopt rates on may 8th. We're scheduled to be with you at a full City Council information session on may 7th, which means that the rates you're going to see on on may 7th aren't technically final, but they will include the proposed disposal fees. And then we are when we're next back at the City Council for our first hearing on may 21st. The rates will be completed by that point. While we await the results of the current rate study with proposed new rates, we would like to share with you or remind you of the current rates. As you can see here, the most common service levels are the 35 gallon garbage container with every other week collection of garbage at a 40 cost of \$42 per month, and the \$60, sorry 60 gallon container at a cost of \$47 per month. Next slide please. So looking to next year's fiscal sorry. Excuse me. Looking to next fiscal year's rates, we can share with you some general trends that we've identified so far in the process. We expect some increases in metro's disposal fee, though the magnitude is unknown. This disposal fee actually covers three components a per ton disposal fee, which covers transfer station operations, a regional system fee, and an excise tax on waste. We also do anticipate increased wages in the system, such as for drivers and customer service staff. And there are two items we've noted that should help reduce costs. First, under the recycling modernization act, we anticipate receiving an incentive from Oregon's new producer responsibility organization. They're known as the circular action alliance, and this incentive will support continued collection of glass from businesses and residences residents and is proposed at \$77 per ton. We're also

seeing a slight decline in the cost to process our recycling at the sorting facilities in the region. We expect to recognize some of this in our rates this year and in future years. We anticipate that the recycling modernization act will drive recycling processing costs further downwards. Lastly, we are seeing some lowered costs for insurance. Next slide please. Here we show a comparison of some of our peer cities. Solid waste rates. While there is a really large range in rates with different service details, as you can see on the right here, this slide is just intended to show that our fees are comparable. And for the level and quality of service we provide, our fees are quite cost effective. Next slide please. This chart shows a history of our fees over the last 12 years. Each line represents a different volume of garbage service, with the 90 gallon service level at the top. Next slide please. We do what we can to keep rates low. And if you put our rates in \$2,012, you'll see that our system remains cost effective and efficient. Residential customers in Portland today pay rates that are less than or equivalent to the rates they paid in 2012, when you adjust for inflation. Next slide please. This is the last slide for the residential system before we turn briefly to the commercial system. But I will spend just a moment a few moments on this. So after our success in rolling out battery recycling last year, we have been working diligently to develop two additions to the system establishing a low income discount program and adding to our rate sheet fixed rates for on call pickup of large, bulky items like furniture and appliances. For the first program, we've been collaborating with the water bureau as we develop design concepts for a low income rate discount. They currently operate a low income discount for water and sewer customers, and so our intent with this partnership is to reduce efficiency, realize some efficiencies, minimize costs to administer the program. Under a pending agreement with the water bureau, their customers could easily opt in to being eligible for our systems discount. The cost of

offering the discount to residents struggling with affordability would be integrated into the overall rates, and thus would be borne by other customers. But during at least the first year of the program, we would avoid any increases to rates from this discount, because we'll begin spending down \$1.4 million that we have in one time rate stabilization funding that should cover program costs for at least the first year, and more likely into part of the second year. Under the current design assumptions, the maximum potential rate increase could reach about \$0.60 per customer per month to support the program. If about 4000 customers receive a 50% discount, in addition to the one time buydown of the cost. Using our rate stabilization funding, we are also looking ahead, as we mentioned, to further reductions in the cost to process our recycling materials, which should help offset the cost of offering a discount in the long run. In upcoming phases of the project, we're going to look at how to extend this discount to eligible renters. And while our commercial collection systems open market system means we can't offer a similar discount for low income residents in apartment complexes right now, we do anticipate working with haulers to research options to ease the impact of garbage costs at apartments owned by or enrolled in affordable housing programs. We'll also be adding fixed rates for on call bulky waste collection to our rate sheet. While our haulers have long provided on call bulky waste service using independent quotes. Our proposed update will result in consistent and predictable costs for customers wishing to dispose of large items. Okay, we're going to pivot now to describing a little bit about what's happening with the commercial tonnage fee. This will be quick commercial waste collection in Portland, as we noted earlier, is governed through an open system. The city provides some oversight over how commercial haulers serve businesses and multifamily communities through code and as part of a permit, haulers collecting commercial waste pay a fee to the city on

each ton of garbage. Maintaining the health of this fund is critical as the city is expanding public trash collection services across the city, including in northwest and southwest Portland, in 2025. Since 2020, we've expanded this service from around 700 cans located almost exclusively downtown, to a program with 1440 cans spread throughout most of the city. And we're on the way to a projected 1700 cans citywide. Once the expansion is complete for fiscal year 2526, the solid waste management fund is also proposing to supply an additional \$1 million to the city's impact reduction program, for a total of just over \$2 million on a one time basis to support cleanup of waste associated with unsheltered homelessness and to fund the cost of services provided through the solid waste fund. Bts staff are recommending council increase the commercial tonnage fee by \$1 per ton from 1660 to 1760. We do note that this is a reduction from the prior solid waste management fund forecast, which had planned for a \$2 increase in the coming fiscal year. This change will result in an increase of approximately \$304,000 next fiscal year. So in just a little while, we'll be presenting a similar but much abbreviated overview to the finance committee. And we're then going to provide an informational update to the full council on may 7th, which we anticipate followed by full council consideration of the ordinance on may 21st as an emergency ordinance. So that concludes our presentation. We appreciate the chance to be here and would like to answer any questions you have.

Speaker: Thank you very much for the presentation. Excellent. I'm sorry I missed the last one, but I think this is kind of a makeup for me. I do, I have my own questions, but I'm going to defer first to councilor smith.

Speaker: Thank you. Thank you, madam chair. Question. Will your franchise agreements have to change with these new rates?

Speaker: No.

Speaker: Okay. So when you were giving us a example of comparison to other cities, do those other cities have weekly service or bi weekly service like we do? Was it apples to apples?

Speaker: Some. I think at least one of the cities in there has every other week garbage, possibly every other week everything. And then some of the cities in that chart have every week service.

Speaker: Right.

Speaker: It's range.

Speaker: I don't know if we have any intention on going back to that at any time. I would love it. But you have to make it very clear of who you're matching a city with. It has to be matched with the appropriate number of times that they pick up garbage, and then you can safely say that we're right in line, because if we're if we're measuring this the right way, we'll be able to do that with every other service. So we can see if you could kind of disaggregate that data to show us where we are with similar and like kinds of cities that do the same thing that we do with the recycling every week and the in the garbage pickup every other week, just so that I know because it's not actually accurate.

Speaker: I appreciate that, councilor smith. We can there's a little more detail that was provided on the slide and I glossed over it. So I apologize for that. But okay, what the slide indicated is that eugene, olympia and gresham have. So eugene and olympia have every other week. Everything okay every other week? Garbage, compost and every week recycling in eugene. Olympia has every other week garbage, recycling and compost. Those rates were a little lower than ours. Gresham has every week garbage, recycling and yard debris. But they don't have food scraps. And that's one of the reasons why we have a similar cost to them.

Speaker: Okay.

Speaker: So but we'd be happy to provide a little bit more information to you at some point if you'd like it.

Speaker: That that would be helpful. Thank you so much.

Speaker: Thank you. Great questions, councilor green.

Speaker: Thank you, chair clark, and thank you for the presentation. On an early slide, you had a bullet point for the kind of reasonable rate of return, the max, the regulated rate of return. I think it was a little less than 9%. And you suggested you're not sure if they will hit that max? Which made me think. How often do they not hit their maximum? And why would they not hit their maximum rate of return?

Speaker: We set our rates in the model so that based on the assumed cost that they're going to incur in the coming year, they will hit exactly 9.5%. So the difference comes from the fact, really, that it's just impossible to know exactly what costs and reality are going to be. We do our best to forecast a number of cost components, like disposal, for example. That's one that we can come in with a lot of certainty. Once metro sets that rate. Sometimes, though, there are other cost centers that, you know, we can project forward or we're relying simply on the prior 12 months and we don't make an adjustment. So the reality is that the nine and a half the where folks where the haulers land in relation to nine and a half is pretty much outside of our control. Some haulers do better and some do worse than that. Nine and a half at the end.

Speaker: Okay. That's that's helpful. Thank you. And this isn't directly rate related, but it is. You know, if we're raising rates and I understand I do understand cost of service analysis and you do it and but but for the person who pays the rates the ratepayer it's easier to stomach those rate increases when you've got good customer service. And I will just say that I've had very poor customer service with waste management in my service area. And so when we and to councilor smith's, I

think questions about franchise agreements. Are what is what is the bureau doing to sort of communicate some of those concerns? Do you do you even have visibility on those concerns that that folks that ratepayers may be raising? So I'd be curious to see, you know, how do you how would you respond to that? But also, how can we help if you're having an issue exercising that regulatory authority? Thank you.

Speaker: Thanks. Sure. Thank you for the question, councilor green. We are definitely as as aware as it sounds like you are about the challenges with customer service. With waste management, we receive a disproportionate number of complaints relative to their customer base around their customer service. We've been working with them pretty intensively for a couple of years now, pushing for resolution to those those challenges. And we've also applied a number of violations under under our code and administrative rules to apply an economic incentive to solve that problem. We would be happy to do a deeper dive into that, that challenge with you, if that's something you would like. But absolutely, we're aware of it and we're we're using the tools that we have at our disposal on a short term basis to encourage waste management to solve the problem.

Speaker: I appreciate that, and, you know, please consider me a partner in that. And I'm curious, do they get to pass on. So suppose they're issued a fine for compliance on this. Are they allowed to pass that fine off as a cost and cost of service rate setting.

Speaker: No.

Speaker: Very good. Thank you.

Speaker: Great questions. Councilor green. Councilor koyama lane.

Speaker: Thank you, madam chair. I know that solid waste is not the sexiest of topics, but I appreciate you being here because I do see it as really important. It's something that, you know, every community member is touched by. They it affects

all of our lives. And I want to talk about the public cans, because I personally have noticed that there's been the increase. So it's helpful to hear this information because I've seen it personally. I also. I can remember being at just a few months ago at recess duty and just seeing that like the cans are, they're getting changed out more and that I'm seeing more of them pop up. I know that just picking up trash and cleaning trash up is not everything. It doesn't mean that, you know, the community's all fixed and everything is better. But I do think that it is important. I think of it as I've talked to my students, if trash is left out on the playground, I feel like it kind of we stop caring about the space as much and then you'll see more kids starting to throw trash around and leave stuff around. So i, I see like more pride in space on the playground. And I think that that can apply to our city too. So I recognize the improvement there and see actually how that's playing out in real life. And one like plug that I have is I when I've seen those beautiful cans with the art, I've wondered, could we have student art on there? Has that ever been considered? So, you know, not I just I have to say that thank you.

Speaker: Thank you so much.

Speaker: Thank you. Councilor, I see that your hand is up again. Okay.

Speaker: Thank you, madam chair. I have a question for legal counsel. Do we have. Let me let me rephrase this. Can the mayor change rates without council? We don't have legal counsel.

Speaker: Legal counsel here today. Sorry.

Speaker: I don't know if heidi or or ruth are watching, but I was wanting to know, and I don't know who knows this. I don't see the dca here, but my question is, I want to put for the record that I'm trying to figure out if the mayor decides to change rates, can he change those rates without a vote from council?

Speaker: So that.

Speaker: My sense is, no, we can get an official opinion on that. But my sense is all the rates have to come through the council.

Speaker: Okay.

Speaker: I'm just.

Speaker: Trying to get.

Speaker: Sure, counselor.

Speaker: Our understanding is the rates have to go to council.

Speaker: Okay.

Speaker: Thank you.

Speaker: Great.

Speaker: I have a couple of questions. I don't think I see any other hands. Can you, quentin or eric, give us a little bit of input on how metro sets their disposal fee.

Speaker: Yes, thanks. My name is evan, by the way. That's okay. Quentin's right back there, and he's awesome. So metro has transitioned to a few years ago. They held a fee policy task force that invited some participation from the private sector and other public sector agencies, and came forward with a recommendation that one of the things they needed to do was shift to a cost of service model for the disposal fee. So there's three as mentioned in the slides, there's really three components to the disposal. The overall disposal fee that our haulers are paying at a transfer station run by metro, the largest is the operational disposal fee that covers the cost to handle the waste on site, and then the cost to take it to a landfill. The next component, and that is set on a on a cost of service basis. Next component is the regional system fee. That is a fee that goes specifically to metro. It's collected on all the transfer stations around the region, not just the ones that metro operates. And that covers the cost of metro's waste programs, as well as some igas that share some funding to us and to other local governments that have

igas with metro to implement opportunity to recycle requirements and regional waste plan activities. So that's the second piece, and that is not set on a cost of service model per se. It's set when metro looks at their budget objectives and programmatic objectives and then follows through on that. And then the final component is an excise tax. And that is set via a formula. And I can't speak to that formula. But certainly if you'd like more information than that, we could reach out to metro and ask for more details or invite them to join us.

Speaker: And i'll just ask that the previous council last year did send a letter to metro expressing some concern about the increases in their portion of the of the transfer fee.

Speaker: Well thank you. We may want to have you back to talk a little bit more about that. I'm really curious. And what is there and does the excise tax cover their their administrative fees for this program?

Speaker: I believe it goes to sort of central administrative costs for the organization. Generally. I don't think it is confined to waste related costs, but we'd have to double check that and get back to you.

Speaker: Okay. Thanks. I now I have some personal questions that I would be remiss in not asking you from my condo association. My condo association was wondering how how did you make the decision to determine that residential units over five becomes commercial? Because there's quite a difference between residential and commercial.

Speaker: You're right, committee chair. There is quite a difference. Generally, the line is drawn at a point where residents are sharing service. If they have shared service, like there's just maybe a couple of carts or bins, then it acts a lot more like a business where the customer is probably the property manager or some central organizational organizing entity within that housing complex.

Speaker: Okay, so shared services, the kicker there. And can you talk a little bit more? I'm sorry, this is really 5000 foot level. But when you implemented the battery recycling program how does that work for commercial or is it work for commercial?

Speaker: We haven't rolled out a battery recycling program on the commercial side, our we do have a couple of haulers that have expressed interest in expanding in that direction. We don't regulate the commercial sector or service levels nearly as closely. And so it's a matter of greater discretion for our haulers.

Speaker: And one of the things we talked about in our last visit, which was a more comprehensive overview of our work plan, one of our priority work plan items is to review the multifamily service situation, which is primarily in the commercial side, and evaluate options for improving service so that that that it's generally understood that folks who live in multifamily complexes have less access to certain aspects of our system, and that's something we want to move to towards addressing.

Speaker: Great. Well, i'll be really interested in knowing more about that. So am i. Hoa board. Let's see. I think I had one other question. Oh, long in a faraway city long ago. The haulers in the city I lived in before had an agreement with the city, a particular city, for sort of a neighborhood cleanup day or neighborhood disposal. Do we do that in Portland? Is that a part of our franchise agreement?

Speaker: Thank you for that question. No, we do not have the service like that as part of our regular collection service. There are a few communities in our region that offer some type of curbside once a year, set out large items. That is something that we could consider, or maybe a voucher program that is schedulable, where somebody could call and schedule a pickup and that could potentially be part of

our rates. Of course, we would have a rate increase to cover that cost, but it is something that you see in a few other cities in our region.

Speaker: So when you are working on your bulky waste concept, maybe that's something that could be included there.

Speaker: This year's bulky waste improvement is kind of to set the foundation to make sure there's a clear cost of service for everybody that wants an on call collection. Our hope would be that we could then move with haulers to exploring options beyond that in future years.

Speaker: Great.

Speaker: I hope you do that. Thank you. I don't see any other. Hands up. Do we have any other questions, or do we want to give councilor green a sense of our committees feelings on solid waste fees? I know we don't. We're not dealing with anything specific yet, but is there anything that we want him to convey to finance committee? I don't I don't see I don't see any head nodding in a positive direction. Okay. So with that, thank you so much. I was very encouraged by the positive news that you provided us, that you're pursuing an affordability program with the help of the water bureau. I think that's terrific that you're pursuing the bulky waste. I think that's terrific. So I think there's a lot of good news on the recycling end, at least I think there is from your presentation. I hope that continues. But thank you so much for being here today, and we'll see you again very soon. And see you in finance committee.

Speaker: Thank you, thank you.

Speaker: So with that, let me just make a quick announcement that on our next meeting, April the 21st, we're going to do something similar to what we did today with doing a deeper dive into the budget recommendations and impacts for pbot. And I'm also just want to mention, I'm really heartened to learn that the state

legislature finally came out with a package. It's not going to be the final package for transportation, but it's good to know that there is one and that they're working on it. So hopefully that's going to help pbot in the long run. So if there aren't any other announcements or comments, I will adjourn the meeting of the transportation infrastructure committee.

Speaker: Mic check.