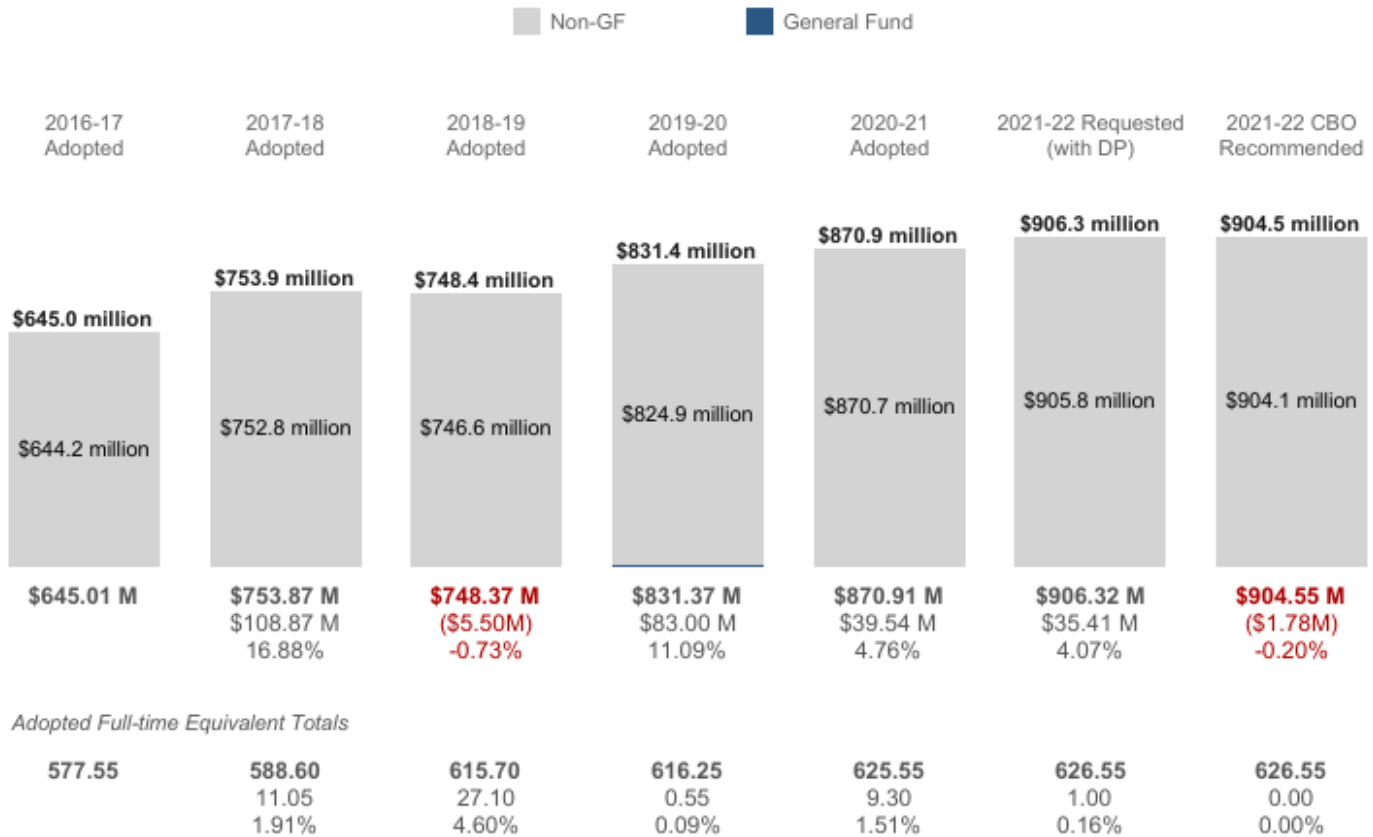




Portland Water Bureau

Analysis by Robert Cheney

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The Portland Water Bureau (PWB) submitted a Requested Budget totaling \$906.3 million, which includes a Water Division base operating budget of \$116.2 million and a base Capital Improvement Plan (CIP) budget of \$156.9 million. The bureau’s requested budget proposes an average effective retail water rate increase of 7.8% which would result in a \$3.50 increase in the typical residential monthly bill, going from \$44.89 to \$48.39. The requested budget includes a required 5% General Fund reduction package that would reduce the bureau’s maintenance budget by \$12,080 for park-like amenities. Portland Water Bureau also submitted a request for Capital Set-aside General Fund resources totaling \$1.5 million for ADA barrier removal at park-like amenities, which CBO does not recommend at this time.

BASE BUDGET & KEY ISSUES

Operating Budget Increases Driven by Personnel and Internal Services

The Water Bureau’s operating budget—the amount the bureau expends out of the Water Fund on personnel and materials and services costs to deliver water to Portlanders—is \$116.2 million, representing a \$3.9 million and 3.5% increase over the Current Year FY 2020-21 Revised Budget. This increase is driven mostly by a 5.5% or \$3.4 million increase in personnel services costs.

PWB's FY 2022 Requested Operating Budget increased 3.5% over CY 2020-21, 2.2 points lower than the 5-year average of 5.7%

	2016-17 Adopted	2017-18 Adopted	2018-19 Adopted	2019-20 Adopted	2020-21 Adopted	2021-22 Requested
Personnel Services	\$48,435,424	\$51,557,549	\$56,049,578	\$60,835,034	\$62,656,199	\$66,054,061
External Materials and Services	\$24,782,078	\$26,208,859	\$28,090,055	\$30,849,139	\$31,624,950	\$31,654,650
Internal Materials and Services	\$16,702,941	\$17,538,652	\$17,100,321	\$17,040,019	\$17,700,910	\$18,460,344
	\$89,920,443	\$95,305,060	\$101,239,954	\$108,724,192	\$111,982,059	\$116,169,055
<i>Year over year change</i>		\$5,384,617	\$5,934,894	\$7,484,238	\$3,257,867	\$4,186,996
<i>YoY Percent Change</i>		6.0%	6.2%	7.4%	3.0%	3.7%

However, the increase is not due to the addition of full-time equivalents, as the bureau’s Requested FY 2021-22 budget only adds 1.0 FTE in position authority over their CY 2020-21 revised budget. The increase is primarily associated with recently bargained salary step increases and cost of living adjustments, employee pension costs, and non-represented job class changes. Nearly 70 percent of the bureau’s filled positions are represented employees.¹

The remainder of the year-over-year increase is driven by a \$762,000 or 4.3% increase in internal materials and services—services the bureau purchases from internal service providers and other bureaus. In this case, the bureau’s increase in internal services costs was driven mostly by a \$514,000 increase in technology services and a \$262,000 increase in fleet services.² The bureau has budgeted \$298,000 less in external materials and services by reducing miscellaneous and

As of December 2020, 69.3% of the Water Bureau's Filled Regular Positions were represented by a labor union.

DCTU-AFSCME	268	46.3%
Non-Represented	178	30.7%
PROTEC17 (formerly COPPEA)	102	17.6%
District Council of Trade Unions – Operating Engineers	17	2.9%
District Council of Trade Unions – International Brotherhood of Electrical Workers	12	2.1%
District Council of Trade Unions – Mech 1005	2	0.3%
	579	100%

professional services as well as office supply and out-of-town travel costs.

¹ A repository of current City of Portland labor agreements exists here: <https://www.portland.gov/bhr/employee-relations/labor-relations/labor-agreements>

² These increases are due to a rate increase with Enterprise Business Solution as well as PWB purchasing an increased level of service. The Fleet increase is based on a three-year average of PWB’s Repair and Maintenance program.

The operating budget will receive a \$491,500 cash transfer from the General Fund to pay for maintenance of Park-like amenities as well for the Mt. Tabor Preservation project that is not eligible for ratepayer funds.

Capital improvement Plan Budget and Impact on Rates

The bureau’s five-year capital plan totals \$1.2 billion and includes several non-recurring regulatory projects, including the Willamette River Crossing project and the Bull Run Filtration and Corrosion Control projects. The bureau’s CIP and related debt issuance is a primary driver of changes in water rates as debt is repaid by water rate revenue. Although the bureau’s five-year CIP shows a significant increase in costs for FY 2023-24 and FY 2024-25

driven mainly by the construction of the Bull Run Treatment projects (filtration and pipelines), retail water rate increases are expected to remain stable at 7.7% annual increases until FY 2030-31 as the bureau plans to draw on its Rate Stabilization Account during these years to smooth any cost-driven rate increases.

The bureau’s FY 2021-22 requested Capital Improvement Plan budget totals \$156.9 million and is \$6.9 million, or 4.2% lower than their CY 2020-21 revised CIP. The plan is driven mainly by the following projects that comprise 60 percent of their total CIP for FY 2021-22:

- Willamette River Pipe Crossing – \$28.5 million (18.1%)
- Bull Run Filtration – \$27.5 million (17.5%)
- Bull Run Treatment Pipelines – \$15.1 million (9.6%)
- Distribution Mains – \$14.8 million (9.4%)³
- Corrosion Control Improvements – \$8.2 million (5.2%)

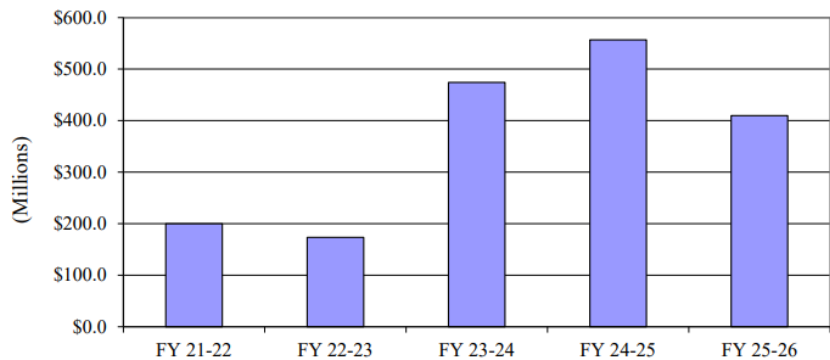
These projects and relevant performance metrics are discussed below.

Willamette River Crossing Project

The Willamette River Pipe Crossing project is an \$88 million project that is designed to replace 50-year-old pipes that carry water from the Bull Run Watershed to the bureau’s customers on the west side of the river. The project is a key component of the bureau’s resiliency efforts and is designed to ensure that water is available to Portlanders (and PWB customers west of the Willamette River) after a catastrophic earthquake. The project is funded with a mix of revenue bond sales, water sales, and system development charges. Bond sale revenue ensures

Figure 14 – Capital Plan Forecast

This five-year capital plan reflects the CIP as updated through January 2021:



³ CBO notes that PWB’s total CIP for all mains totals \$29.9 million

intergenerational equity as it allows current and future users of the asset pay for the cost of the project.

The bureau expended 31.2% of this project's budget in 2019-20 and has only expended 18.2% in CY 2020-21. An inability to get dollars out the door on a capital project can indicate many things and is not necessarily the outcome of bureau-specific issues or overall project management. For this project, in FY 2019-20, the geotechnical probe work was delayed due to permitting and access permission. The initial geoprobe showed that more research was necessary to determine the best tunneling technology and route under the Willamette river. The project is currently delayed until the bureau can investigate ideal depth and drilling technologies and viability. If this phase is completed in the next six months, then construction may begin in FY 2021-22. Updates will be provided in the FY 2021-22 Fall Budget Monitoring Process. The bureau has budgeted \$28.5 million for the Willamette River Pipe Crossing project in FY 2021-22.

Bull Run Filtration Project

The Bull Run Filtration Project is currently forecasted as a \$595 million dollar project⁴ that will plan, design, and construct a new filtration facility that will remove the microorganism cryptosporidium from the water supply and must be finished by FY 2027-28 to comply with state and federal water quality rules. The project has expended \$37 million over the project's life and has a requested budget total of \$27.5 million for FY 2021-22. The project is funded with a mix of revenue bond sales, water sales revenue, system development charge revenue, and an Environmental Protection Agency "Water Infrastructure Finance and Innovation Act" (WIFIA) Federal loan. This loan provides a fixed low interest rate and flexible terms including payment deferral of up to five years after the completion of the project. This loan produces two outcomes for the bureau: 1) The debt payment interest savings has reduced the FY 2021-22 retail water rate increase by 100 basis points, from 8.8% to 7.8%, and; 2) The amount of anticipated future debt taken on from this loan has reduced the bureau's credit rating with Moody's from Aaa to Aa1. CBO does not anticipate any material risks to as a result of this downgrade as the bureau will still be able to secure low-interest financing for other capital projects, and Moody's has not identified additional risks that would indicate concerns for future downgrades. This credit rating will likely remain for the next ten years before the rating may be upgraded. There are currently no known risks that cannot be mitigated that would prevent the project from completing before the 2027 deadline.

Bull Run Pipelines

The Bull Run Pipelines project currently has a low-confidence estimated total cost of \$225 million, and will design and construct large-diameter, seismically resilient pipelines that will connect the Bull Run Filtration Plant to existing City conduits. The project will remain in design phase in FY 2021-22. Most of the project expense is projected to occur in FY 2023-24 (\$138.2 million) and FY 2024-25 (\$54.4 million). The project is funded with a mix of bond sale revenue, water sale revenue, system development charges, and the aforementioned EPA WIFIA loan.

⁴ The Bull Run Filtration and Pipeline projects in the bureau's budgeted CIP combine to total \$825 million with an accuracy range of -30% to +50%, demonstrating the uncertainty of the current budgeted totals for the lifecycle of these two projects.

Distribution Mains

The Distribution Mains project is an ongoing capital project designed to rehabilitate and replace substandard water distribution mains and expand mains to new development. The bureau has 2,260 miles of distribution mains and their replacement value totals \$8.0 billion. Currently, 97 percent of them rank in “fair”, “good”, or “very good” condition. Projects with construction estimates greater than \$200,000 are usually put out to bid, with the bureau handling projects below that cost.

Corrosion Control Improvements

The Corrosion Control Improvement project is a \$19.6 million project that will design and construct a corrosion control facility at the Lusted Hill Treatment Facility and is currently under construction. Corrosion of pipes, typically in household plumbing, is the main source of lead in water for Portlanders given that the source water has almost no lead and Portland Water Bureau has no known lead service lines in its distribution infrastructure. This project is designed to make PWB-provided water less corrosive to household and building plumbing materials⁵ by adjusting pH and alkalinity levels after the water has been disinfected and treated on its way from the Bull Run Watershed into City conduits. The project is funded with a mix of water sale revenue, system development charge revenue, and WIFIA loan proceeds and will be substantially completed in April 2022.

Rate Forecast and Affordability

The FY 2021-22 Requested Budget for PWB includes a rate increase of 7.8% above the FY 2020-21 rates for the typical single-family household. This amounts to a bill increase of approximately \$3.50 per month. With the increase, the typical Single Family Residential monthly bill will be \$48.39 per month. Combined with the Bureau of Environmental Services requested rate of increase of 3.2%, the typical single-family household would experience a 4.8% increase above FY 2020-21 rates for a typical total combined monthly bill of \$128.69, which equates to \$386.07 quarterly.⁶

This rate increase is 80 basis points lower than the 8.6% rate increase projected in the financial plan PWB submitted during the FY 2020-21 budget development process. The table below provides the projected annual rates of increase for PWB, currently at 7.7% each year for the next five years.

The five-year rate forecast's annual rate increases dropped 90 basis points for FYs 2023 to FY 2026

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
FY 2020-21 Forecast	8.6%	8.6%	8.6%	8.6%	8.6%
FY 2021-22 Forecast	7.8%	7.7%	7.7%	7.7%	7.7%

Despite the decrease in forecasted rate increases, the aggregate trend in the rate of increase over the next five years exceeds the 2.5% increase in consumer price index (CPI-W) forecasted by

⁵ This includes lead pipes and solder containing lead as well as the leaching of copper and other metals.

⁶ Per PWB, “A typical residential customer uses about 500 cubic feet (ccf) or 3,740 gallons of water each month.”

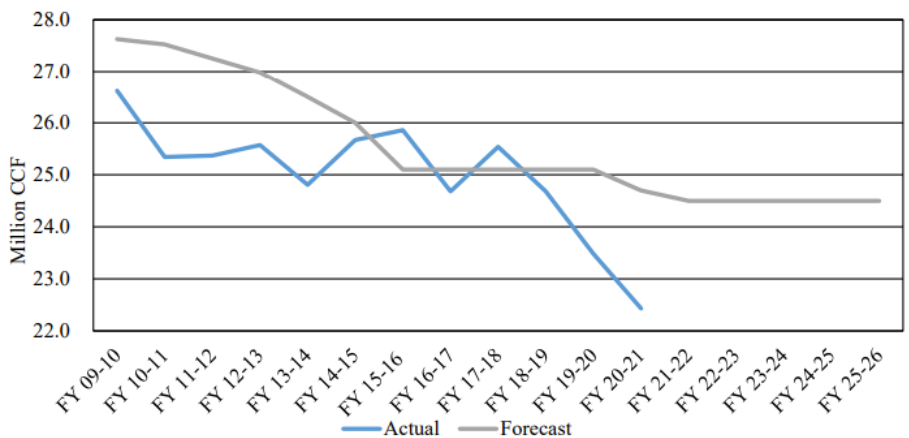
the Bureau of Labor Statistics.⁷ CBO notes that utility bills impact households in Portland differently. Compared to white households, communities of color, and particularly Black households in Portland, typically devote a higher portion of their household income to the combined utility bill. For example, Black households currently spend approximately 5.5% of their household income on their water and sewer bill compared to white households who spend about 2.3%. The FY 2021-22 requested rate would increase the portion of income spent on the combined utilities to about 5.8% for Black households and 2.4% for white households.^{8,9}

Citywide performance measures on utility bill affordability were recently added in the FY 2021-22 budget development process. These calculate the annual combined utility bill as a percentage of various income levels (mostly the lowest quintile), household types (single family residential vs. all households), and discount levels (Tiers 1 and 2). Customers receiving a Tier 1 discount have their bill reduced by 50%, while Tier 2 customers receive an 80% discount. Data on actuals for the last two years, the estimate for the current year, and the target for FY 2021-22 show slightly downward (positive) trends for all six of these new measures. They are discussed further in the “Performance Measures” section below.

Decreasing Demand for Water

Demand for water in the City of Portland has stagnated or decreased over the last 20 years due mostly to improved fixturing and updated building and plumbing codes which further the conservation of resources. Data shows that current demand for water has dropped significantly this year due to COVID restrictions below projected demand since FY 2017-18, dropping from 25.5 million ccf to 23.5 million ccf in FY 2019-20 which is 16 million ccf below forecasted totals.¹⁰

Figure 6 – Retail Water Demand Forecast & Actual



Demand declines in FY 2020-21 are driven mostly by reduced commercial accounts, which the bureau infers are pandemic related, as the economic slowdown and public health policy response led to reduced usage from restaurants, businesses and other high-volume clients. It may be some time before it is fully known how much of this decrease is attributable to the outcomes of the pandemic as opposed to changed behavior in overall consumption patterns.

⁷ US Bureau of Labor Statistics. 2021. https://www.bls.gov/regions/west/news-release/consumerpriceindex_west.htm

⁸ US Census Bureau. 2018. <https://statisticalatlas.com/place/Oregon/Portland/Household-Income>

⁹ A comparison of Portland Water Bureau’s rates compared to local and regional jurisdiction’s rates can be found in the bureau’s Five Year Financial Plan here: <https://www.portlandoregon.gov/cbo/article/780704#page=151>

¹⁰ CCF represents “cubic feet.” One CCF of water equals approximately 748 gallons.

The Water Bureau bills its customers based on usage, which means that decreases in demand result in decreases in revenue that require rate increases to balance the fixed costs of operating the utility. The bureau has calculated that current year non-COVID related demand reduction drove 0.7% of the bureau's 7.8% rate increase due to a demand forecast 0.2 million ccf lower for FY 2021-22. Independent of the 0.7% figure, 0.1% of the rate 7.8% rate increase was attributable to the impacts of COVID-19 in FY 2020-21.

COVID-19 and Financial Assistance Programs

Portland Water Bureau made a concerted effort to continue the bureau's financial assistance services during the COVID-19 pandemic. These services include

- Two-tier bill discount
- Crisis assistance
- Multi-family emergency rental assistance
- Flexible bill-pay
- Increased ongoing allocations to fixture repair and replacement
- Utility safety net
- Water conservation kits
- SPUR Program (Small Business Program for Utility Relief)

The bureau also ceased:

- Assessment of late fees
- Collections on delinquent accounts
- Shut-off of water services

The bureau also expanded access to vulnerable customers by relaxing income verification requirements for financial assistance qualification. Through December 2020, the bureau has qualified 1,682 customers for financial assistance without verification of income while also providing flexible bill-pay and interest-free payment plans.

Every customer receiving a Tier 1 discount results in approximately \$269 of annual foregone revenue for the bureau. A Tier 2 discount results in approximately \$431 of annual foregone revenue. The bureau assumes 8,800 participants, with a 50-50 split between Tier 1 and Tier 2 discounts. As of December 2020, there are 4,986 Tier 1 discount customers and 3,821 Tier 2 discount customers. Assuming all of the 1,682 customers received a Tier 1 discount, this would represent about \$0.5 million of foregone revenue.

Cessation of late fees, delinquencies and shut-offs has likely resulted in \$2.8 million in revenue that the bureau will not collect in FY 2020-21. The FY 2021-22 plan assumes a normal pre-pandemic delinquent revenue amount. In addition to these amounts, the bureau forecasts an additional \$2.0 million of uncollectible water bills that will be written off in FY 2020-21 because of the pandemic.

The bureau has laid out a plan to resume collection of unpaid account balances over the next several months. Accounts two-weeks past due with outstanding balances greater than \$115 will receive no-fee reminder notices. This effort will act as a pilot during which the bureau will collect data on the ability of the effort to successfully recover balances before pursuing carrying charge and fee-based notices. There is currently no hard timeline for a return to pre-pandemic collections, but the bureau does not intend to extend any of these current programs indefinitely.

Figure 1 – FY 2020-21 COVID-19 Financial Impacts

	(in millions)
Revenue	
Demand reduction	(\$12.7)
Foregone delinquency fees	(2.8)
Financial assistance (bill discounts, SPUR)	(1.0)
Expenditure	
Bad debt expense	2.0
Cost containment	(8.0)
Total	(\$10.5)

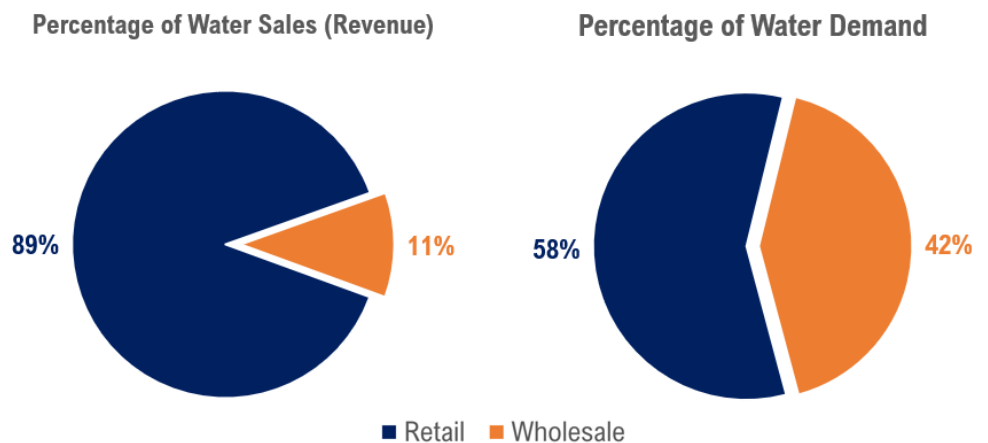
Wholesale Customers

Portland Water Bureau currently has Regional Water Sales Agreements with 19 different wholesale customers. Wholesale customers are under 5, 10, and 20-year contracts and average \$21 million in annual water sale revenue for the bureau. The contracts provide guaranteed fixed revenue regardless of demand. Total wholesale revenue comprises roughly 11% of total water sales for the bureau. Most of these contracts end on June 30, 2026.

Tualatin Valley Water District (TVWD), which has been working to develop a separate water supply source, will not be continuing its wholesale contract after its current

one expires and will cease purchasing water from PWB beginning in FY 2026-27, except for emergency supply. Also, the bureau assumes Rockwood Water People’s Utility District (RWPUD) and the City of Gresham who, together with TVWD make up the three largest wholesale customers, will not renew their wholesale contracts with the bureau past FY 2025-6. The departure of these wholesale clients will shift the percentage of water sales from wholesale customers from 11% to 5%, or about \$12.6 million annually. The bureau has built this lost revenue into its ten-year rate forecast and calculates a 6.1% rate increase impact from this reduction in demand that will be mitigated by a draw on its Rate Stabilization Account (RSA), utilizing the RSA to smooth the rate impact over multiple years. The departure of these clients will also reduce system demand by approximately 28.5 million gallons per day which will increase the system capacity of PWB’s infrastructure and reduce the need to expand capacity.

It is unclear at this moment if the departure of TVWD, RWPUD, and City of Gresham as wholesale



clients signals a larger exodus of wholesale clients. The bureau is currently working with wholesale customers to design a future wholesale contract. Wholesale contracts have five-year non-renewal notices and the bureau will be providing these notices to wholesale clients by June 30, 2021. The bureau will have a clearer picture of the future of its wholesale client base after this point in time. The bureau is in discussion with all 19 wholesale customers to develop new water sales agreements and has retained a consultant to assist with modeling new terms including emergency water purchase agreements for wholesale customers with independent water supplies.

New Affordability Metrics with Bureau of Environmental Services

Federal guidance on water bill affordability ranges from 1.0 percent to 3.5 percent of median household income (2.0 percent is the most commonly cited affordability metric). The bureau provides a financial

assistance program for low-income households stratified by two tiers. Households that qualify for Tier 1 receive a 50 percent discount, while households that qualify for Tier 2 receive an 80 percent discount.

Portland Water Bureau Financial Assistance Program Thresholds

	Two Person	Four Person
Tier 1 (50% Discount)		
Monthly Income Threshold	\$3,685	\$4,605
Typical Monthly Discounted Bill (500 cubic feet or 3,740 gallons)	\$22.44	\$22.44
Percent of income	0.6%	0.5%
Tier 2 (80% Discount)		
Monthly Income Threshold	\$1,843	\$2,303
Typical Monthly Discounted Bill (500 cubic feet or 3,740 gallons)	\$8.97	\$8.97
Percent of income	0.5%	0.4%

The Portland Water Bureau and the Bureau of Environmental Services collaborated to produce six new performance measures that track affordability of an entire utility bill. Together, these six data points attempt to better identify the impact of the combined utility on lower income Portlanders. The “Median Income” metric serves as a baseline to reference against other metrics. For the current year, the median household income is \$76,231. The other five metrics measure the lowest quintile of income, disaggregated by “all households” and “single family” households. The lowest quintile is the 20th percentile—or the point at which 20 percent of the households have a lower income and 80 percent have a higher income. This year, the lowest quintile for “all households” is \$31,141 and the lowest quintile for “single family residential” households is \$51,261. The bureaus track the lowest quintile of income based on work conducted by national organizations like the National Association of Clean Water Agencies and the Environmental Protection Agency.

The middle two measures, which analyze the 20th percentile of income for all households show the cost burden of a utility bill at that quintile. This metric captures all households at that income and does not isolate households that actually receive financial assistance.

The bottom two measures in the table below examine the 20th percentile of “Single family residential” households and are designed to show the cost burden of the utility bills for the households that are able to access the financial assistance program.

What the data show is that customers that receive bill discounts have a similar cost burden to the households at the median income level. This demonstrates the ability of the financial assistance program to achieve affordability outcomes that enable lower income households to pay a similar portion of their income for the same level of service.

New combined PWB and BES metrics track utility bill affordability across different income levels and incorporate financial assistance data

	2018-19	2019-20	2020-21	2021-22 Goal
Baseline Metrics				
Annual combined utility bill as a percent of median household income (50th Percentile – \$76,231)	2.44%	2.40%	2.25%	2.27%
Annual combined utility bill as a percent of the lowest quintile of household income (20th Percentile – \$31,141)	6.03%	6.22%	5.81%	5.55%
Utility Bill Cost Burden on average household				
Annual combined utility bill with Tier 1 discount as a percent of the lowest quintile of household income	3.53%	3.46%	3.18%	3.09%
Annual combined utility bill with Tier 2 discount as a percent of the lowest quintile of household income	2.03%	1.81%	1.67%	1.61%
Combined Utility Bill Cost Burden on those who are able to access financial assistance programs				
Annual combined utility bill with Tier 1 discount as a percent of the lowest quintile of single family residential household income	1.99%	2.11%	2.02%	1.88%
Annual combined utility bill with Tier 2 discount as a percent of the lowest quintile of single family residential household income	1.14%	1.10%	1.06%	0.98%

The data also demonstrates that lower-income households that are not accessing financial assistance programs are paying nearly double the percentage of their income as the median income household does. These customers might be unaware of the program or unable to access the program because they live in multifamily housing or an accessory dwelling unit that shares a single meter.

On balance, these metrics show that the financial assistance programs are achieving their intended outcomes when they are able to reach Portlanders but are unable to help all households that are in need. The bureaus note that there is a voucher program for individuals who may qualify but live in multifamily housing, a program that is administered by Home Forward.

Equity in Water Metering Efforts

On October 27, 2020, Portland Water Bureau led a work session to discuss equity in water metering and the role of separate metering. As discussed in the “Affordability Metrics” section of this review, not every household that might be eligible for the bureau’s financial assistance programs is able to enroll due to sharing a meter in a multifamily complex. Any policy mandating separate metering would ensure new housing development would discontinue barriers to access financial assistance by providing direct access to these programs. It would also increase the autonomy of these households, as they would have direct control over their water usage and billing. The bureau notes that separate metering can contribute to the City’s water and energy efficiency climate goals while also playing a role in leak management and property maintenance.

DECISION PACKAGES

General Fund Cash Transfer 5 Percent Reduction

DP 11430 – (\$12,080)

Request Summary

The Water Bureau receives a General Fund cash transfer of \$201,598 related to maintenance of park-like amenities at bureau properties. This package would reduce by \$12,080 the amount the

bureau remits to Portland Parks & Recreation for maintenance of Powell Butte Nature park.

CBO Analysis

This package would reduce the amount the Water Bureau remits to Portland Parks & Recreation for maintenance and stewardship of the Powell Butte Natural Area by five percent or \$12,080. A reduction is difficult to quantify but reduces the total resource available for trails, bridges, and erosion areas. The bureau notes that its staff are in discussions with Portland Parks & Recreation to gain a more complete understanding of what services are provided in the bureau-to-bureau interagency agreement. The bureau has not requested these General Fund resources be added back.

Constraint Value: (\$12,080 ongoing)

Capital Set-aside: ADA Barrier Removal at HydroParks

DP 11404 – \$1,776,334

Request Summary

This request is designed to achieve Americans with Disabilities Act (ADA) compliance at PWB properties used for recreational purposes; these include seven HydroParks for \$370,888 plus removing barriers for accessible parking, picnic areas, a campground sites, and a community center building, amphitheater and restrooms at Dodge Park located in the City of Sandy for \$1,097,024. As part of FY 2020-21 Budget Development, PWB and CBO clarified with City Attorney's Office that three proposed sites (Groundwater Canoe Launch, Well 29 Canoe Launch and Bear Creek House #1) submitted in the original proposal are in fact eligible to use ratepayer funds for ADA improvements. PWB has revised the proposal in this package and has included funding needed at Powell Butte nature area. General funds are requested because the PWB is not allowed under its charter to use ratepayer funds for items that are not substantially related to the provision of providing water. Further, per recent legal opinion, each of the HydroParks is specifically named as a park-like property, and therefore ratepayer resources are ineligible to fund these projects. This decision package requests \$1,507,727 in General Fund resources with the remaining costs covered by \$268,607 covered by water sale revenue.

CBO Analysis

In the FY 2020-21 requested budget, bureaus submitted 13 requests for Capital Set Aside funding, totaling \$18.3 million. CBO recommended \$16.6 million in funding. However, in response to the fiscal impact of COVID-19, nearly all available capital set aside resources were used to address the emergent funding shortfall. Only one project, the Bureau of Transportation's \$1.6 million ADA ramp project, received funding in the FY 2020-21. In recognition of the effort asset managers and bureau staff dedicated to preparing requests using the new BCE framework during last year's budget process, the demands and challenges of working in the COVID-19 environment, and the limited amount of capital set aside resources available in FY 2021-22, CBO is only considering capital set aside requests that were submitted in FY 2020-21 using the BCE framework. For FY 2021-22 budget development, \$4.1 million in resources is available. Bureaus re-submitted eight projects totaling \$8.9 million.

PWB presented a business case analysis for the capital set aside request with its FY 2020-21 Requested Budget. The model calculated values of recreation, health, and childhood development associated with the use of the properties. The figure presented in the model drew from reliable sources and were calculated in a logical manner based on reasonable estimates of the use of the properties. The cost benefit ratio calculated is 5.7:1 meaning that the value of the benefits are 5.7 times greater than the project costs.

Data shows that five of seven HydroParks do not have a Portland Parks & Recreation (PP&R) park within a half-mile radius (considered to be the limit of where resident usage is much higher). A few HydroPark sites have schools nearby but then those open spaces have limited access (assumed not open to public during school hours). The narrative states that if ADA improvements are not funded, then PWB may need to remove park amenities from these properties. The model assumes that if this removal were to occur, then 100% of the HydroPark's value would be eroded. This figure may be overstated since PWB assumes that HydroPark properties could still be used as open spaces. With a more moderate erosion calculation in the assumptions, the cost-to-benefit ratio of the model could be significantly lowered.

Broadly, CBO has questions about how operating parks fits into PWB's mission and charter. However, removing the amenities at HydroParks would degrade the public value of the parks and could have negative equity implications in neighborhoods where the HydroPark serves as the neighborhood park. CBO continues to recommend that Parks and Water collaborate in the maintenance and consideration of these Parks as an important component of our Citywide natural and open spaces.

Due to the prioritization of other legally mandated projects and projects with higher benefit-to-cost ratios, CBO does not recommend allocating Capital Set-Aside resources to this request at this time.

CBO Recommendation: \$0 ongoing

SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

Portland Water Bureau

		2020-21 Adopted Budget	2021-22 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Miscellaneous	\$5,801,336	\$5,460,383	\$0	\$0	\$5,460,383
	Intergovernmental	\$526,000	\$605,000	\$0	\$0	\$605,000
	Interagency Revenue	\$5,173,553	\$4,848,671	\$0	\$0	\$4,848,671
	Fund Transfers - Revenue	\$301,132,123	\$294,028,913	\$1,495,647	(\$1,507,727)	\$294,016,833
	Charges for Services	\$214,237,828	\$226,269,165	\$268,607	(\$268,607)	\$226,269,165
	Bond & Note Proceeds	\$119,350,000	\$161,280,000	\$0	\$0	\$161,280,000
	Beginning Fund Balance	\$224,689,779	\$212,068,247	\$0	\$0	\$212,068,247
Revenue	Sum:	\$870,910,619	\$904,560,379	\$1,764,254	(\$1,776,334)	\$904,548,299
Expense	Personnel	\$85,066,613	\$89,209,914	\$0	\$0	\$89,209,914
	Internal Materials and Services	\$23,019,702	\$23,857,587	(\$12,080)	\$0	\$23,845,507
	Fund Transfers - Expense	\$307,647,224	\$300,094,792	\$0	\$0	\$300,094,792
	External Materials and Services	\$51,463,999	\$56,399,412	\$1,776,334	(\$1,776,334)	\$56,399,412
	Ending Fund Balance	\$29,860,038	\$38,821,977	\$0	\$0	\$38,821,977
	Debt Service Reserves	\$32,127,462	\$33,352,584	\$0	\$0	\$33,352,584
	Debt Service	\$71,163,018	\$65,520,319	\$0	\$0	\$65,520,319
	Contingency	\$133,852,298	\$190,690,710	\$0	\$0	\$190,690,710
	Capital Outlay	\$136,710,265	\$106,613,084	\$0	\$0	\$106,613,084
Expense	Sum:	\$870,910,619	\$904,560,379	\$1,764,254	(\$1,776,334)	\$904,548,299