



CITY OF PORTLAND ENVIRONMENTAL SERVICES



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Date March 17, 2022

TO: Jessica Kinard, Director
City Budget Office

FROM: Michael Jordan, Director
Bureau of Environmental Services

Dawn Uchiyama
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SUBJECT: FY 2021-22 Spring Budget Monitoring Report

As we are nearing what appears to be the end of the latest wave of the pandemic, BES is continuing to take a conservative approach to our budget and overall financial position. In the FY 2021-22 Fall BMP, the bureau took some budget actions because we had actual measurable revenue information. We continued that approach with the FY 2022-23 Requested Budget by limiting our budget request to a mostly current service level budget with the expectation that if revenues continue to show improvement, the bureau will be seeking adjustments in the Fall.

The bureau has substantial headwinds including, but not limited to, Portland Harbor superfund cleanup, a significant need for additional infrastructure investment, completion of the bureau's transition, and material inflationary pressures. The bureau will continue with our measured and conservative approach until we have a stable revenue history and can confidently move forward with minimal impact to ratepayers.

Although we are seeing a revenue picture that looks better than what we were forecasting a year ago, the bureau is only now seeing the impacts of the Omicron wave due to our quarterly bills that lag behind. Until we see the full impact of that wave, we are continuing to look within our existing budget to identify areas where efficiencies can be found while continuing our focus on critical infrastructure needs, regulatory compliance, implementation of the bureau's transition plan, building bureau-wide equity literacy and tools, and overall maintaining reliable services for ratepayers.

This Spring BMP reflects our approach to using existing budget to meet our current critical needs.

Enclosed is the Bureau of Environmental Services Budget Monitoring Report for the Spring of FY 2021-22. This submittal includes the following:

- The Budget Amendment Request Report
- Current Year Projections for each of the five funds under BES's management.
- Capital Program Status Report
- Prior year decision package updates

The Budget Amendment Request Report is divided into three separate packages. The following provides a brief summary of each package. More detailed information is contained within the enclosed documents.

Grant Adjustments - Adjustments totaling \$61,000 are requested to true-up current grant delivery expectations and are supported by additional grant revenues.

Fund-Level Adjustments - These adjustments reflect recognition of SDC and rate revenues collected or expected to be collected beyond our conservative projections. With the additional revenues, the bureau will reduce the planned transfer from the Rate Stabilization Fund and increase the transfer to the Construction Fund by \$16 million to cash fund more CIP which will ultimately lower or delay future planned borrowing.

Technical Adjustments - This package includes CIP adjustments moving \$2.1 million from Capital Outlay to External Materials and Services line items to align capital expenditures with current expectations. This is an annual true-up done in the Spring as we learn more about the projects in the bureau's CIP. This package additionally reflects net zero changes aligning various operating adjustments to current expectations.

If you have any questions about this submittal, please contact Ken Bartocci at (503) 823-6022.

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BUDGET AMENDMENT REQUEST REPORT



ES - Bureau of Environmental Services**DP Type****Technical Adjustments****Request Name: 13420 -Technical Adjustments****Package Description**

The changes in this package reflect internal adjustments and realignments. All increases are offset by a corresponding reduction such that there is no net increase or decrease in appropriation nor draws from contingency. This package also includes operating revenue increases with corresponding offsets.

Service Impacts

Where not referenced separately, all increases are supported by expected underspending in the Cooperative Work Agreement with PBOT resulting from vacancies and COVID impacts. The interagency is expected to be underspent by approximately \$5 million, but this Spring BMP will only recognize about \$2.4 million of underspending. Highlights of the technical changes include:

- Movement of CIP dollars (\$2.1 million) from the Capital Outlay account to External Materials and Services to support the current expectations of spending categories for capital projects. This is an annual true-up of appropriation done in the Spring BMP each year.
- \$304,000 to support additional overtime and premium pay resulting from vacancies at the Columbia Boulevard Wastewater Treatment Plant (CBWTP).
- \$508,000 for price increases of treatment chemicals at the CBWTP and Tryon Creek Wastewater Treatment Plant.
- \$500,000 to address early implementation items related to the needs assessment at the CBWTP and an additional \$32,116 for consultant services to develop an action plan.
- \$367,000 for increased biosolids hauling costs.
- \$300,000 for clean-up and repairs from debris flow that damaged areas around the Hwy 30 and Saltzman Rd stormwater trash rack.
- \$43,750 for temporary contract support to catch up on the backlog of contracting work for the balance of this fiscal year. An additional \$175K will be included in the FY 2022-23 budget to provide continuation of this temporary support.
- \$175,000 to provide additional operations and maintenance support from Office of Management and Finance, Facilities Services for the Water Pollution Control (WPCL) Lab facility.
- \$100,000 for critical security updates at the WPCL that integrates new cameras with existing system compatible with city's standard Genetec systems.
- The remaining adjustments in this package are technical adjustments moving existing appropriation to better match actuals with budget for reporting purposes.

Revenue Related Items:

- \$583,400 increase in interagency revenue and corresponding expense associated with coordinated site assessment work and contaminated media disposal for PBOT, Water Bureau, Parks.
- \$20,000 reduction of the General Fund transfer for the Human Access Project added in the Fall. The revenues are moving to PBOT where the project is being managed.
- \$19,600 to support financial assistance BES has provided to Portland Bureau of Emergency Management and Office of Equity and Human Rights.
- \$10,350 for the sale of a surplus vehicle to OMF for use in the Homeless Urban Camping Impact Reduction Program. The revenue from the sale will be used to offset other expenses.

Equity Impacts

Much of the equity impacts associated with this package are consistent with those identified for the adopted budget and will not change as a result of these technical adjustments. However, the needs assessment work done for the CBWTP has identified some areas where equity issues can be addressed in the short-term. Though some areas will take longer to address, the \$500K allocation of funding and the \$32K for development of an action plan will begin to address some of the equity issues identified in the assessment. More specifically, areas to be addressed include privacy, accessibility, and safety of employees.

Account Name		2021-22 SPRING Requested Adj
Expense	Capital Outlay	-2,100,000
	Contingency	0
	External Materials and Services	4,533,666
	Internal Materials and Services	-2,164,316
	Personnel	304,000
Expense	Sum:	573,350

4 - BMP Amendment Request Report (Spring Requested DP

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Account Name		2021-22 SPRING Requested Adj
Revenue	Fund Transfers - Revenue	9,950
	Interagency Revenue	563,400
Revenue	Sum:	573,350

ES - Bureau of Environmental Services**DP Type****New Revenue****Request Name: 13421 -Fund Level Adjustments****Package Description**

The adjustments contained in this package are primarily to reflect recognition of revenues received beyond initial projections. This is an annual true-up the bureau does to manage the changing financial landscape and adjust fund level transfers among the bureau's family of funds to support our long-term planning.

Service Impacts

The bureau is recognizing an estimated additional \$24.2 million of rate revenues and \$15.5 million of system development charge revenues. As a result of anticipated COVID impacts and, at the time, expectation of additional variants, the bureau estimated a larger revenue loss when building the FY 2021-22 budget. Although we are still seeing the residual effects of the Omicron wave and the full impact is still not known, the bureau is recognizing the maximum revenue to provide flexibility in managing these resources between now and the end of the fiscal year. Supported by the projected additional revenue, the bureau is reducing the planned transfer from the Rate Stabilization Fund by \$15 million and increasing the transfer to the Construction Fund by \$16 million. The increased transfer to the Construction Fund will either reduce the amount of the next borrowing or delay the timing. Of the remaining amount of projected additional revenues \$1.7 million is being allocated to the Operating Fund contingency, \$1.5 million is being reserved for utility license fees generated by the higher revenue estimates, while the remaining \$5.5 million appropriation acts as a buffer if system development charges are less than projected, which would require additional Operating Fund transfers to the Debt Redemption Fund. Should all of the rate and SDC revenues materialize, the \$5.5 million will fall to balance and be addressed in the subsequent fiscal year.

Additionally, a \$2,209,207 fund level cash transfer from the Citywide Portland Harbor Reserve Fund to the Environmental Remediation Fund is being recognized to reimburse prior year expenses that were not able to be reimbursed prior to the closing of fiscal year.

Equity Impacts

The adjustments contained within this decision package maintain core programs and equity considerations within the bureau's capital and operating programs.

Account Name		2021-22 SPRING Requested Adj
Expense	Contingency	34,909,207
	Debt Service Reserves	5,500,000
	External Materials and Services	1,500,000
	Fund Transfers - Expense	6,500,000
Expense	Sum:	48,409,207

Account Name		2021-22 SPRING Requested Adj
Revenue	Charges for Services	39,700,000
	Fund Transfers - Revenue	8,709,207
Revenue	Sum:	48,409,207

ES - Bureau of Environmental Services**DP Type****New Revenue****Request Name: 13422 -Grant Adjustments****Package Description**

The following adjustments reflect changes to BES grant expenditures and align the budget to current estimates. The following grant amounts totaling \$61,000 are requested to support PBOT grants. The CIP adjustments total \$50,000 and the Operating grant adjustments total \$11,000.

Service Impacts

\$9,000 EARTHQUAKE READY Grant – TR000281 Additional budget is needed to cover allowable expenses charged directly to PBOT for anticipated personal services and internal materials and services costs in support of the PBOT grants.

\$50,000 POWELL-DIVISION Grant - TR000284 Additional budget is needed to cover allowable expenses charged directly to PBOT under BES project E10931. This project is for Preliminary design review and project assistance for stormwater management (green street) facilities associated with TriMet's Division Transit Project (bus rapid transit).

\$2,000 I5-Bridge Replacement Grant - TR000320 Additional budget is needed to cover allowable expenses charged directly to PBOT for anticipated personal services and internal materials and services costs.

Equity Impacts

The adjustments contained within this package are in support of grants awarded to PBOT. As a result, equity impacts are limited to the bureau's equity in hiring efforts for the staff that will be supporting the PBOT projects.

Account Name		2021-22 SPRING Requested Adj
Expense	Capital Outlay	-36,000
	Contingency	54,000
	External Materials and Services	19,500
	Internal Materials and Services	0
	Personnel	23,500
Expense	Sum:	61,000

Account Name		2021-22 SPRING Requested Adj
Revenue	Intergovernmental	61,000
Revenue	Sum:	61,000

CURRENT YEAR PROJECTION REPORT BY FUND



Business Area Projection Report

Bureau of Environmental Services - Fund 600

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Capital Outlay	\$163,282,971	\$52,116,617	\$116,784,995	72%
Contingency	\$67,529,276	\$0	\$95,248,364	141%
Debt Service	\$4,310,458	\$184,011	\$4,306,081	100%
Debt Service Reserves	\$180,000	\$0	\$180,000	100%
External Materials and Services	\$100,775,536	\$48,350,624	\$94,777,246	94%
Fund Transfers - Expense	\$255,027,338	\$75,895,771	\$244,491,919	96%
Internal Materials and Services	\$52,889,409	\$27,766,280	\$43,950,460	83%
Personnel	\$92,250,763	\$59,269,428	\$89,564,127	97%
Sum:	\$736,245,751	\$263,582,732	\$689,303,192	94%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$82,134,298	\$0	\$82,134,298	100%
Charges for Services	\$402,323,350	\$231,655,258	\$403,550,377	100%
Fund Transfers - Revenue	\$243,029,950	\$91,084,489	\$198,344,909	82%
Interagency Revenue	\$2,311,153	\$1,405,049	\$2,152,850	93%
Intergovernmental	\$227,500	\$131,374	\$221,387	97%
Licenses & Permits	\$1,572,000	\$1,379,707	\$1,926,871	123%
Miscellaneous	\$4,647,500	\$469,881	\$972,500	21%
Sum:	\$736,245,751	\$326,125,758	\$689,303,192	94%

Revenue Discussion

Business Area Projection Report

Total projected revenues of \$689.3 million are estimated to be 94% of the Spring BMP revised budget, with the largest funding category, charges for services, projected to be \$403.6 million (100% of Spring Requested budget). The major source of funding within this category are residential and commercial retail rate revenues with projected year-end total of \$370.0 million, or 100% of the Spring requested budget after a \$24.2 million budget adjustment. The adopted budget was based on an assumption that retail billings would be down 5% from non-pandemic levels, especially in the commercial sector, but actual revenues through February are running slightly better than the non-pandemic plan.

The next largest source within charges for services are Systems Development Charges (SDCs), with a projected total of \$25.8 million (94%), which is made up of \$23.1 million of cash receipts and \$2.8 million of non-cash liens receivables. The remaining \$7.8 million is split between wholesale contract revenues (\$4.8 million, 106%) for service provided to adjacent jurisdictions whose flow is treated by Portland, and other various fees, rents, inspections, etc., totaling \$3.0 million (124%); no Spring BMP requests are included within this category.

The next largest funding source in our projection is fund transfer revenues of \$198.3 million (82%), of which \$198.1 million is from the Sewer Construction Fund to reimburse for direct CIP expenditures (\$183.8 million, 83%), bureau overhead allocated to CIP projects (\$14.3 million, 94%). No Spring BMP requests are included within this category.

License and permits are projected to be \$1.9 million (123%) as development permit revenues have also benefitted from a stronger construction economy than originally anticipated.

Interagency revenues are currently projected to be \$2.2 million on a budget of \$2.4 million (91%), as requests for Engineering Services provided to PBOT are expected to be about 50% of budget. Coordinated Site Assessment services are running nearly double budgeted amounts due to large amounts of contaminated soils removal and disposal for other bureaus (mostly PBOT), for which spring BMP adjustments totaling \$614,000 has been requested.

Finally, miscellaneous revenues, which includes gas sales, interest earnings, lien interest payments, surplus equipment sales and various other miscellaneous items, are projected to be \$1.0 million (21% of \$4.6 million budget). This is due almost entirely to the delay in the sale of Renewable Compressed Natural Gas (RCNG, \$3.5 million budgeted), as the gas-processing portion of the project has not yet come online. Lien interest payments together are projected to be only 47% of budget (\$159,000 of \$335,000), while interest on investments are projected to be 92% (\$375,000 of \$410,000).

Revenue Risks

The biggest risk to this revenue forecast is the impact on the economy changes in pandemic might have, as commercial rate revenues and SDC's have been heavily impacted previously. Although the forecast does not specifically predict movement of the economy due to a renewed pandemic, any significant change in closures and other state-mandated policies would have an impact in sewer service billings and collections, as well as development-related income.

Expenditure Discussion

The expenditures projection is based on February year-to-date line-item actuals by fund using various methods of forecasting. Expenditures within the Sewer Operating Fund are projected separately for operating and CIP expenses and combined for budget entry by major object code. Total expenditures of \$689.3 million are forecasted to be 94% of the revised budget of \$736.3 million. Within this amount, total CIP expenditures are projected to be approximately 75% of revised budget (\$169.0 million out of \$226.2 million), and operating expenditures (excluding cash transfers and contingency) are projected to be 96% of Spring requested budget (\$180.4 million out of \$187.4 million.)

Capital outlay is projected to be about 72% of revised budget after Spring BMP adjustments, due mostly to delays in CIP projects causing lower than anticipated construction costs (-\$45.64 million, 72%). But delayed vehicle replacements (-\$770,000, 57%) occur in the operating program as the purchase process often takes over a year between the bureau's request and actual delivery when Fleet charges the bureau, especially on larger specialized purchases, resulting in having budget for new purchases not likely to be received and to re-budget prior year's orders which hadn't been received. Within the CIP, the following projects account for the majority of under budget spending:

E10216 – Stark HSS-17 (projected under budget by approximately \$9.5 million): delay in issuance of street opening permit and lack of staff resources delayed construction schedule.

E10805 – CBWTP Headworks Screening Improvements (projected under budget by approximately \$6.4 million): delays with consultant have pushed construction out significantly.

E10500 – Phase 3 Pipe Rehabilitation (projected under budget by approximately \$5.2 million): delays in survey, CCTV, and consultant deliverables have postponed schedules.

E10368 – Sunnyside South/Ladd's South Reconstruction and Green Street (projected under budget by approximately \$4.8 million): delay in issuance of street opening and urban forestry permits have pushed construction start date out further.

E10576 – Large Diameter Sewer Pipe Rehabilitation (projected under budget by approximately \$4.7 million): as of result of complex projects and deliverables, review process has taken longer than anticipated resulting in additional design refinements delaying construction phase.

E10807 – Inverness Pump Station Force Main System Improvements (projected under budget by approximately \$4.3 million): pandemic-attributable delays pushed construction out, with new cost estimates required.

E04891 – Rehabilitation, Repair and Modifications Shell (projected under budget by approximately \$3.8 million): delays in procurement meant

Business Area Projection Report

contracts took longer to get, delaying bid process.

E10902 – Water Pollution Control Laboratory Site Work (projected under budget by approximately \$2.8 million): project was put on hold during pandemic, requiring amendment to design contract and subsequent construction phase.

E08748 – Party Sewers Shell (projected under budget by approximately \$2.3 million): major construction delayed due survey work and lack of CAD staff.

E11053 – Downtown/Old Town (DTOT) Pipe Rehabilitation (projected under budget by \$1.9 million): delays in survey, CCTV, consultant deliverables, and protests have postponed schedules.

E10611 – Force Ave. Pump Station Upgrade (projected under budget by approximately \$1.3 million): land use permit issuance delay paused the project prior to design completion.

E11252 – NW 9th/NW Hoyt System Improvements (projected under budget by approximately \$1.2 million): coordination issues with City Attorney and Prosper Portland resulted in delays in RFP and contractor procurement process.

Based on current expenditure patterns, personal services are projected to be \$89.6 million (97% of budget after Spring BMP adjustments), reflecting approximately 5% average vacancy (on a dollar basis, rather than a position basis) throughout the year. Some of the vacancy savings are offset by increased part-time employees, premium pay, and wage-driven benefits and taxes.

External materials and services are projected to be \$94.8 million, which would have exceeded the revised budget of \$94.7 million. This BMP includes net additional appropriation of \$6.1 million, of which \$4.0 million is within the operating budget, and \$2.1 million within the CIP (equally offset by reductions to capital outlay.) The largest of these adjustments (\$1.5 million within the operating budget) is for additional utility license fees payments as a result of increased rate revenues discussed above. Also, within the operating budget, additional requests in miscellaneous services include \$500,000 for a CBWTP Operational Needs Assessment Report and \$367,000 for bio-solids hauling costs due to driver shortages requiring use of higher-cost alternative contractors. Within the CIP, \$1.0 million is shifted from capital outlay to prevent over-expending within miscellaneous services, \$700,000 in utilities expense, and \$400,000 operating supplies in numerous projects.

Internal materials and services are projected to be \$44.0 million (83% of budget after Spring BMP adjustment), with \$4.6 million of the \$9.0 million under-expenditure within the CIP, the largest being projected in construction services (-\$1.9 million, 18%), survey services (-\$1.3 million, 48%), and sewer repair services (-\$563,000, 44%). Within the operating program, charges from PBOT for sewer and storm maintenance services (within multiple commitment items) are projected to be \$5.3 million under budget (77%).

Fund transfer expenses are projected to be \$244.5 million (96% of revised budget), which consists of \$172.5 million (97%) transferred to the Debt Redemption Fund to pay debt service on the bureau's approximately \$1.29 billion of outstanding revenue bonds, and \$64.8 million to the Construction Fund which will fund CIP projects until next fall's bond sale. Another \$6.5 million goes to the General Fund for city overhead services, and the remaining \$711,000 pays a portion of the bureau's debt service on Pension Obligation Bonds (POBs).

Debt service expenditures of \$4.3 million in the Operating Fund represent direct principal and interest payments on the bureau's remaining portion of Pension Obligation Bonds.

Finally, the result of all projected revenues and expenditures equals fund contingency (i.e. estimated ending fund balance), which is projected to finish the year at \$95.2 million (141%), an increase from the actual beginning fund balance of \$82.0 million. This amount consists primarily of accumulated receivables, year-end billing and other accruals totaling \$86.9 million, which have risen during the pandemic.

Expenditure Risks

The largest expenditure risk is within the operating program if current projections, using 5-year historical trends, prove not to be the expenditure pattern that occurs this fiscal year. If a larger percentage of expenditures occur in the remaining four months than projected, and revenues do not meet projections, then the bureau would have to reduce its year-end transfer to the Construction Fund to maintain adequate cash and fund balance going into the next fiscal year. This risk doesn't exist regarding the CIP, which is reimbursed every month from the Construction Fund from bond proceeds and accumulated non-bond cash and thus doesn't impact net operating results.

Other Notes

Business Area Projection Report

Bureau of Environmental Services - Fund 608

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Contingency	\$7,683,786	\$0	\$11,781,176	153%
Debt Service	\$1,918	\$69	\$1,918	100%
External Materials and Services	\$8,969,893	\$2,059,021	\$5,448,800	61%
Fund Transfers - Expense	\$1,286,344	\$1,258,836	\$1,286,339	100%
Internal Materials and Services	\$1,801,120	\$1,248,857	\$1,785,439	99%
Personnel	\$764,022	\$582,150	\$681,861	89%
Sum:	\$20,507,083	\$5,148,932	\$20,985,533	102%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$6,547,808	\$0	\$6,547,808	100%
Charges for Services	\$6,822,765	\$4,683,619	\$7,273,157	107%
Fund Transfers - Revenue	\$6,599,207	\$2,209,207	\$6,599,207	100%
Interagency Revenue	\$511,703	\$348,597	\$522,896	102%
Miscellaneous	\$25,600	\$24,155	\$42,465	166%
Sum:	\$20,507,083	\$7,265,577	\$20,985,533	102%

Revenue Discussion

Charges for service revenues are projected to be \$7.3 million, or 107% of budget, as Portland Harbor Superfund charges on the sewer bills are projected to be \$6.5 million, or 105% of budget. Rents and reimbursements within charges for services are projected to be \$753,000, 121% of budget due to increases in lease rates.

Fund transfer revenues represent reimbursements from the Portland Harbor Citywide Obligation Reserve Fund for certain tasks performed on behalf of other City bureaus and Portland Prosper. Work is proceeding as anticipated in the budget resulting in the cash transfer projected to be 100% of budget.

Miscellaneous revenues are projected to be 166% of budget (+17,000) due to higher interest earnings on higher balances from lower expenditures.

Revenue Risks

Any change in the economy due to COVID restrictions will likely impact actual Portland Harbor Superfund charge revenues. Also, the reimbursement cash transfer from the Citywide Obligation Reserve Fund will be directly affected by how much of these citywide expenditures occur.

Expenditure Discussion

Personnel services are projected to be 89% of revised budget after select vacancies were realized and filled during the fiscal year.

External materials and services are projected to be \$5.4 million, 61% of the \$9.0 million revised budget. Of this projected amount, \$2.7 million (49%) is projected to be within the Citywide Obligations portion of the Portland Harbor program, \$2.6 million (48%) is throughout the Portland Harbor program as the program awaits EPA decisions regarding liability determination and plans for moving forward. Finally, the remaining \$0.2 million is for payment of utility license fees on the Portland Harbor Superfund charges and utilities at the Guilds Lake site (99%.)

The net projection for contingency/ending fund balance is \$11.8 million, 153% of the budget of \$7.7 million after Spring BMP adjustments. The difference will factor into the Portland Harbor Superfund charge calculations for FY 2022-23.

All other major object codes are expected to be within the 10% threshold.

Expenditure Risks

Business Area Projection Report

The primary risk is the timing of projected expenditures and when they will materialize. Much of the external materials and services costs are not uniform across the year but tend to be large payments at indeterminant intervals during the year, and which are dependent on external decisions and actions outside of the bureau's control.

Other Notes

Business Area Projection Report

Bureau of Environmental Services - Fund 609

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Debt Service	\$172,742,735	\$79,254,874	\$172,742,734	100%
Debt Service Reserves	\$46,750,777	\$0	\$41,142,853	88%
Fund Transfers - Expense	\$0	\$0	\$0	
Sum:	\$219,493,512	\$79,254,874	\$213,885,587	97%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$41,250,000	\$0	\$41,194,742	100%
Fund Transfers - Revenue	\$178,043,512	\$71,192,031	\$172,508,096	97%
Miscellaneous	\$200,000	\$96,696	\$182,749	91%
Sum:	\$219,493,512	\$71,288,727	\$213,885,587	97%

Revenue Discussion

Total revenues of \$213.9 million are projected to be at 97% of the spring requested budget of \$219.5 million. Transfers from the sewer operating fund in total are projected to be \$172.5 million, or 97% of the spring requested budget of \$178.0 million. This transfer is composed of \$148 million from the Sewer Operating Fund (97% of the Spring requested budget of \$152.8 million) and transfers from the SDC sub-fund of the Sewer System Operating Fund which are projected to be \$24.1 million, or 96% of the spring requested budget of \$25.2 million.

Miscellaneous sources are projected to be 91% of the spring requested budget from interest earnings on the cash balances of debt service reserves.

Revenue Risks

Little risk exists for any revenues other than interest earnings and the projection of the City's earnings rates through the end of the fiscal year.

Expenditure Discussion

Debt service expenditures of \$172.7 million are projected at 100% of budget due to fixed amortization schedules. Debt service reserves accounts are projected to be 88% of budget after the Spring adjustments, which includes required debt service reserves of \$38.2 million, and general ending fund balance of \$3.0 million, which consists of accrued interest earnings and expenses. Additionally, the budget includes \$4.8 million of extra reserves from the cash transfer revenue from the sewer operating fund as cushion against SDC revenues coming in below the projected amounts. Total requirements of \$213.9 million are projected to be at 97% of the spring requested budget of \$219.5 million.

Expenditure Risks

There is no risk to the expenditures as the debt service schedules are fixed until the next bond issue in FY2022-23.

Other Notes

Business Area Projection Report

Bureau of Environmental Services - Fund 614

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Contingency	\$76,961,619	\$0	\$112,620,901	146%
External Materials and Services	\$50,000	\$0	\$0	
Fund Transfers - Expense	\$237,800,777	\$91,074,919	\$198,155,479	83%
Sum:	\$314,812,396	\$91,074,919	\$310,776,380	99%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$243,030,396	\$0	\$243,030,396	100%
Charges for Services	\$350,000	\$464,777	\$1,195,777	342%
Fund Transfers - Revenue	\$70,682,000	\$598,128	\$65,348,128	92%
Miscellaneous	\$750,000	\$1,047,762	\$1,202,079	160%
Sum:	\$314,812,396	\$2,110,667	\$310,776,380	99%

Revenue Discussion

Fund transfer revenues are the main income of the fund and are expected to be 92% of the spring requested budget (\$70.7 million), up \$16 million from the current budget, reflecting the projection of better than expected rate revenue and development charges. Furthermore, line and branch charges are expected to be 340% (\$1.2 million) of the revised budget as a result of the improving construction economy. There are no other major object codes outside of the 10% reporting limits.

Revenue Risks

The primary risk to revenues is if the Sewer Operating Fund performs much worse than projected, thus not able to send the full amount of cash contribution towards future capital improvement funding. If that occurs, it would likely require selling the next bonds earlier than planned, but would not have a material impact on the future financial forecast. Very little risk exists for any revenues, other than interest earnings and the projection of the City's earnings rates through the end of the fiscal year.

Expenditure Discussion

Fund transfer expenses are the main expenditure of the fund and are expected to be 83% of the revised budget, reflecting the projection of direct CIP project reimbursement (\$183.9 million) and allocated project overhead charges (\$14.3 million.)

Contingency is projected to be \$112.6 million (146% of the Spring requested budget) due to reduced CIP reimbursements to the Sewer Operating Fund.

Expenditure Risks

The largest risk is within CIP reimbursement transfers, which are dependent upon the progression of CIP projects in the Sewer Operating Fund. Additional reimbursements could potentially move up the timing of the next bond issue, while fewer reimbursements would delay the next bond sale.

Other Notes

Business Area Projection Report

Bureau of Environmental Services - Fund 617

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Contingency	\$121,675,900	\$0	\$126,636,376	104%
Fund Transfers - Expense	\$5,000,000	\$0	\$0	
Sum:	\$126,675,900	\$0	\$126,636,376	100%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$126,075,900	\$0	\$126,075,900	100%
Miscellaneous	\$600,000	\$338,078	\$560,476	93%
Sum:	\$126,675,900	\$338,078	\$126,636,376	100%

Revenue Discussion

All revenues are projected to be within the 10% reporting guidelines.

Revenue Risks

Very little risk exists for any revenues other than interest earnings and the projection of the City's earnings rates through the end of the fiscal year.

Expenditure Discussion

Fund transfer expenses are expected to not be needed this year, as the projection of revenues, expenses, fund/cash balances and coverage within the Sewer Operating Fund appears to be sufficient. BES includes a \$5 million expense in the Spring BMP allowing for operational flexibility while maintaining budget appropriation in the event funds need to be utilized. As no funds are expected to be utilized this year, contingency/projected ending fund balance will increase from the Beginning Fund Balance by the amount of interest earnings.

Expenditure Risks

The primary risk to this fund is with changes in the Sewer Operating Fund requiring the infusion of cash to maintain coverage or provide cashflow.

Other Notes

CAPITAL PROGRAM STATUS REPORT



Capital Program Status Report

Bureau of Environmental Services

CIP Program Name	2020-21 Adopted Budget	2020-21 Revised Budget	2020-21 Actuals	PY Variance	PY Percent of Actuals to Revised	2021-22 Adopted Budget	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	Spring Req. to Adopted Variance	Spring Req. to Adopted % Variance
Citywide Projects	500,000	1,115,000	1,065,263	-49,737	95.54%	750,000	750,000	116,000	0	0%
Collection System Pumping	11,015,000	11,015,000	9,087,999	-1,927,001	82.51%	19,399,000	19,399,000	4,335,531	0	0%
Maintenance and Reliability	0	0	0	0		0	0	137,700	0	
Non-process Property and Facilities	1,500,000	1,500,000	505,374	-994,626	33.69%	4,300,000	4,300,000	388,699	0	0%
Restoration and Remediation	10,828,000	10,824,000	7,426,134	-3,397,866	68.61%	9,808,000	9,808,000	2,006,949	0	0%
Sanitary and Combined Collection System	64,596,000	64,392,150	47,271,812	-17,120,338	73.41%	70,402,000	68,466,000	17,123,936	-1,936,000	-2.83%
Sewage Treatment Systems	0	0	0	0		0	0	59,644	0	
Stormwater Management	21,437,532	21,645,532	4,559,194	-17,086,338	21.06%	16,229,000	16,765,000	10,605,637	536,000	3.2%
Support	1,450,000	5,250,000	3,937,061	-1,312,939	74.99%	3,900,000	3,900,000	1,524,181	0	0%
Surface Water Management	0	0	0	0		0	0	76,514	0	
Systems Development	0	0	0	0		0	0	26,687	0	
Wastewater Resource Recovery	59,218,000	54,803,000	46,347,791	-8,455,209	84.57%	102,321,000	103,721,000	45,925,376	1,400,000	1.35%

Capital Program Status Report

	0	0	0	0		0	0	117,757	0
Sum:	170,544,532	170,544,682	120,200,630	-50,344,052	-29.52%	227,109,000	227,109,000	82,444,611	0

Current Year Variance Description

The bureau transitioned to a new collection of seven CIP programs to align with its new organization structure and converted most existing projects to these new programs. A few projects have incorrect program codes assigned and thus appear under the previous four programs with no budget. The explanations below are based on the Bureau's FY 2021-22 expenditure data and describe the primary variances impacting BES CIP spending.

Citywide Projects

EZ0011 Community Opportunities and Enhancements Program: while few expenditures have occurred this year, it is projected to be charged up to \$750,000 later this spring as new construction contracts go through procurement.

Collection System Pumping

E10807 – Inverness Pump Station Force Main System Improvements (projected under budget by approximately \$4.5 million): pandemic-attributable delays pushed construction out, with new cost estimates required.

E10611 – Force Ave. Pump Station Upgrade (projected under budget by approximately \$1.4 million): land use permit issuance delay paused the project prior to design completion.

Non-Process Property and Facilities

E10902 – Water Pollution Control Laboratory Site Work (projected under budget by approximately \$2.9 million): project was put on hold during pandemic, requiring amendment to design contract and subsequent construction phase.

Restoration and Remediation

E10809 – Culverts Phase 3 (projected under budget by approximately \$950,000): project crosses into Clackamas County, with ownership issues requiring IGA with the County, delaying construction.

Sanitary and Combined Collection System

E10216 – Stark HSS-17 (projected under budget by approximately \$10.0 million): delay in issuance of street opening permit and lack of staff resources delayed construction schedule.

E10500 – Phase 3 Pipe Rehabilitation (projected under budget by approximately \$5.5 million): delays in survey, CCTV, and consultant deliverables have postponed schedules.

E10368 – Sunnyside South/Ladd's South Reconstruction and Green Street (projected under budget by approximately \$5.0 million): delay in issuance of street opening and urban forestry permits have pushed construction start date out further.

Capital Program Status Report

E10576 – Large Diameter Sewer Pipe Rehabilitation (projected under budget by approximately \$4.9 million): as of result of complex projects and deliverables, review process has taken longer than anticipated resulting in additional design refinements delaying construction phase.

E08748 – Party Sewers Shell (projected under budget by approximately \$2.4 million): major construction delayed due to survey work and lack of CAD staff.

E11053 – Downtown/Old Town (DTOT) Pipe Rehabilitation (projected under budget by \$2.0 million): delays in survey, CCTV, consultant deliverables, and protests have postponed schedules.

E10941 – Hillsdale Crest Rain Derived Inflow & Infiltration (projected under budget by \$600,000): construction contract and close-out costs came in under budget.
Stormwater ManagementE10563 Columbia Slough Outfalls (under budget by \$900,000): project put on hold to accommodate other urgent projects, particularly CBWTP Secondary Treatment Expansion, as well as aspects in redesign; anticipate restarting in FY 2023-24 or FY 2024-25.

E11155 Citywide Sump Rehab & Replacement (projected under budget by \$900,000): delays due to staff availability and staff workload distribution.

E11252 NW 9th/NW Hoyt System Improvements (projected under budget by \$1.3 million): delay in GM/GC delivery procurement, preparation for RFP and GM/GC proposal review, and coordination with city attorneys on Prosper Portland IGA.

Support

E11351 CIP Planning Shell (projected under by approximately \$700,000): delayed due to reduce staff available.

E11408 IRHP Grading and Paving (projected over by approximately \$700,000): budget for this project in Non-Process Property and Facilities program shell project, but this project was mistakenly set up in Support program.

Wastewater Resource Recovery

E10805 – CBWTP Headworks Screening Improvements (projected under budget by approximately \$6.4 million): delays with consultant have pushed construction out significantly.

E04891 — Rehab, Repair & Modifications Program (\$4 million underspent): Delays in procurement meant contracts took longer to get, delaying bid process.

E10897 CBWTP Substation Replacement (projected under budget by approximately \$1 million): Revised construction approach drove portion of the equipment delivery delay into FY2022-23.

E06072 – CBWTP Lagoon Reconstruction (projected under budget by \$400,000): Delays due to staffing resources allocated to other projects.

E11039 CBWTP Digesters 1-4 Upgrade (projected under budget by \$250,000): Delays due to reworked project scope to adhere to engineering and maintenance requirements.

