Analysis By: Claudio Campuzano

BUREAU OF ENVIRONMENTAL SERVICES

All Funds Budget Summary	Adopted FY 2014-15	Request Base FY 2015-16	Decision Pkgs FY 2015-16	Request Total FY 2015-16	Percent Change
Resources					
Budgeted Beginning Fund Balance	$143,567,000	$285,375,000	$0	$285,375,000	98.8%
Licenses & Permits	1,613,958	1,980,000	0	1,980,000	22.7%
Charges for Services	308,094,800	328,037,440	1,606,097	329,643,537	7.0%
Intergovernmental Revenues	967,878	298,000	0	298,000	-69.2%
Interagency Revenue	1,859,276	1,679,526	0	1,679,526	-9.7%
Fund Transfers - Revenue	313,993,038	321,473,024	0	321,473,024	2.4%
Bond and Note Proceeds	235,190,000	0	0	0	-100.0%
Miscellaneous Sources	1,495,000	1,885,000	0	1,885,000	26.1%
Total Resources	**$1,006,780,950**	**$940,727,990**	**$1,606,097**	**$942,334,087**	**-6.4%**
Expenditures					
Personnel Services	$59,492,757	$62,750,217	$1,242,892	$63,993,109	7.6%
External Materials and Services	52,121,869	58,784,215	111,324	58,895,539	13.0%
Internal Materials and Services	41,441,707	42,421,529	350,209	42,771,738	3.2%
Capital Outlay	83,359,561	71,827,613	(98,328)	71,729,285	-14.0%
Debt Service	164,047,027	176,942,228	0	176,942,228	7.9%
Fund Transfers - Expense	316,312,657	325,617,949	0	325,617,949	2.9%
Contingency	226,125,372	140,609,239	0	140,609,239	-37.8%
Unappropriated Fund Balance	63,880,000	61,775,000	0	61,775,000	-3.3%
Total Requirements	**$1,006,780,950**	**$940,727,990**	**$1,606,097**	**$942,334,087**	**-6.4%**
Total Bureau FTE	**519.68**	**521.70**	**16.00**	**537.70**	**3.5%**

Percent Change is the change from FY 2014-15 Adopted Budget to FY 2015-16 Total Requested Budget.

Key Issues

The Rate Forecast

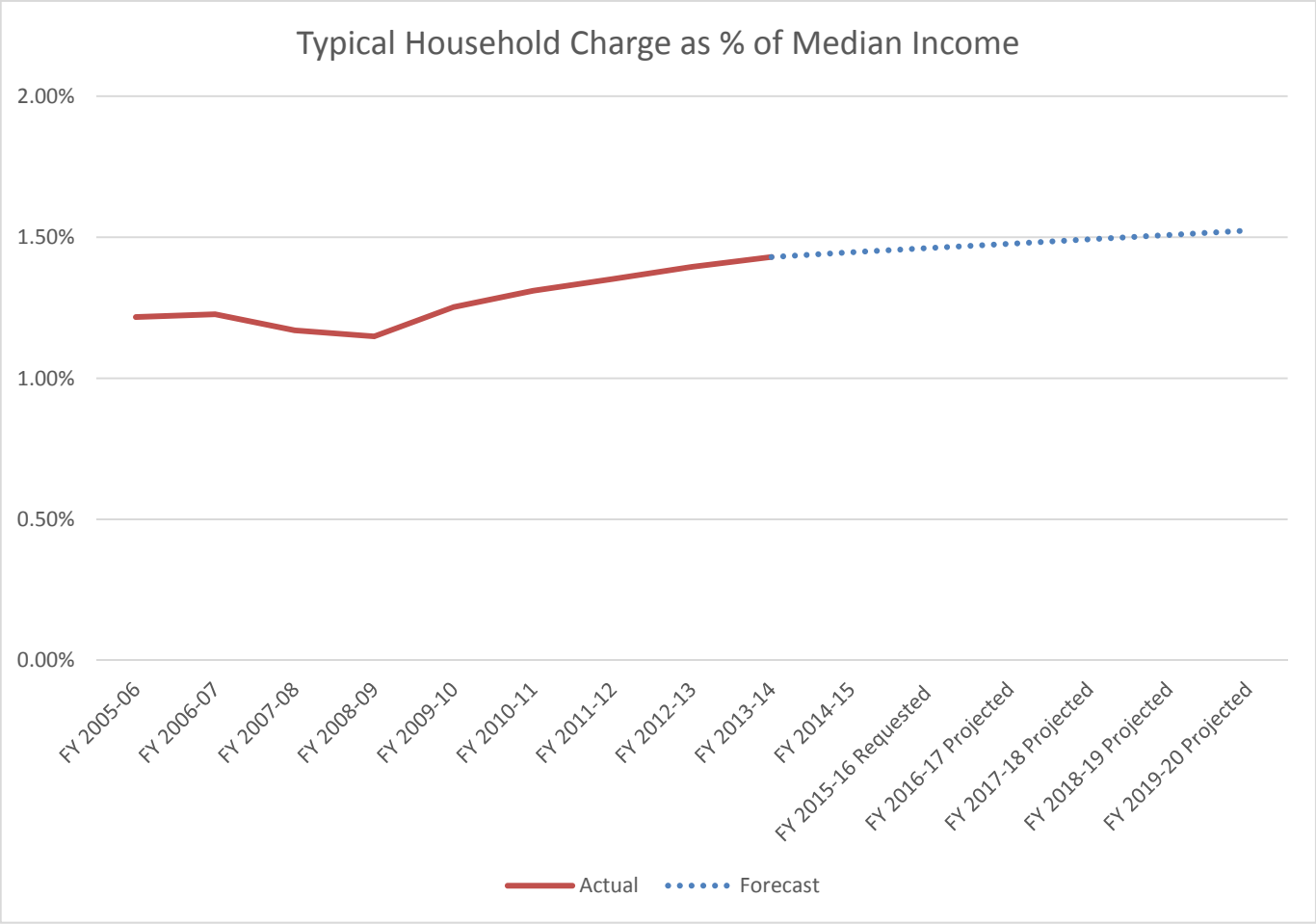
The Bureau of Environmental Services has requested, as part of their FY 2015-16 budget, rate requirements that are equivalent to a 3.85% increase for the typical single family household. This amounts to an increase of roughly $2.51 on the monthly bill for the typical household. Combined with the Portland Water Bureau's requested rate increase, the typical family would experience a 4.8% increase on their bill.

In addition to being the lowest rate increase in over a decade, the requested increase is lower than the 4.5% rate increase projected in the financial plan submitted by BES during last year's budget process. The next several years of the forecast are also projected to be lower than last year's forecast, as illustrated in the table below.

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
FY 2016-20 Plan	3.85%	3.85%	3.85%	3.85%	3.85%
FY 2015-19 Plan	4.50%	4.00%	4.00%	3.35%	NA

The compounded rate from FY 2015-16 to FY 2018-19 in both plans is roughly similar – 16.3% increase over FY 2014-15 rates in the new plan versus a 16.8% increase in last year's plan. This is the result of a number of factors, notably the smoothing of the rate such that increases are projected to be stable across the forecast rather than dropping in the final years.

Despite the downward trend of the rate increase, the increase exceeds the rate of inflation, estimated for FY 2015-16 by the City Economist at 2.5% (CPI-W)[1], and the historic growth in Portland household incomes. As part of the FY 2015-16 budget process, the bureau identified a number of Key Performance Measures (KPMs), among which was a measure of the affordability of service. This measure – typical household bill as a percent of the median household income – shows a relatively steady increase over the last decade except for a brief period during the last expansion cycle when household incomes grew rapidly and some costs from the BES portion of the bill were shifted to the Water portion. The long-term trend continues with the FY 2015-16 requested budget and financial plan, albeit at a slightly slower pace.



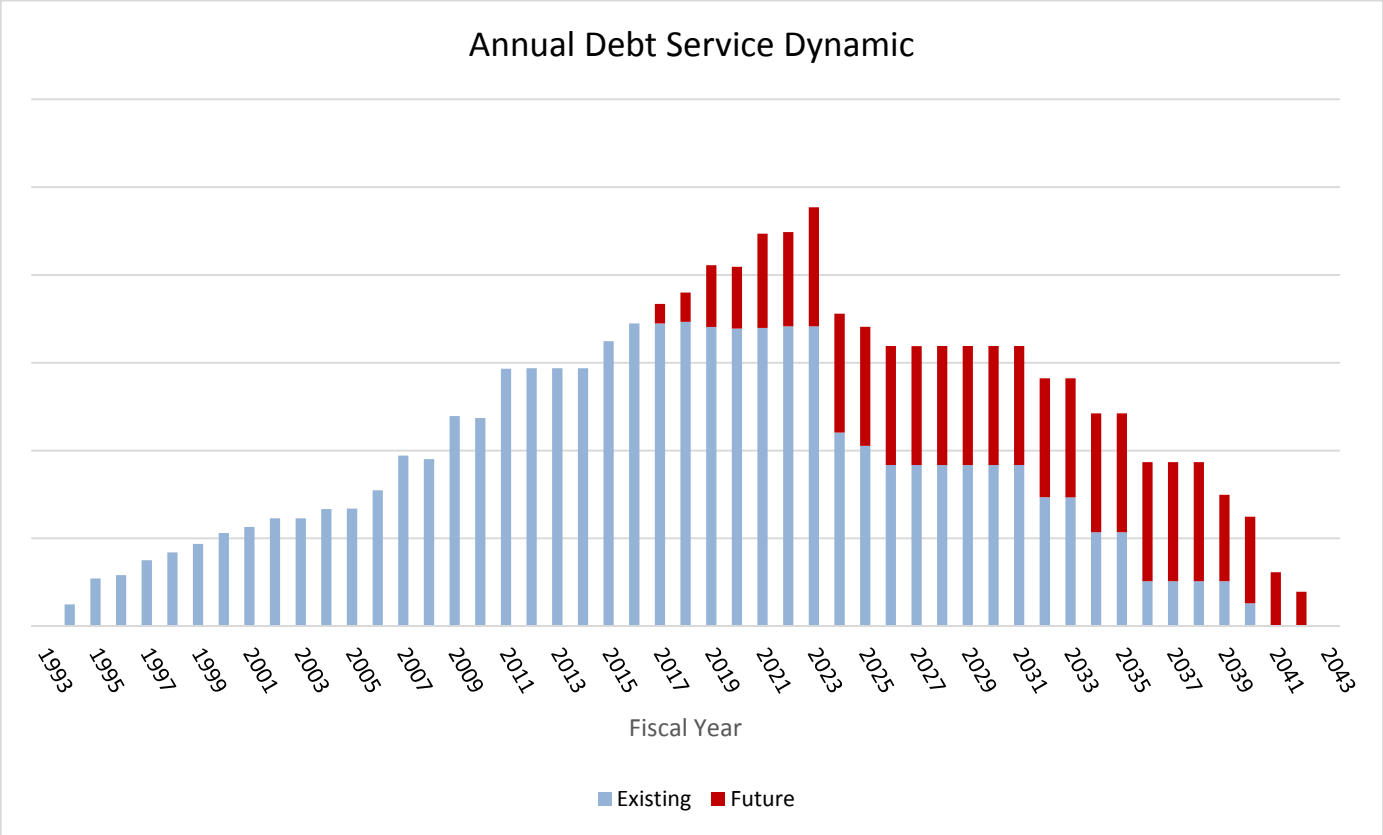
The largest driver of the trend of rate increases above the rate of income growth is the increasing debt service associated with the ongoing capital program. This increasing level of debt service is a function of

[1] The final figure from the U.S. Bureau of Labor Statistics was 2.1%. This figure was released subsequent to the bureau's plan development; CBO would expect the final figure to be worked into the financial plan and rate development going forward, although the effect may be negligible.

debt for new projects being 'layered' on debt service associated with the large debt issues resulting from the Mid-County Sewer project and the Combined Sewer Overflow projects of the last several decades. The figure above assumes income growth at the ten-year average rate of 2.78%.

This dynamic of increasing debt service will likely continue past the near term and into the mid-2020's as the bureau continues to fund its capital plan with new debt issues; a stabilization of rate increases related to increased debt service is anticipated to begin in about 2024 when prior debt related to the CSO project starts being retired.

Once the long-lasting financing impacts of Mid-County and Big Pipe work their way out of the forecast, the bureau should, assuming no similarly large project is introduced, achieve a point of stable – and potentially even declining – rates and be able to cash finance most or all of its capital program. The chart below describes this effect. Please note that this chart is intended only as illustration of how debt service has accumulated, how it will continue to accumulate, and how it might be attenuated over time; there are many factors that will ultimately influence the long-term pattern of debt service including future interest rates, emergent large capital needs, the optimal rate of system investment, the amount of cash-financed capital from growing debt-service coverage, etc. Moreover, rate increases, while significantly impacted by debt service requirements, are also heavily influenced by a variety of factors including operating cost growth.



Based on bureau long-term projections (which are necessarily low confidence given all of the embedded operational and economic assumptions), the affordability KPM discussed above will likely start to move in

a favorable direction sometime after 2024 when the rate revenues previously allocated to debt service and debt service coverage begin to cash finance the bulk of the capital program. CBO believes that it is critical for City Council and the public to understand how the lasting implications of the Mid-County and Big Pipe investments combine with the bureau's current system reinvestment plan and result in this long-term pressure on affordability. Without this understanding, the long-term plan is susceptible to short-term pressures to reduce rates below what is needed for the planned level of investment. Ideally, this potential conflict would be addressed as early as possible.

To that end, CBO recommends a regular, quarterly meeting between the Commissioner-in-Charge, bureau leadership, OMF - Debt Management, the City Budget Office, and the newly created PUB. The purpose of this meeting would be to collectively and iteratively develop a shared understanding and consensus about the long-term rate forecast and the operational and asset management tradeoffs associated with potential changes to that forecast. Such a regular meeting would help to ensure that the decisions about the long-term stewardship – and the long-term impacts of stewardship decisions – are made explicitly, transparently, and in a way that maintains fiscal and operational stability within the constraints of household affordability and acceptable service levels.

Base Budget Increase

BES has requested a base budget (i.e. before decision packages) that represents a 6.1% ($20.6 million) increase in non-capital expenses in the bureau's Sewer System Operating Fund compared to the FY 2014-15 Revised Budget. This increase is funded primarily by:

- The 3.85% rate increase discussed above
- An upward rebasing of the revenue forecast as a result of current positive trends
- Historical account growth trends
- Growth in revenues in select programs

The major components of the increase are as follows:

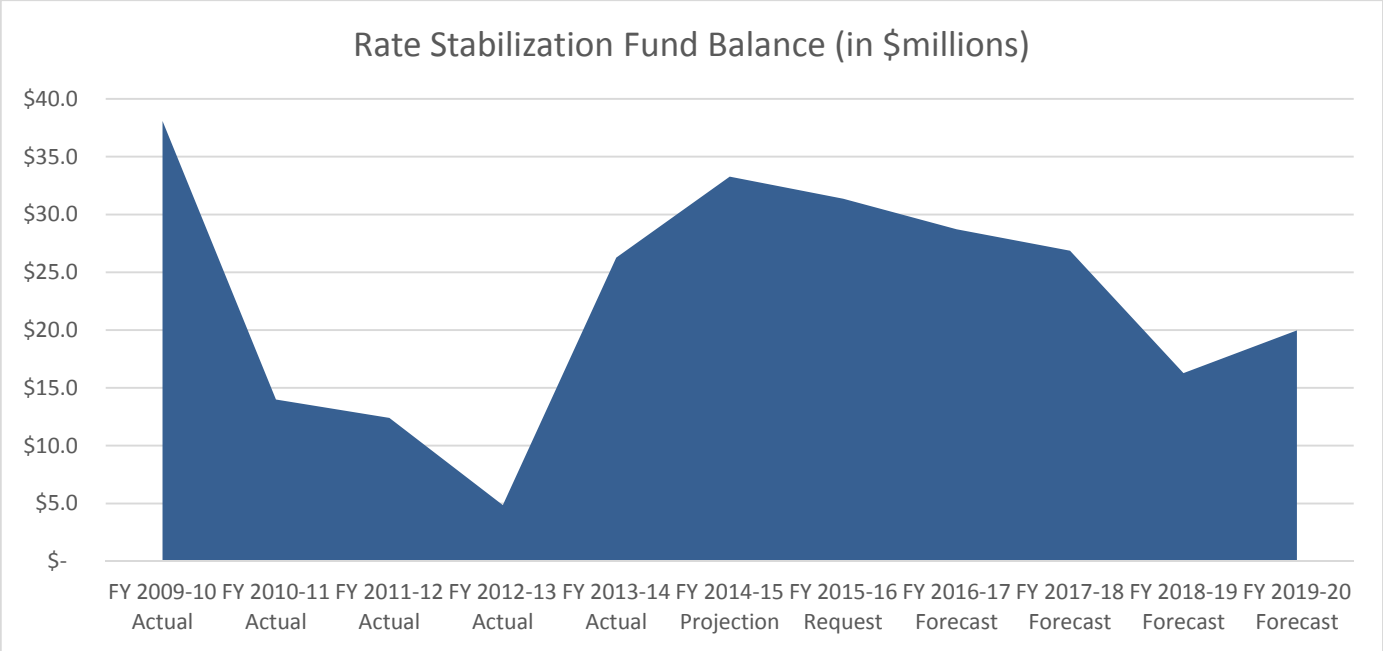
- $10.1 million in net new debt service subsequent to a bond issue and refunding in August 2014; this represents a 6.2% increase in debt service costs.
- $2.6 million in additional personnel services costs; this is a 5.7% increase in that category and includes $1.2 million in salaries (3.7% increase), $500,000 in benefits (8.3% increase), and $856,000 in PERS costs (33% increase). Salaries increase slightly faster than the Citywide average. Benefits increase slightly above the Citywide average of 7.3%, but within an acceptable range. The large PERS increase is the result of an increase in the system-determined rate for Tier I and Tier 2 employees.
- $2.8 million in additional materials and services which includes an $800,000 increase (5.5%) in Utility License Fees and a $1.1 million increase (5.0%) in the interagency with PBOT. Utility License Fees track with rate revenue while the PBOT IA tracks with Citywide personnel services increases.
- $6.0 million in additional cash financing of capital projects; this is a 30% increase in cash financing over the FY 2014-15 revised budget and results from increased coverage associated with additional debt and projected available cash at year-end.

- $1.8 million increase in the transfer to the General Fund for overhead. This represents a 45.6% increase and is the result of a stabilization after a one-year true-up rebate.
- $5.0 million decrease in the transfer to the rate stabilization fund; while this is a decrease over the revised budget, it is still higher than the FY 2015-19 plan which showed a transfer *from* the rate stabilization fund.

Rate Stabilization Fund

The bureau maintains a rate stabilization fund which it uses primarily to smooth rate increases over time and also as a general reserve. Smoothing accomplishes several purposes: 1) equalizing long-term rate increases associated with very large, long-running capital projects or programs such as Mid-County Sewer and Big Pipe, 2) eliminating the 'sawtooth' pattern of rate increases that would otherwise be associated with new debt service payments on alternate-year bond issuances, and 3) phasing in the impact of other operating fund changes.

As discussed in more detail below, BES's current forecast assumes a rather consistent trend of capital spending over the foreseeable future. Therefore, the expectation is that the stabilization fund will be used primarily for smoothing out cost increases associated with new debt service and phasing in other changes. The figure below shows historical and projected stabilization fund balances.



The large draws on and steep decline in balance through FY 2012-13 were associated with the final phases of the Big Pipe project. Higher than projected revenues in FY 2013-14 – particularly from System Development Charges, not rates – replenished the fund. That revenue upside has continued into FY 2014-15, generating larger than anticipated balance; conservative estimates of the transfer of balance to stabilization result in an additional $7 million, meeting the FY 2015-19 financial plan target and supporting the forecast of lower bill increases.

Over the course of the forecast, the bureau anticipates drawing down this renewed balance slightly in order to smooth rate increases to 3.85% in each of the plan years. Draws are anticipated to average $2.1 million in the first three years of the forecast with a $10.6 million draw in FY 2018-19 and a replenishment of $3.7 million in FY 2019-20. The lowest balance projected by the bureau during the forecast is $16.3 which represents a reserve in the event of revenue shortfalls or unanticipated expenditures. In addition to the rate stabilization balance, the bureau also maintains a contingency in the operating fund that is slightly less than $3.0 million. It should be noted that, while the bureau typically has large fund balances in the operating fund (often exceeding $50.0 million), those balances are not a spendable contingency and are composed primarily of non-cash receivables and accrued revenues for services that have been provided but are unbilled at year-end.

Personnel Services Increases

The decision packages included in the bureau's requested budget include 16.0 full-time equivalents (FTE). This additional staffing would constitute a 3.1% increase in non-limited term staffing from 519.7 to 535.7 FTE. The total estimated personnel services costs associated with these positions is $1,562,592. The following shows the source of funding for the positions:

Contract Offset	$ 76,176
Capital Offset	$ 98,328
Seasonal Staff Offset	$ 22,700
Overtime Offset	$ 297,000
New Operating Funding	$ 1,068,388
Total	$ 1,562,592

In general terms, these positions a) restore functions that were reduced in past budgets, b) address the maintenance and operation of a growing asset base, c) create positions through conversions of overtime spending and contracts, and d) provide administrative and management capacity bureau-wide and for specific programs.

While the long-term impact of these positions constitutes roughly a 0.35% rate increase, that impact is phased in over the five-year forecast, resulting in a FY 2015-16 rate impact of approximately 0.08% or $0.05 per month.

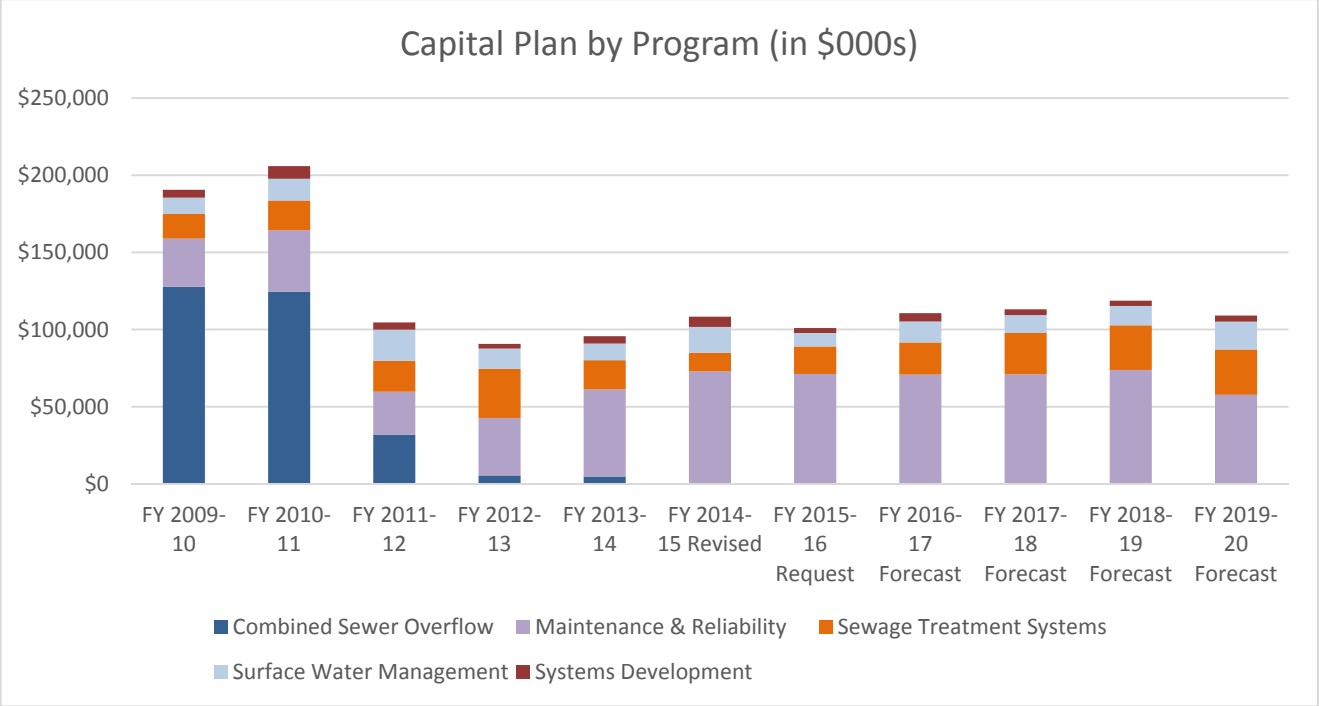
Generally speaking, personnel represent a steeper cost growth curve than other expenses. This relates primarily to a combination of health benefit cost increases (which over the long-term are projected to rise faster than inflation) and step and merit increases in the short- to medium-term until staff reach the top of range. CBO has estimated the impact of these requested personnel changes in the fifth year to be approximately $1.86 million – $300,000 (18.7%) higher than the first year cost requested; these long-term impacts are included in the bureau's five-year financial plan and are noted here merely to make explicit the long-term, aggregate impacts of the requests.

At the time of this writing, CBO is reviewing updated costing and offsets for these additional positions. The result will likely be the inclusion of a position elimination (reducing the total request to 15 FTE) and

reducing the overall cost of the new personnel. This review has been written based on the budget request as received on February 2, 2015 and posted on the CBO website. Any adjustments will be made in later budget stages.

Capital Plan

Until FY 2011-12 when the East Side Big Pipe came online, the focus of the bureau's capital plan for nearly two decades was primarily the Combined Sewer Overflow project. That project drove the increase in debt service discussed above. Now that it is complete, the bureau is working on a significantly smaller capital plan in dollar terms. The focus has shifted to the maintenance and reliability of the $13.2 billion of assets under management. This change in focus can be seen in the figure below.



This roughly $100 million annual capital plan reflects an emphasis over the five-year forecast on maintenance and reliability of the conveyance and treatment infrastructure.

- *Maintenance and Reliability.* Projects are planned throughout the City and include pipe rehabilitation and replacement in numerous locations to prevent basement flooding and other releases resulting from asset failure or capacity constraints.
- *Sewage Treatment.* Major projects include secondary treatment expansion, sludge lagoon reconstruction, and biogas utilization at CBWTP; headworks and secondary process improvements at TCWTP; and improvements at many of BES's 100 pump stations.
- *Surface Water Management.* Projects include land acquisition, West Lents flood mitigation, Fanno/Tryon Creek drainage improvements, stormwater retrofits, Columbia Slough outfalls, and culvert replacements.

- *Systems Development.* The program extends sewers in areas that are currently not served and eliminates shared 'party sewers'. The program also supports construction of BES infrastructure required to support development efforts of others.

The bureau has estimated that this capital plan will require additional debt issues totaling $404 million between now and the end of the five-year forecast, requiring an additional $32 million in annual debt service by FY 2019-20, an increase of 26% over current levels.

Performance Discussion

As part of the FY 2015-16 budget process, CBO worked with bureaus to identify Key Performance Measures. As per guidance to bureaus: "Key Performance Measures (KPMs) are the most useful and selective performance measures. KPMs are outcome indicators of core service delivery, and provide bureau managers and City Council with information to guide decision-making. KPMs are clearly understandable, results-oriented, selective, useful, reliable, and comparable."

After a collaborative process with CBO, BES submitted the following six measures:

- Sanitary System Overflows per year to buildings, streets, or ground caused by storms smaller than a 25-year storm
- Number of overflow events in which public or private property were impacted by storms equal to or smaller than 10-year return storms (or series of storms)
- Portland's Watershed Health Index scores for water quality
- Combined Sewer Overflow volume captured[2]
- Single Family Household bill as a percent of median income
- Percent of service requests responded to in a two-hour timeframe

These measures were selected or adapted from a longer list of measures used internally by the bureau, their 'Strategic Levels of Service'. The measures broadly but effectively represent the bureau's mission:

- Protecting public health, water quality, and the environment
- Providing sewage and Stormwater collection and treatment to accommodate Portland's current and future needs
- Protecting the quality of surface and ground waters and conducting activities that plan and promote healthy ecosystems in Portland's watershed

Decision Package Analysis & Recommendations

Current Service Level Minimal or No Rate Impact, ES_01, $96,384, 3.00 FTE

This package includes three additional full-time equivalents:

- A Civil Engineer to perform hydraulic modelling
- An Office Support Specialist III to support staff at the Columbia Building at CBWTP
- An Office Support Specialist II for front desk reception on the 10th Floor of the Portland Building

[2] Based on conversations ongoing at the time of publication, this measure may change to reflect CSO events rather than volume captured. The final measure will be included in the Adopted Budget.

The Civil Engineer position would perform work currently performed by contracted labor. Currently, the contract spending over the last four fiscal years has averaged $415,697. The position would be funded partially by the reduction in the contract budget ($76,136) and partially through an offset in the capital program ($50,772), which is primarily debt-supported. The total cost is estimated at $126,948. Given the ongoing workload on this contract over the last several years, BES will be examining additional conversions in future budgets. Based on the ongoing workload and the near net zero impact on the operating budget, CBO recommends this request.

The OSS III at the Columbia Building at the CBWTP would be the only regular support position at this site. This position would support roughly 26 staff, primarily in design and engineering groups. Currently, this function is performed by a contracted position at a rate of $43.14 per hour. Spending through mid-February in FY 2014-15 on this contract is $44,130. The $73,152 requested budget (including salary and benefits) works out to a fully loaded rate of $35.16 per hour, a net savings. The position is funded 50% ($36,576) through operating funds and 50% through an offset in the capital program ($36,576). Contract costs have primarily been funded in the capital program. Going forward, the bureau anticipates more of the position to be charged to operating, hence the increased rate support for the position. Regular staffing is appropriate for this function as this support is anticipated to be necessary for the foreseeable future, particularly in light of the fact that this is the only support position for the staff at this remote location.

The OSS II at the Portland Building would restore a position eliminated in the FY 2013-14 budget. This position would increase the support staff in the Portland Building from six to seven. These staff support a total of approximately 160 positions in the Watershed and Engineering divisions. Similar to the Columbia Building request, this function has been performed by contracted staff in the recent past. The FY 2013-14 cost was $35,135 for roughly 1,738 hours. Projections for FY 2014-15 at the current rate of $21.30 per hour would likely exceed that figure. The decision package did not initially include an offset for this spending; CBO is working with the bureau to include this offset as part of the Proposed budget.

CBO Recommendation: $96,384, 3.00 FTE

Maintain Current Service Level, ES_02, $368,520, 4.00 FTE

This package includes four additional full-time equivalent positions:

- An OSS III to support the training needs of the Wastewater Group
- A Millwright in the Mechanical group and an Instrument Technician in the Instrumentation group to address the growing workload associated with new assets brought online over the last 10 years
- An Instrument Technician on the Automation Support Team (AST) to address growing programming workload associated with increasingly automated systems

With the exception of the OSS III, these positions are requested in response to measured declines in the Wastewater Group's ability to meet preventive maintenance targets. While the appropriateness of these targets is beyond the scope of this analysis, to the degree that more of the existing staff time is demonstrated to be spent on reactive and corrective maintenance versus preventive maintenance, it is

expected that the overall system will experience a decline in service and/or a greater lifecycle cost. Assuming that the targets are, in fact, appropriate, CBO's analysis focused primarily on the size and rate of growth of the various workload backlogs.

The Millwright would increase total staffing in that classification in the Mechanical group from 16 to 17. Regarding the Instrument Technician in the Instrumentation group, this position would increase the staffing from seven to eight. The AST position requested would increase the staffing in this group of electricians and technicians from six to seven. Based on a workload analysis, high rates of overtime, the fact that several assets that are scheduled to come on line, and the inability to meet preventive maintenance targets in recent years, CBO recommends these positions.

The OSS III training specialist would be a new function in the Wastewater group, which totals 143 FTE. The position would, according to the bureau narrative, develop core competencies, organize and conduct education sessions, track required and attended training for each employee, and work with supervisors, managers, and employees in developing personal development plans. Currently, these functions are primarily carried out in the Business Services group; this level of support has been identified as insufficient for the needs of the Wastewater Group. According to bureau management, a similarly dedicated position was moved from Wastewater to Business Services in 2000 where it was subsequently reduced based on that group's internal prioritization during a period of budget cuts. The operational functions of the bureau have been identified as requiring specific, dedicated training resources in order to ensure consistency of operations and to maintain institutional knowledge as part of succession planning.

The bureau plans on developing performance measures for this program. While measuring benefits is challenging in the absence of existing measures, the 'break-even' for the position would be approximately $320 per employee. That is, if each employee saves that amount each year as a result of the training coordinated through this position – either through efficiencies generated, more effective performance, or onboarding costs avoided through additional retention – then the position will at least not be a net cost to rate payers. This 'break even' figure is merely for context and does not constitute CBO's recommended performance measure for the program. CBO recommends this position and simultaneously requests that the bureau report on the development of baseline performance measures during the FY 2015-16 Spring Budget Monitoring Process.

CBO Recommendation: $368,520, 4.00 FTE

CMOM (Capacity, Management, Operation, and Maintenance) -Manhole Inspections, ES_03, $250,000, 0.00 FTE

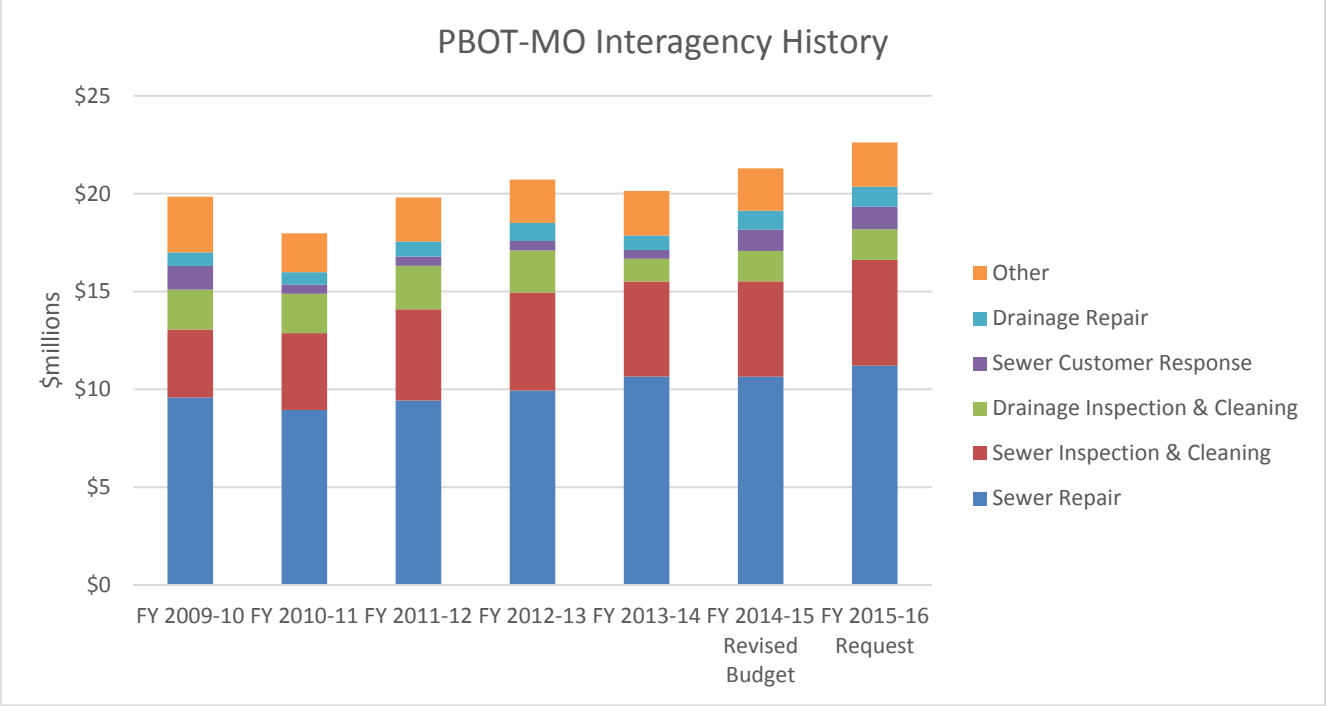
This package would increase the interagency agreement (IA) with the Portland Bureau of Transportation Maintenance Operations (PBOT-MO) by $250,000 each year to fund two positions (including bureau indirect charges) to perform detailed inspections and provide condition assessments for approximately 20,000 manholes over a 12-year inspection cycle. This would indicate that PBOT would perform roughly 1,670 inspections per year at a cost of roughly $150 per inspection. Given the stated rate of PBOT-MO

labor, this implies an average inspection time of approximately 2 hours. The package is funded with operating resources.

While this package specifically identifies manhole inspection as the service to be rendered with the additional funding, that item is already included in the scope of work of the existing agreement – albeit as the lowest identified priority. BES has indicated that the current level of service for manhole inspections is a cursory inspection with Closed Circuit Television (CCTV) as the cameras are being lowered into mainlines. The bureau wishes to provide new funding for this service enhancement rather than reduce levels of service on other inspection priorities or slow down the 12-year cycle. Moreover, this revised inspection protocol has been included in the Cleaning and Inspection Plan, which is, as a portion of the CMOM Program Report, an element of the NPDES permit.

This enhanced service will focus on those manholes that BES considers at greatest risk of failure: brick manholes, monolithic concrete manholes, and manholes constructed of unknown material built mostly before 1950. Manhole failures can result in sewer backups into residences and businesses as well as to the ground. Loss of structural strength can result in complete manhole collapse, often resulting in cavities adjacent to the manhole. As many of these older manholes are located in dense urban areas in well-travelled roads, failure can compromise roadways and endanger public safety.

The increase requested in this package is over and above a 5% increase in the base budget for the PBOT-MO IA. With this package, the IA increases by a total of 6.2% over the FY 2014-15 revised budget. Moreover, the IA increased by 5.7% from FY 2013-14 actuals to FY 2014-15 budget. See the chart below for increases overall. Note, in addition, that these increases occur despite the reduction of a considerable portion ($930,000 of the $1.1 million total) of the street sweeping portion of the IA over the last two budgets.



As noted in the Key Issues section, the growth in the base of the IA tracks with Citywide Personnel Services growth.

Based on the identified service need, CBO recommends the increase. However, CBO anticipates adding a review of the interagency arrangement to our workplan for the coming fiscal year. The interagency is a very substantial portion of the Wastewater program budget (42.7%). The revenue comprises approximately 11% of PBOT's requested operating budget (exclusive of contingency and capital outlay). In December 2010, an Office of the City Auditor report "found that there is sufficient evidence of potential cost reductions to warrant further study of the operational costs and benefits involved in ending the agreement with PBOT for sewer maintenance services." CBO has not validated the findings of the audit, however we agree that the issue warrants further study. Subsequent to the audit, City Council included a budget note in the FY 2011-12 Adopted Budget, directing BES, PBOT, and OMF "to retain an independent consultant during the 2011 calendar year that will recommend efficiencies to the interagency agreement." After two failed efforts where no firms submitted responsive proposals, the Request for Proposals (RFP) effort was abandoned. No further cross-bureau action has been taken on exploring this issue since that time. The CBO workplan item will include follow-up on the 2010 report recommendations with the affected bureaus to better understand and make recommendations regarding possible alternative service delivery mechanisms.

CBO Recommendation: $250,000

Environmental Compliance and Monitoring, ES_04, $160,204 2.00 FTE

This package includes two additional full-time equivalents:

- A Field Science Specialist in the Field Operations section of the Pollution Prevention group
- An Environmental Tech II in the Spill Control/Citizen Response (SPCR) section of the Pollution Prevention group

The Field Operations section is currently staffed with a manager, a Field Science Specialist, and seven field science technicians. This package would increase the total staffing to 10, including a total of two Field Science Specialists. The bureau identified the need for a Specialist instead of a Field Science Technician based on, among other factors, the fact that the existing specialist is no longer able to handle all the lead roles required with the expanding workload and number of worksites. This position would be partially funded with savings from intern costs ($22,700); interns have been used in recent years to address workload issues. Generally speaking, this group charges back its time to other groups including industrial permitting, CIP projects, Science Fish and Wildlife, and Sustainable Stormwater.

Workload as measured in the value of work orders received from other units has been increasing steadily since FY 2005-06, with chargebacks increasing from $804,136 in FY 2005-06 to $1,060,000 projected in FY 2014-15, reflecting an annualized increase of 3.1%. Meanwhile, staffing has remained static.

CBO notes that the chargebacks have only slightly exceeded the pace of personnel services growth bureauwide (2.6% annual growth since FY 2010-11) and, on their own, are not a reflection of increasing

workloads. In fact, the unit has not fully recovered costs in the last three years; unrecovered costs reflected 9.1% of total costs in FY 2013-14. As a chargeback service, CBO would expect the rate charged to internal customers would increase to reflect costs. To the degree that the bureau wishes to increase staffing, CBO would expect the chargeback to increase as well. However, including the decision package, the unit would be budgeted to recover only 85% of costs from other work units. CBO recommends that the bureau examine this widening cost-recovery gap and adjust internal rates accordingly.

While the workload as measured by the chargeback revenue is not a truly meaningful measure of workload and is therefore not by itself indicative of a workload problem, the bureau has also noted that the manager has had to fill in for staff shortages on 21% of working days in the prior fiscal year. This would indicate that additional staffing is necessary to meet internal demand. Based on this data, CBO recommends the request. The bureau is currently working on measures that better characterize the workload of this group; the diversity of their tasks makes this challenging. As part of the budget monitoring regarding this package, the bureau should provide updates on this workload measure development process.

The Environmental Tech II would increase staffing in the SPCR section from three to four. Workload in the group has been increasing as measured by the number of complaints or report calls and the total number of sewer system overflows (SSOs) that require investigation. SSOs have increased from 293 in 2010 to 528 in 2014. During the same period, complaints and report calls increased from 367 to 605. Internal investigations (i.e. those initiated by BES staff) rose from five to seven per year to 20 in 2014. Each of those investigations takes an average of 40 hours. According to the bureau, the increase might be the result of an increase in industrial pollution or because treatment plant and pump station staff are more aware of problems and are more willing to call SPCR as a result of better outreach and education; with regard to its outreach requirement around spill complaints, the bureau is now in full compliance with NPDES permit.

CBO Recommendation: $160,204 2.00 FTE

Capital Program Support, ES_05, $0, 3.00 FTE

This package includes three additional full time equivalents:

- An Instrument Technician in the Automation Support Team
- An Instrument Technician in the Instrument grounp of the Electrical and Instrumentation Program
- An Electrician in the Electrical group of the Electrical and Instrumentation Program

In recent years, the bureau has utilized in-house expertise and familiarity with the collection and treatment system to support the design and construction of newly built assets. The bureau utilizes this workload management strategy to ensure that assets are designed consistently across the system and to reduce the stabilization period when assets are brought online. This work has been funded by the capital program through overtime budgeted in the Engineering group. The bureau analysis indicates that over 12,600 overtime hours have been spent working on CIP projects over the last three years. Based on these figures, the bureau anticipates reducing overtime by 4,500 hours annually by filling these positions on a

regular basis. Of the total cost of $307,980, $297,000 is funded through a reduction in the overtime budget in the capital program; $10,980 is reduced capital outlay in the capital program.

Projects that drive this type of electrical and instrumentation work are rehabilitation, repair, construction and modification of new assets at treatment plants and pump stations; it is expected that this workload in the capital program will continue for the foreseeable future.

Workload issues for the instrument technicians in both the Automation Support Team and the Instrument shop were addressed as part of ES_02. Based on that analysis, CBO recommends these positions.

CBO Recommendation: $0, 3.00 FTE

Administrative Enhancements, ES_06, $262,120, 2.00 FTE

This package includes two additional full time equivalents:

- A Deputy Director to provide high-level executive and policy support for the Bureau Director
- A Program Specialist to provide support to the new Deputy Director as well as provide additional resources to the Environmental Policy Division

The Deputy Director position is requested to "assist the Director in implementing and monitoring programs to achieve bureau mission, goals and performance measures." The position is estimated in the request to cost $150,012 including benefits plus $17,500 in materials and services; it is funded in the rate-funded operating budget. The operational impact of this new position will depend very much on the eventual management structure and the net new workload that will be accomplished. In an otherwise unqualified endorsement of the bureau's budget request, this position was the only area of potential concern by the Budget Advisory Committee: "The possible exception [to the BAC's belief that the increases requested protect the bureau's assets] is the creation of a new Assistant Bureau Director position. The purpose of this position was not well articulated during our BAC meetings, and if there is a need for such a position, it may make more sense to add that position after the new Bureau Director is identified and decisions about possible additional hirings and bureau reorganizations are made."

Should City Council wish to make this position cost neutral, the bureau might consider reclassifying an existing position for this role. To the degree that the position is intended to be an operational manager directing senior staff, elevating one of the existing senior management positions to this role might be a possibility. To the degree that the position is intended more for policy support, reclassifying an existing policy support position might be a possibility. This Deputy Director role exists in many bureaus including Portland Parks & Recreation, PBOT, Bureau of Planning & Sustainability, CBO, Office of Equity and Human Rights, and others. These positions tend to have specific operational span of control or expand the capacity of the director to manage. Without a full scoping of the role, CBO recommends the creation of the position but recommends exploring reclassification options as appropriate based on the final position description.

The Program Specialist is requested to support bureau's Public Records Coordinator, the Portland Harbor group of the Environmental Policy Division, and the requested Deputy Director. The Portland Harbor group currently consists of 3.0 FTE dedicated to the ongoing long-term work associated with the Superfund designation of the Portland Harbor. In 2000, the Portland Harbor was designated a Superfund site by EPA, and the City was identified as a Potentially Responsible Party (PRP). As such, BES has represented the City in the Lower Willamette Group, a group of PRPs working with Oregon State DEQ, EPA, tribal authorities, and others to characterize sediment contamination and identify potential alternatives for reducing contamination and any associated risks. The Remedial Investigation and Feasibility Study is expected to be finalized in 2015 calendar year. It is expected that the EPA will issue a proposed cleanup plan for public comment in 2016 and a Record of Decision (ROD) in 2017. Thereafter, the City and other parties will enter the settlement phase to apportion remediation responsibilities among the participating parties.

As the City moves from the Feasibility Study phase to the proposed cleanup, the ROD, and the settlement phase, the Portland Harbor parties will be focused on pursuing individual strategies. This is already resulting in records requests that require coordination with the Office of the City Attorney and the Portland Harbor group, as well as additional information gathering and document management workload. This workload is expected to increase.

Regarding the data management workload, the bureau will have to finalize its data collection in a database shortly after the ROD is issued so it can prepare for the settlement phase. This position would assist in preparing for settlement (or litigation, if necessary) by being the dedicated staff responsible for coordinating documents on hundreds of properties over the last 15 years from numerous sources and entering them into the City's legal database repository. In addition to preparing for the allocation process, this database is expected to make the management of the overall Superfund issue more efficient and effective.

The Portland Harbor Superfund Site is a highly complex matter; it is a reasonable strategy to invest in staff whose work is necessary for the City's involvement with the site, including litigation support, and might ultimately result in cost savings for the City and rate payers. That said, the business case is difficult to quantify. In light of this challenge, CBO defers to bureau's judgment on workload management strategy.

CBO Recommendation: $262,120, 2.00 FTE

Equity Enhancements, ES_07, $114,608, 1.00 FTE

This package includes one Environmental Program Specialist position to serve as a Clean Rivers Educator. A similar position was eliminated in the FY 2013-14 budget, leaving one full-time position to perform the work. This reduction was subsequent to an earlier reduction to the program in FY 2009-10. Several seasonal, part-time positions were created to mitigate the impact to the program. As a result of these changes, the number of student contacts went from 14,293 in FY 2013-14 to 11,271 in FY 2013-14. This measure constitutes a 'measureable goal' for public outreach as part of the Stormwater Management

Plan which is, in turn, part of the NPDES permit. The measureable goal associated with the SMP is to reach 15,500 students annually in kindergarten through grade 12.

In addition to meeting the SMP goals, the focus of this position would be on expanding the bureau's presence in area high schools to promote awareness of careers in wastewater, stormwater, environmental investigations, engineering, landscape architecture, and other areas. Currently, the bureau runs a program in Roosevelt High School. The bureau has provided CBO with a comprehensive understanding of the nature of the program. The bureau has stated, however, that no specific outcome data is available for several reasons: 1) the lack of means and capacity to track students after they leave high-school, 2) students participating in BES career programs have likely not entered the professional workforce yet, and 3) the program is still in a pilot stage. The bureau has noted that additional resources would allow for more robust outcomes tracking.

In addition to meeting the outreach goals of the NPDES permit and expanding the high-school program, the position would develop an internship curriculum for an initial cohort of 8-10 interns. This program might potentially offer an opportunity to create a 'pipeline' from the high school program to jobs in the industry for underrepresented populations.

CBO recommends this position based on NPDES compliance issues and the City's stated desire to increase representation in the workforce of underrepresented populations. CBO strenuously recommends that, prior to expansion of the high school program and the development of the intern program, the bureau develops a protocol for measuring outcomes. This can be particularly challenging in light of reasons noted above. However, without outcome data – i.e. whether we are succeeding in helping underrepresented populations enter the wastewater and stormwater workforce – it is difficult to justify continuation and expansion of the program. As part of the decision package update in the Spring BMP of FY 2015-16, the bureau should include clearly identified outcome measures and a feasible protocol for collecting that data.

CBO also notes that a number of bureaus are addressing this issue simultaneously through similar programmatic structures. We have begun to reach out to those program managers in an effort to provide them with the opportunity to share best practices, challenges, and lessons learned. Convening this group and the Bureau of Equity and Human Rights around this issue will allow the different bureaus to leverage their shared experience in this area.

CBO Recommendation: $114,608, 1.00 FTE

Emergency Preparedness, ES_08, $254,052, 1.00 FTE

This request includes the addition of a Program Coordinator in the Wastewater Group to serve as the bureau's Emergency Coordinator; the total cost of the position is $104,052, including benefits. The request also includes $150,000 to contract the development of an emergency response and resiliency plan and integrate it with the bureau's CIP. The total cost is funded with rate revenues.

Currently, the Wastewater Operations Group Manager serves as the Emergency Manager for the bureau. This position is performing this function in addition to managing the day-to-day operations of the entire conveyance and treatment system. The coordinator position is intended to create capacity to manage emergency planning, preparedness, and resiliency across the different divisions – particularly operations and engineering.

The position would coordinate on the resiliency plan with the Asset Systems Management Division in engineering, which is generally responsible for systems planning. The contracted work is expected to last two years and total approximately $300,000. A detailed scope has not been completed at this time, but the bureau anticipates that the consultant would provide assistance in better understanding likely failure scenarios for certain assets during a large magnitude earthquake. It would also be the most efficient method for increasing the stability and resiliency of assets; the results can be incorporated into updated design standards. The goal is to develop a scope to address a long-term, 50-year strategy. The bureau will self-perform much of the work. The consultant will only provide specific areas of expertise as noted above.

CBO recommends this request as a reasonable approach to operationalizing the Preparedness, Response, and Recovery/Continuity of Operations Plan recently updated by the bureau in January 2015. The effort to explore the revision of design standards in an effort to build further resiliency in the system is timely given the fact that over the next decade, the focus of the bureau's capital plan is maintenance and reliability of existing assets.

CBO Recommendation: $254,052, 1.00 FTE

City Budget Office Interagency in Support of PUB, ES_09, $100,209

In July 2014, Mayor Hales and Commissioner Fish convened the Blue Ribbon Commission on Utility Oversight (BRC). That commission met for several months to develop recommendations on potential reforms of oversight and accountability of the utility bureaus, focusing on streamlining communications and transparency in the rate setting process. The final report was issued in December 2014 with the principal recommendation to create a permanent City board replacing the Public Utility Review Board and the Budget Advisory Committees for PWB and BES. Included in this recommendation was the recommendation that the newly created PUB be assigned "a minimum of two full-time, senior-level staff dedicated to and directed by the PUB, with hiring and administrative management by the CBO Director."

This package reflects that recommendation by funding a Principal Financial Analyst in the City Budget Office that will directly support the PUB administratively and analytically. The cost for the position, materials and services associated with the position, and bureau indirect costs allocated to the position total an estimated $200,418 as shown below.

- Principal Financial Analyst - $146,616, including salary and benefits
- Internal Materials & Services - $1,940, including copying, phone, computer, etc.
- External Materials & Services - $3,150, including Microsoft Office 365 licensing and other miscellaneous costs

- Administrative Overhead - $48,712, including an allocation for the administrative support position, the bureau director, and a portion of the deputy director; this amount also includes an allocation of fixed charges for the bureau (e.g. rent, server support, insurance and risk, and BTS corporate).

In addition to this staff person, the PUB would be served by existing staff funded through the General Fund Overhead model. Currently two positions each spend roughly 50% of their time on the utility bureaus. While the BRC recommended that the PUB have resources available for outside consulting, the requested budget does not include those resources with the understanding that the PUB, through their dedicated staff, may put such a request forward at any time, should the need arise.

The City Budget Office developed this request in coordination with Commissioner Fish's Office. As this request impacts CBO staffing and resources, we realize there is a potential bias in the recommendation. However, CBO does note that it accomplishes the specific recommendation of the BRC and, as such, recommends the package to City Council.

CBO Recommendation: $100,209

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Bureau of Environmental Services											
Adds											
ES_01 - Current Services Level Minimal or No Rate Ir	01	3.00	0	0	96,384	96,384	3.00	0	0	96,384	96,384
ES_02 - Maintain Current Service Level	02	4.00	0	0	368,520	368,520	4.00	0	0	368,520	368,520
ES_03 - CMOM-Manhole Inspections	03	0.00	0	0	250,000	250,000	0.00	0	0	250,000	250,000
ES_04 - Environmental Compliance and Monitoring	04	2.00	0	0	160,204	160,204	2.00	0	0	160,204	160,204
ES_05 - Capital Program Support	05	3.00	0	0	0	0	3.00	0	0	0	0
ES_06 - Administrative Enhancements	06	2.00	0	0	262,120	262,120	2.00	0	0	262,120	262,120
ES_07 - Equity Enhancements	07	1.00	0	0	114,608	114,608	1.00	0	0	114,608	114,608
ES_08 - Emergency Preparedness	08	1.00	0	0	254,052	254,052	1.00	0	0	254,052	254,052
ES_09 - City Budget Office Interagency in Support of F	09	0.00	0	0	100,209	100,209	0.00	0	0	100,209	100,209
Total Adds		*16.00*	*0*	*0*	*1,606,097*	*1,606,097*	*16.00*	*0*	*0*	*1,606,097*	*1,606,097*
Total Bureau of Environmental Services		**16.00**	**0**	**0**	**1,606,097**	**1,606,097**	**16.00**	**0**	**0**	**1,606,097**	**1,606,097**