

PORTLAND UTILITY BOARD

Members:

Heidi Bullock

Kaliska Day

Ted Labbe

Robert Martineau

Micah Meskel

Dory Robinson

Mia Sabanovic

Gabriela Saldaña-López

Karen Y. Spencer

Karen Williams

Ex-officio Members:

Ana Brophy

Brian Laurent

Sara Petrocine

Staff Contacts:

Eliza Lindsay, Coordinator

(503) 823-1810

Eliza.Lindsay@portlandoregon.gov

Amy Archer-Masters, Analyst

(503) 823-6981

Amy.Archer-Masters@portlandoregon.gov

City Budget Office

111 SW Columbia St., 5th Floor

Portland, Oregon 97201

To: Mayor Ted Wheeler

Commissioner Nick Fish

Commissioner Amanda Fritz

Commissioner Chloe Eudaly

Commissioner Jo Ann Hardesty

Michael Jordan, Bureau of Environmental Services

Michael Stuhr, Portland Water Bureau

Re: Portland Utility Board FY 2018-19 Annual Report

Date: September 30, 2019

Per Chapter 3.123 of Portland City Code that governs the Portland Utility Board (PUB), please find attached our Annual Report for FY 2018-19 and a preliminary workplan for the upcoming year.

To act as effective advocates for the Portland community, board members need a broad understanding of utility management, bureau operations, and the city budget process. As you will see from the report, PUB's fourth year included significant transition for the PUB while still achieving an intensive examination of programs and policies and education of members. PUB also acted in the capacity of the Budget Advisory Committee for the bureaus, adjusting to new budget processes while reviewing the capital and operating budgets for FY 2019-20, as well as the proposed rate and fee schedules. Finally, PUB engaged in policy issues and strategic planning for the bureaus.

The proposed FY 2019-20 workplan is designed to involve PUB on policy issues earlier to better impact bureau decisions. With over half of the PUB members new this year, the diversity of the board is expanded to better reflect the community and there is interest in board development to maximize impact and effectively use the skills and experience available. The board has identified equity, community engagement, low income assistance program, performance metrics, strategic plans, BES comprehensive rate study and engaging in policy issues such as lead and corrosion control as specific topics for engagement in the next fiscal year, in addition to its responsibilities as part of the budget process.

Members look forward to a constructive dialogue with the City Council and bureaus in FY 2019-20.

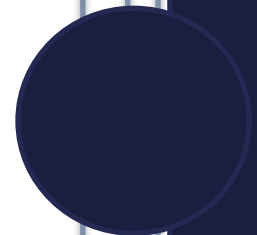
This Page Intentionally Left Blank



PORTLAND UTILITY BOARD

FY 2018-19 Annual Report

September 2019



This Page Intentionally Left Blank

Portland Utility Board FY 2018-19 Annual Report

Executive Summary

The Portland Utility Board (PUB) serves as the volunteer, community-based, advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB).

Over the course of the 2018-19 fiscal year, PUB held 21 regular and 4 subcommittee meetings. The board reviewed operating budget information, new program offer narratives, and the major additions and adjustments to the five-year capital improvement plans for both bureaus. During the city process for approving bureau budgets, the board provided written recommendations and observations to the City Council, participated in Council work sessions and mayor meetings, and provided testimony during Council consideration of budget requests and rate ordinances. In addition, board members engaged in strategic plans for both BES and PWB.

FY 2018-19 included significant transition for the PUB, including change in staffing model, meeting schedule and membership. In the coming year, the PUB looks forward to its continued work on behalf of the residents of Portland with Commissioner Fish, Commissioner Fritz, and the bureaus. Specifically, in addition to internal work in response to recent transitions and responsibilities as part of the budget process, the board has identified the following topics as some of the highest priorities: equity, community engagement, low income assistance program, performance metrics, strategic plans, BES comprehensive rate study and engaging in policy issues such as lead and corrosion control.

Introduction

The PUB began its service to the city on September 1, 2015. Its formation and general structure were recommended by the Portland Utility Oversight Blue Ribbon Commission which, in 2014, evaluated the need for additional oversight of Portland's utility bureaus – PWB and BES. In response to that evaluation, the PUB was created to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (Portland City Code. (3.123.010)”

To act as effective advocates for the Portland community, board members need a broad understanding of utility management, bureau operations, and the city budget process. The PUB's fourth year saw an examination of these areas, education of members, and engagement on a range of issues including water quality, low income assistance, filtration and biosolids.

The following sections detail the investments made by both board members and bureau staff to increase the knowledge foundation of members, the opportunities provided for public engagement in budget and policy discussions, and communications to the City Council.

Member Compositions and Education

The PUB includes 11 voting member positions and three ex-officio member positions. Voting members are appointed for 3-year terms and can be reappointed for one additional term. The table below shows current members of PUB. There remains one vacancy for a voting member.

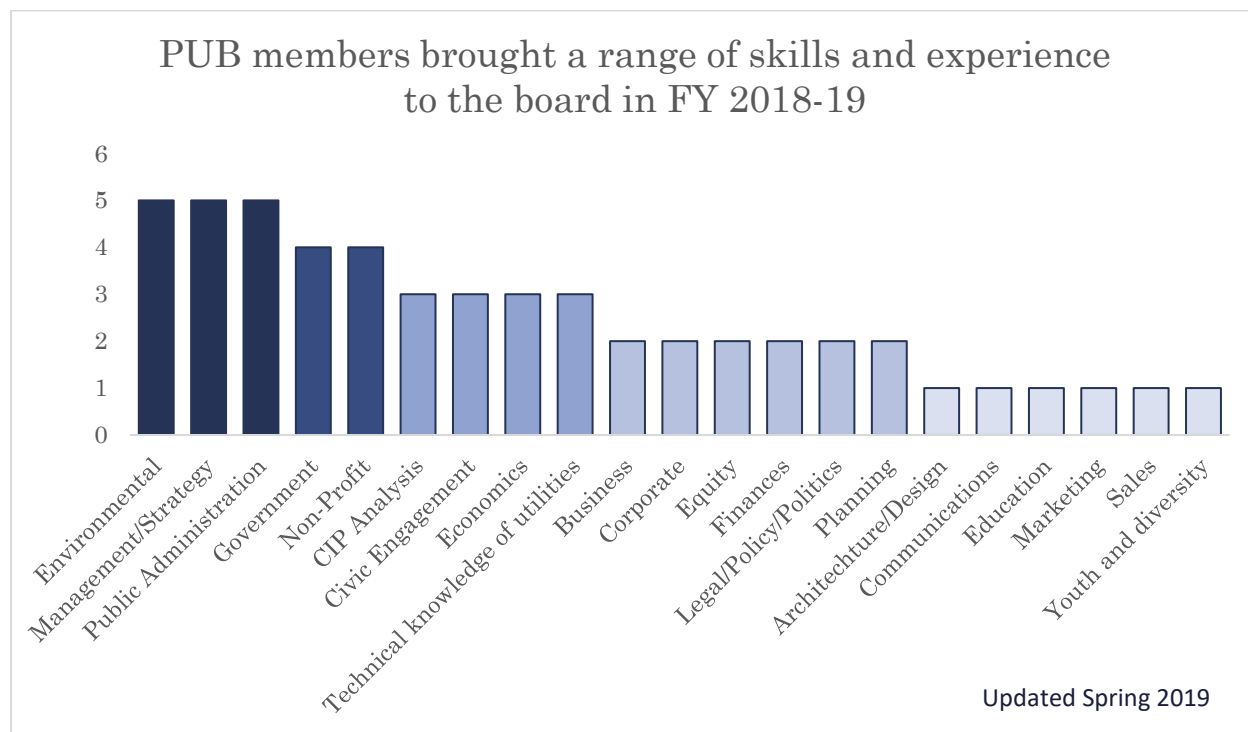
	Voting PUB Member	Term Ending		
		30-Jun-20	30-Jun-21	30-June-22
New Members as of 7/1/19	Ted Labbe*	x		
	Micah Meskel*	x		
	Heidi Bullock*		x	
	Rob Martineau		x	
	Dory Robinson*		x	
	<i>Mia Sabanovic*</i>	x		
	<i>Karen Williams*</i>		x	
	<i>Kaliska Day*</i>			x
	<i>Gabriela Saldaña-López*</i>			x
	<i>Karen Y. Spencer*</i>			x

* These members are serving their first term and could be reappointed for a second term

Current Ex-Officio members include Ana Brophy, Brian Laurent and Sara Petrocine. During FY 2018-19, PUB included the following members that departed during the year – voting members: Allan Warman, Colleen Johnson, Dan Peterson, Lee Moore, Mike Weedall, and Scott Robinson; ex-officio members: Van Le and Vera Zaharova.

The ordinance governing PUB identifies the following skills that will serve the board well: technical knowledge of water, stormwater, and sewer utility operation and issues, accounting, civil engineering, conservation, environmental sciences, health sciences, public administration, urban planning, or utility economics, financial and capital improvement analysis, ecosystem science, environmental protection, political process, group process, and communications. The

board worked this past year to increase the number of members with equity, communications, and environmental experience. The skill mix of members for FY 2018-19 is illustrated in the graph below.



This fiscal year, PUB expanded its recruitment activities for new members with assistance from BES, PWB, the Office of Community and Civic Life and Government Relations. The workgroup to review applications for new members included members of PUB, community members, and representatives from BES, PWB and Commissioner Fritz' office. The workgroup reviewed 13 applicants before recommending new members that were reviewed by PUB. The FY 2019-20 PUB includes five new voting members to the board: Kaliska Day, Mia Sabanovic, Gabriela Saldaña-López, Karen Y. Spencer and Karen Williams. These new members are reflective of the City of Portland; they enhance the goals and work of the board by bringing more diverse perspectives, experiences and skills sets to PUB deliberation. The appointments were confirmed by City Council in June. Biographies of all FY 2018-19 members are included in the appendix.

As part of the recruitment process last fiscal year, PUB staff used an onboarding curriculum to educate new members on city budget processes, ethics requirements, and introductory information for both BES and PWB to jump start their participation in the board activities. This educational component continued this fiscal year with additional focus on equity.

Member Service and Board Meetings

In FY 2018-19, PUB members each dedicated 57 hours of service in formal meetings, plus additional hours preparing for meetings and participating in field trips, planning meetings, interviews and Administrative Review Committees. After several years of increased meetings and a desire to delve deeper into policy issues, in May 2019 the board decided to increase the length of their primary monthly meeting and shift the second monthly meeting to focus on topical areas as subcommittees in order to move forward work on priorities. In addition, the board has prioritized their workplan to identify issues that can be provided as written updates to maximize their meeting time to focus on discussion, feedback and decision making.

In FY-2018-19, PUB held 25 board meetings, including 21 full meetings, and 4 subcommittee meetings to advance work on their workplan and recruitment. Summaries of all meetings can be found on [PUB's website](#). Each PUB meeting was designed to further the members' understanding of the challenges and opportunities facing each bureau within the workplan areas of review. In between meetings, there were substantial reading materials to help members fully understand the depth and breadth of the services of each utility. Following is a summary of the topical areas addressed during the year (Table 1).



PUB member meeting in 2018.

PUB members participated in 8 Administrative Review Committees to aid in determining whether City Code and bureau rules were applied and interpreted consistently and appropriately to cases under review. These hearings are bureau mechanisms for members of the public to request a review of decisions, determinations, or orders of the BES and PWB for which there is an Administrative Review provision in Code and Rule. The process ensures the public can exercise their right to be heard and receive fair treatment. Having PUB members who are not city employees participate in the process helps keep the process fair and equitable.

Members also visited the Bull Run Watershed, Columbia Boulevard Wastewater Treatment Plant, and Washington Park reservoirs to further their understanding of the bureaus' resources and assets and gain important foundational knowledge regarding current and future projects.



PUB Members toured the Bull Run Watershed.

Table 1: PUB FY 2018-19 Meeting Topics

Bureau Engagement and Oversight	
Groundwater and Water Quality	Biosolids
Low Income Assistance Program	Stormwater Fees
Filtration	Private Stormwater Management
Water Bureau Customer Service	Portland Harbor Superfund – Public Involvement
Willamette River Pipe Crossing	Wastewater Treatment Plant Facility Plans and Updates
Lead/Corrosion Control	
Community Water Forum	
Administrative Review Updates	
Bureau Strategic Planning and Performance	
Bureau Strategic Plans	Charter Protection of Bull Run
Equity Managers and Plans	
Financial Planning and Budgeting	
City Budget Process Changes	Recommendation Letters and Presentations
Budget – Fall BMP, Spring BMP, Requested	Capital Improvement Plan, Capital Process
Budget, Rate Hearing	Changes, Capital Project Updates
Program Summaries and Changes	City Plans 101
Board Administration	
Co-chair Recommendations	Analysis interests
Board Development	PUB Member Recruitment
Annual Report	PUB Workplan, Priorities and Changes to
PUB Staffing (Reconfiguration, Transition)	Meeting Schedule

Communications to Council

PUB was created to have multiple opportunities to communicate to the City Council on budget and other issues relating to the two utilities. (See Appendix for written communications.)

FY 2019-20 Budget Process

PUB spent last fall adjusting to the changes to the City's budget process, reviewing various components of the bureaus' FY2019-20 budget requests and, as part of its role as the Budget Advisory Committee for both bureaus, submitted its initial observations with those requests in January and followed up in April.

The PUB identified ten values it considers when providing input and making recommendations to the Council: affordability, efficiency of operations and value to customers, assistance to low-income residents, protection of public health and watershed health, improvement and sustainability of infrastructure, regulatory compliance, equity, service delivery, system resiliency, and transparency and public engagement.

These values are not presented in any particular order and tension can exist between these values. PUB was supportive of the bureaus' budgets including increases in staffing needed at BES to address program needs. However, PUB members continue to feel the tension between the need of the bureaus to increase investments to address system maintenance and the burden that ongoing annual rate increases place on customers. The PUB was engaged in the development and implementation in 2018 of the Low-income Assistance Program and is eager to remain engaged in evaluating the program as an important component to help address affordability for the most vulnerable customers. The board remains concerned about the ongoing annual rates of increase for customers and will continue to consider affordability issues. The board and bureau will also continue to refine the board's engagement in the budget process within the program offer model. The board is eager to engage on performance metric development in support of this work.

Budget Monitoring Process

Twice a year, the City has a process for bureaus to adjust their current year budgets. The PUB reviewed the bureau requests for budget adjustments in the Fall and Spring, considered the CBO review and recommendations, and provided input to City Council prior to their consideration. PUB continued to use the following principles for considering bureau budget adjustments mid-year:

- Bureau requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year.
- Bureau requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time.
- Bureau requests for increases to staff should be done as part of the holistic annual budget process and should not be done out of cycle. Including staff requests as part of the annual process allows for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny.

- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities.
- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

The Fall requests from PWB aligned with these principles and PUB supported the requested adjustments. PUB also supported most of BES' requests as consistent with these principles, but shared concern regarding insufficient monitoring and management techniques to avoid additional budget requests relating to biosolids. The PUB continued to share concern about the ability of the bureaus to execute on the amount, size and complexity of capital projects. The PUB did not identify any issues warranting comment in the Spring budget monitoring process.

Policy Considerations

Outside of the formal city budget process, other items come before the bureaus and/or City Council that affect the utility bureaus. During FY 2018-19, these items included filtration, low income assistance program, biosolids, water quality, bureau strategic plans and capital projects. For each of these issues, the board considered the items at one or more meetings, invited bureau experts and Portland community members to provide information and input, and provided feedback to the bureaus for consideration.

Challenges and Opportunities

- **Staff and Board Transitions.** FY 2018-19 was a year of significant transition for the board, impacting the board workplan last year as well as in the current year as the board settles into a new staffing model and new membership.

With the departure of long-time staff support in 2018 presenting a challenge, it also provided an opportunity for the board to evaluate support needs and request a restructure of staffing to better meet workload needs. Much of the fiscal year was supported with transitional staffing but a full-time coordinator and part-time analyst were hired in late summer 2019.

Although every year intentionally includes transition in membership to gain new perspectives on the board, additional departures during the year resulted in five new board members in July 2019. With strategic recruitment efforts and a board priority of equity and increasing the demographic diversity of the board, the board was successful in expanding the diversity of appointees. PUB continues to work towards better reflection of the Portland community with increased variety in demographics as well as broader set of skills, experience and connections with community.

With new staff and half of the board members being new to this year, it provides an opportunity to do internal board development work. In June 2019, five of the PUB members resigned from the board and submitted a written communication to Council sharing concerns regarding board composition and level of staff involvement. The current PUB has formed a subcommittee to engage in review of PUB's code and bylaws to consider any areas of potential clarification and update, including membership. This is intended as an annual review and any recommended changes would be brought before the full PUB for public feedback and brought to Council where appropriate.

- **Public Engagement - Connecting to Portland Communities.** To be effective advocates for the public, there needs to be open and transparent communication. PUB has an established website <http://www.portlandoregon.gov/cbo/68272> to help facilitate the sharing of information with the public and among members. All meeting notices, agendas, minutes, bureau presentations, and other meeting materials are posted on the website for public access. In addition, PUB bylaws reflect a strong commitment to public engagement with time set aside for public comment during each meeting and before all votes.

Increasing public engagement is a topic that has been discussed by the PUB over the past year and is a clear priority for the current members. The future workplan includes areas to more actively engage the public on topics of interest, such as upcoming meetings on lead and corrosion control where the board is planning to meet with different format, time and location in an attempt to increase opportunities for public participation. The board subcommittee intends to pilot and evaluate the effectiveness of this approach to holding meetings in the community and evaluate the effectiveness of this and other efforts to engage the public.

- **Budget Review and Input.** For both bureaus, the operating budget and the five-year capital improvement plan are products of previously developed programs, plans, and studies that guide the management of bureau infrastructure. PUB has spent several years working with the bureaus in their strategic planning processes to allow for PUB input earlier in the planning and design phases. Last year the City changed its budget process to move away

from decision packages and have bureaus submit program offers to focus more on intended outcomes of city programs. PUB looks forward to continuing to partner with the bureaus and City Council as the process is further refined. The PUB is particularly interested in the development of meaningful and measurable performance metrics to effectively evaluate program offers.

- **Communication with City Council.** PUB welcomes the opportunity to work with Council to ensure proper public process and vetting occurs when utility projects or projects impacting the utilities are proposed during or outside normal procedures or the budget process. The Blue-Ribbon Commission recommended the formation of PUB to proactively address such issues. PUB will continue to work with the bureaus and the Council to refine that process.

Proposed FY2019-20 Workplan

The proposed FY 2019-20 workplan is designed to continue to integrate PUB into bureau work flow, especially for activities like strategic planning, capital improvement budgeting, and operational budget decisions. The board is interested in engaging more strategically on policy issues and identifying opportunities for input early enough in decision-making to impact the outcomes. In order to maximize the meeting time, the board has increased the primary monthly meeting and plans a second topic specific subcommittee each month to make progress on action items.

The board has identified the following areas as specific topics for engagement in the next fiscal year, in addition to its responsibilities as part of the budget process (Table 2). These items will be incorporated into meeting agendas over the next year (Table 3) and the current work plan is [available online](#).

Table 2: FY 2019-20 Draft Work Plan Priorities

Level One	Level Two
Community Engagement	Lead and Corrosion Control
Equity – internal and external	Future of Mt Tabor Reservoirs
Strategic Plans	Bill Redesign
Performance Metrics	Board Development
Low Income Assistance Program	PUB Code and Bylaws updates
BES Comprehensive Rate Study	Impacts of Homelessness
Charter Protection of Bull Run	
Level Three *	
Water Efficiency, Drought Analysis and	Stormwater Auditor Report
Water Loss	Capital Projects
Multilingual Premium Pay	Resiliency Planning
Portland Harbor Lawsuit	

* Note – although Level Three represents lower priorities for dedication of meeting time, these are still very important topics for the board and bureaus. Where possible, the topics are addressed through written updates or as time permits.

Table 3: FY 2019-20 Draft Schedule

July	January
Swearing in new members	Budget Update
PUB Co-chair Discussion and Recommendation	Approve Recommendation letter
BES Comprehensive Rate Study	Open Subcommittee and Policy Items
Advisory Board Training	
Multilingual Premium Pay	
Community Engagement	
Mt Tabor Reservoirs	
August	February
Administrative Review Committee	Budget Update
Equity Training	Equity Plans
Community Engagement	Open Subcommittee and Policy Items
Board Composition, Code and Bylaws	
September	March
PWB Equity and Strategic Plans	CBO Budget Analysis
Annual Report and Workplan	Board Conversation about Budget Requests
Subcommittee Reports	CIP Progress Reports
Board Composition, Code and Bylaws	Participate in Budget Work session and Meetings
October	April
Fall Budget Monitoring (BMP) Review and Recommendations	Spring Budget Monitoring (BMP) Requests
Bill Redesign	CBO BMP Analysis
Low Income Assistance Program Update	Board Conversation about Budget Requests
*Lead and Corrosion Control (tentative)	Participate in Budget Work session and Meetings
	Open Subcommittee and Policy Items
November	May
Budget Outlook and Guidance	Rate Ordinance Preview
BES Equity Update	Board Conversation about Rate Ordinance
Big Picture Budget and CIP Reviews	Member and Chair Recommendations
Subcommittee Open Policy item	Open Subcommittee and Policy Items
	Participate in Rate Hearing
December	June
Program Offers	Begin Discussion of Annual Report
Board Discussion of Budget Requests	Open Subcommittee and Policy Items

* Note – The board is striving to hold meetings in communities that are most impacted and/or in areas where they are accessible to the public. The Lead and Corrosion Control topic is intended as a pilot of this effort since it is a topic that has generated some public interest in prior meetings.

Conclusion

PUB appreciates the opportunity to serve the city and utility customers. We look forward to a productive year ahead and continued engagement with City Council regarding issues impacting the bureaus.

The board extends its thanks to many members of the bureau staff who prepared information and presentations for PUB and for Commissioner Fish, Commissioner Fritz and their staff for their ongoing support of PUB. The board also thanks the Citizens' Utility Board and the League of Women Voters, who regularly attend and offer us perspective in our discussions. We appreciate their time and investment in PUB. In addition, PUB appreciates the dedication of the members of the board who completed their service this year including voting members Allan Warman, Colleen Johnson, Dan Peterson, Lee Moore, Mike Weedall, and Scott Robinson as well as ex-officio members Van Le and Vera Zarahova.

Appendix A

Biographies of FY 2018-19 Portland Utility Board Members

This Page Intentionally Left Blank

PORTLAND UTILITY BOARD

FY 2018-19 Voting Members:

Heidi Bullock is an environmental program manager with the Port of Portland who is working with a team on cleaning up the Portland Harbor in a way that is protective of the health of Portlanders and the environment and affordable for the region. Heidi has worked in the environmental industry for over twenty years serving in a variety of technical and management roles. As a scientist she has experience with site investigations, feasibility studies, remedial design and operations, and laboratory analysis work. She also has experience managing both projects and staff. Her project management experience includes project scoping, proposal and budget preparation, project/team coordination, and technical report preparation and review. Heidi also has executive management experience serving as the Portland Business Unit Manager for an environmental engineering consulting firm for three years before joining the Port of Portland. Heidi believes that everyone has the right to clean air and water and values her work in protecting and preserving those resources. Heidi holds a B.S. in Applied Biology from Utah State University and an M.S. in Hydrology from the University of Idaho.

Colleen Johnson is Professor Emeritus of Economics at Eastern Oregon University where she has taught economics, public policy, and public administration for 30 years. She received her Ph.D. in Economics from Washington State University. Her research has centered on the effects of federal deficits on interest rates, the economics of the minimum wage, and the relationship between poverty, race, and socio-economic well-being. Colleen served 16 years on the La Grande City Council, 14 of those as Mayor of La Grande. As Mayor, she also served on the Oregon Mayors Association Board of Directors and on the League of Oregon Cities Board of Directors.

Ted Labbe is a conservation biologist and Policy/Program Director at the Urban Greenspaces Institute. He is a Portland native with a twenty-year professional career that includes experience with nonprofit organizations, State and Tribal agencies, as well as private consulting. He has an M.S. from Colorado State University and has led a series of collaborative conservation efforts, which engage the public in policy-relevant field initiatives. Ted is founding volunteer and board member of Depave, a local nonprofit that creates community-connected greenspaces in pavement-plagued neighborhoods.

Robert Martineau is a Water Operations Mechanic at the Portland Water Bureau. He also serves as the President of AFSCME Local 189, where he chairs the Policy Committee. Rob attended all of the meetings

of the Utility Oversight Blue Ribbon Commission, and brings knowledge and experience as a front-line operator of Portland's drinking water system.

Micah Meskel has been in his current position as Conservation Field Coordinator with the Audubon Society of Portland since 2015. Micah was born and raised in Portland, leaving town briefly to attend the University of Oregon where he graduated with a degree in Economics.

Lee Moore is the former General Manager of Clackamas River Water. He is a Portland native who was born in Vanport – then Oregon's second largest city. Lee has provided executive leadership on the boards of Home Forward, South Portland Neighborhood Association, Oregon Liquor Control Commission, and Oregon State Lottery Commission. He brings extensive hands-on experience in project management, leadership development, conflict resolution, negotiation and group process.

Daniel Peterson is a licensed Mechanical Engineer working for Portland General Electric in the area of power generation. He graduated from Purdue University with a BSME and has worked in the power industry for the last 10 years. He has volunteered with Engineers Without Borders supporting two different projects involving a solar powered water pumping station as well as culvert design and construction in Central America.

Dory Robinson is a leader among Environmental professionals and dedicated to advancing the needs for people of color in her work toward Environmental Justice. It is with pleasure and a sense of duty that she joined PUB in 2018. Dory worked in the Water Quality program at the Oregon Department of Environmental Quality (DEQ) as the Northwest Region Water Quality Permit Coordinator on the Underground Injection Control (UIC) and 401 programs as well as the wastewater permitting. Dory has expertise in project management, compliance and problem solving which she gained in her roles at DEQ and internationally with PLANET HK International, where she worked as medical product registrar and FDA regulator in Shanghai, China. She received her Bachelor's degree in Philosophy from Loyola Marymount University in California. Honors and awards for her work include: presenting at philosophy consortiums at University of Memphis and conferences with Rutgers & Princeton University. Dory is a member of Project Management Institute (PMI), International Professional Women's Society Asia (IPWS), the International Association for Public Participation – Cascade Chapter (IAP2) and Portland's Environmental Professionals of Color (EPOC) network. Dory is passionate about constructing, maintaining and sharing environmental justice. She advocates for equity and diversity through education, discussion and activities that promote resiliency, healing and empowerment for all vulnerable communities.

Scott Robinson is the Deputy CFO at Metro with prior experience with Portland Public Schools and with regulated utilities from his work with PacifiCorp.

Allan Warman is a Business Customer Manager at Portland General Electric, and has a Master's in Applied Economics from PSU. He has worked mostly in the private sector since 1980, including a long tenure with The Boeing Co. as an Energy and Conservation Manager. Allan has served on numerous non-profit boards. Currently, he is on the board of Oregon Mentors/Institute for Youth Success and the President of the Rocky Butte Homeowners Association and a member of the Portland Business Alliance.

Mike Weedall retired from Bonneville Power Administration as Vice President of Energy Efficiency and has experience with several oversight committees and boards.

FY 2018-19 Ex-officio Members:

Ana Brophy is a construction manager with the Bureau of Environmental Services where she manages Capital Improvements projects. She has 30 years of private and municipal experience with site development, sewer construction, stormwater, horizontal and vertical construction, budget development, Erosion and Sediment Control, and City of Portland Standard Specifications. Ana volunteers with Women in the Trades, serves in the BES Standards and Practices, is a mentor in the City Mentoring Program, hosts high school summer Interns, and is the BES Native American Heritage Coordinator. She advances and promotes City Equity Goals and Strategies by serving in the BES Equity and Diversity committee and integrating equity and inclusion in her work and partnerships.

Van Le is a Principal Management Analyst and administers PWB's capital project management system. She designed and manages PWB's annual report on capital projects, aka "the CIPAR." As a certified PMP, Van manages processes to further strengthen capital project delivery in PWB. She has an M.Ed in Educational Technology from the Harvard Graduate School of Education. Her brainchild, OregonHelps.org, has been replicated in six states and has won multiple national and international honors including UNDP's Compendium of Innovative e-Government Practices. In the past, she conducted external evaluations for Open Society Institute, Rockefeller Foundation and the German Marshall Fund. Van has served on the boards for Oregon Peace Institute and Oregon Mediation Association and volunteered with ORTOP, Girl Scouts and USA Climbing.

Vera Zaharova is an Accountant III with the Bureau of Environmental Services and has experience in Accounting and Finance for 13 years. She manages Procurement Card Program for BES, processes Accounts Receivable and reconciling permit projects costs with permit deposits. Vera volunteers with Slavic Empowerment Team, BES Committee for Equity and Diversity, PEER volunteer, and Grace in Action recovery center.

This Page Intentionally Left Blank

Appendix B

FY 2018-19 Portland Utility Board Communications to Council

This Page Intentionally Left Blank

PORTLAND UTILITY BOARD

Members:

Colleen Johnson, Co-chair

Allan Warman, Co-chair

Heidi Bullock

Ted Labbe

Robert Martineau

Micah Meskel

Lee Moore

Dan Peterson

Dory Robinson

Scott Robinson

Mike Weedall

Ex-officio Members:

Ana Brophy

Van Le

Vera Zaharova

Staff Contact:
Melissa Merrell
(503) 823-1810
Melissa.Merrell@portlandoregon.gov
City Budget Office
111 SW Columbia St., 5th Floor
Portland, Oregon 97201

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: August 21, 2018

Date: Portland Utility Board Input to City Council Regarding the
Filtration Project of the Portland Water Bureau

The Portland Utility Board (PUB) has reviewed the information presented by the Portland Water Bureau (PWB) related to the outreach activities for the filtration project and their alternative analysis of four components of the project: procurement method, location, capacity, and treatment technology. PUB commends PWB for a thoughtful process and presentation of information. PUB supports the preferred alternatives identified by PWB.

When this issue was before City Council in Summer 2017, PUB recommended the City use a value-based approach to reach decisions and identified the following values:

- Decisions should be made with the safety of the residents, protection of public health, and compliance with federal regulations in mind.
- Decisions should be made with a long-term view of the needs of the City, including long-term reliability and supply resiliency.
- Decisions should balance long-term benefits relative to cost and the chosen technology should be implemented at a reasonable cost to customers with known and predictable rate impacts.
- With full knowledge that decisions will need to be made with imperfect and limited information, all available time should be taken to minimize uncertainty and risk.
- Decision must be made in partnership with the residents of Portland and with a commitment to full engagement throughout the process.
- Decisions should demonstrate a commitment to watershed health and protection which is the best defense for ensuring water quality.

PUB submits the following feedback and recommendations to City Council and PWB:

Process Improvements

PUB members recognize and congratulate the work that PWB staff have done over the last year and the process they used to evaluate the alternatives. One member participated in part in the analytical review and the presentation to the board demonstrated a thorough and thoughtful process.

Community Outreach

Last year PUB recommended PWB talk with community members about filtration. PWB staff and PUB members attended several neighborhood coalition meetings in the fall and PWB conducted several stakeholder interviews, an online survey, and used several social media platforms over the last year.

PUB members appreciate the improved conversation. They also note some concerns and offer suggestions for continued improvement. Specifically, members

- Note the reliance on digital communication and raise concerns with the limited reach to communities without access.
- Request more information on the Short-term Communication Plan.
- Recommend community forums similar to last fall continue and encourage PWB to talk with communities about their preferred options. PUB would like to be a partner for those meetings.
- Suggest PWB present these options and their process to the stakeholders who were interviewed as part of the outreach process and other interested parties such as state regulators.
- With the identification of the preferred location of Carpenter Lane, recommend PWB expand the pool of stakeholders to include conservation groups working in the watershed as well as renewable energy groups.

Communicating Preferred Options

PUB members had two suggestions for enhancing communication of the preferred options. Members recommend PWB

- Create tables that simply illustrate the trade-offs to communicate with the public. For example, a table that showed each location option and its measure against the evaluation factors would be helpful.
- Use examples of other local water treatment plants to illustrate the options and highlight the pros and cons of each treatment technology to reinforce the preferred alternatives.

Equity, M/W/D/ESB Participation, and the Community Benefits Agreement

Members and PWB staff talked about the benefits of the preferred contracting method, Construction Manager/General Contractor, in enhancing PWB's ability to set and meet M/W/D/ESB participation goals. This is an item of interest to members, which they will monitor. PUB supports the request that the City provide executive-level oversight of the Community Benefits Agreement through the Chief Administrative Officer and City Council.

Cost

PUB recommended filtration decisions be made balancing long-term benefits relative to cost and implemented at a reasonable cost with known and predictable rate impacts. Members acknowledge that the work to date hasn't yet allowed PWB to narrow the range of the estimated project costs (\$350 million to \$500 million) but encourage customer impact continue to be part of the evaluation factors as the project continues.

PORTLAND UTILITY BOARD

Members:

Colleen Johnson, Co-chair

Allan Warman, Co-chair

Heidi Bullock

Ted Labbe

Robert Martineau

Micah Meskel

Lee Moore

Dan Peterson

Dory Robinson

Scott Robinson

Mike Weedall

Ex-officio Members:

Ana Brophy

Van Le

Vera Zaharova

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Dan Saltzman
Auditor Mary Hull Caballero

Re: PUB Comments to City Council for the Fall BMP Requests of
the Bureau of Environmental Services and the Portland
Water Bureau

Date: October 25, 2018

The Portland Utility Board (PUB) serves as the community advisory board to City Council for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). In that capacity, we have reviewed the bureaus' requested budget adjustments submitted for your approval during the City's Fall Budget Monitoring Process (BMP) and offer you the following input for your consideration.

PUB is supportive of the adjustments requested by PWB and is supportive of some of the requests requested by BES but recommends the bureau reallocate existing resources for new program and staffing support that are priorities rather than using contingency and increasing its appropriation.

The bureaus presented a preview of their expected requests at PUB's September meeting prior to submittal to the City Budget Office, PUB members received additional information on the biosolids issue at BES and the Procurement request that affects both BES and PWB, and PUB members considered the analysis and recommendations of the City Budget Office and its analyst in October.

Last Fall, PUB had a lengthy and deliberative discussion about the role of the budget adjustment process in budget management and recommended six principles as guides for evaluating changes to bureau requests at this point in the budget process. PUB evaluated the requests

Staff Contact:
Melissa Merrell
(503) 823-1810
Melissa.Merrell@portlandoregon.gov
City Budget Office
111 SW Columbia St., 5th Floor
Portland, Oregon 97201

through the lens of the following principles:

- Requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year.
- Requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time.
- Requests for increases to staff should be done as part of the holistic annual budget process to allow for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny.
- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities.
- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

The requests from PWB align with those principles and PUB is supportive of those adjustments. PUB notes that the changes include reducing the FY 2018-19 Capital Improvement Plan by \$44 million, one-third of the approved resources, due in part to construction delays for major projects. In addition, cost estimates for the Willamette River Pipe Crossing and Washington Park have increased, by \$32 million and \$15 million, respectively.

BES requests align in part with PUB's stated principles. PUB is supportive of the requests for program adjustments, carryovers, and internal adjustments. In addition, PUB is supportive of the requests related to biosolids, security, and procurement. However, PUB members noted that the accumulated biosolids at Columbia Boulevard Wastewater Treatment Plant should have been known and mitigated if the bureau was using proper monitoring and management techniques. BES knowingly reduced scheduled trucking for biosolids, lacked contingency plans to address risks posed by weather and fire, and didn't monitor biosolids inflows and outflows to address the net buildup until it became an emergency. As a result, BES will spend \$7 million for emergency contracts, twice as much per dry ton for removal than it would under normal operations.

Given recent trends in underspending, PUB recommends BES use its budget monitoring and management techniques to reallocate existing resources, rather than drawing on contingency, for items that have risen to high priorities for the bureau. To the extent that BES finds it needs

additional appropriation from contingency later in the year, those requests could be considered in the Spring.

With regard to capital spending, PUB continues to be concerned about the ability of the bureaus to execute on the amount, size, and complexity of capital projects and feels this should be closely monitored. Actual capital spending by both bureaus has been well below planned in the last few years. For example, in FY 2017-18, PWB spent about 64% of the authorized \$109.2 million in the Adopted Budget and BES spent about 77% of the authorized \$114.3 million in the Adopted Budget. Currently, the capital plans assume far more capacity than the bureaus can deliver. While the budgets are adjusted over time, annual rates are built on assumptions that include higher cost recoveries than needed.

Thank you for considering this feedback. We appreciate the opportunity to review these requests and provide you with our input.

This Page Intentionally Left Blank

PORTLAND UTILITY BOARD

Members:

Colleen Johnson, Co-chair

Allan Warman, Co-chair

Heidi Bullock

Ted Labbe

Robert Martineau

Micah Meskel

Lee Moore

Dan Peterson

Dory Robinson

Mike Weedall

Ex-officio Members:

Ana Brophy

Van Le

Vera Zaharova

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

Re: Budget Submissions for the Bureau of Environmental
Services and the Portland Water Bureau

Date: February 7, 2019

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). We submit this initial budget letter in compliance with City practice for budget advisory committees, and in response to our specific duties to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (3.123.010)”

The PUB has held numerous board meetings and subcommittee meetings over the last few months to review the FY 2019-20 proposed operating budgets, major additions and adjustments to the five-year capital improvement plans, and program offers for both bureaus. We look forward to providing additional feedback to City Council upon receipt of the final budget program offers, the City Budget Office (CBO) analysis, and our own internal analysis. We anticipate participating in the budget work sessions in March, the utility rate hearing in May, as

Staff Contact:
Cinthia Diaz Calvo
(503) 823-1810
Cinthia.DiazCalvo@portlandoregon.gov
City Budget Office
111 SW Columbia St., 5th Floor
Portland, Oregon 97201

well as discussing budget issues with the Mayor if requested, as the budget develops.

The PUB receives significant support from the bureaus' directors and staff, the ex-officio members, Commissioners Fish and Fritz and their staff, as well as the City Budget Office and our analyst. We are grateful for their collective efforts to help us understand and navigate the complexities of these utilities.

The PUB considers the following values when providing input and making recommendations to the Council:

- Affordability
- Efficiency of Operations and Value to Customers
- Assistance to Low-Income Residents
- Protection of Public Health and Watershed Health
- Improvement and Sustainability of Infrastructure
- Regulatory Compliance
- Equity
- Service Delivery
- System Resiliency
- Transparency and Public Engagement

These values are not presented in any particular order and tension can exist between these values. PUB members particularly feel the tension between the need of the bureaus to increase capital investments to address system maintenance and the burden that ongoing annual rate increases place on customers. In providing non-General Fund budget guidance, the Mayor stated in his memo of November 21, 2018:

“To ensure the long-term fiscal health of the City, I expect bureaus to provide robust financial plans as required by City financial policy. These plans should include a comprehensive overview of risks and liabilities and should guide and inform bureau decision-making in developing program offer budgets. Bureaus heavily reliant on cyclical resources should be wary of adding significant ongoing requirements – including new positions – at our current point in the economic cycle.”

EQUITY IN FY 2020 BUDGET PROCESS

In the past, the PUB has expressed concerns with the expense of City Utility and General Funds for the Mt Tabor Reservoirs Preservation Project. PUB is concerned with both the inequities around this decision and its impact on limited General Fund dollars, particularly given current budget shortfalls. We encourage the new Council to consider the precedent and impact of this decision in light of the City's growing commitment to equity.

The Commissioners' letter asks the bureaus to “continue to increase investment in equity and inclusion.” An important change in moving to Program Offer budgeting is to specifically include

equity impacts in the budget process to:

“describe how programs benefit and/or burden communities, specifically communities of color and persons with disabilities...to clarify how resources could be reallocated within the base budget in order to achieve more equitable outcomes.”

The PUB is encouraged by the initial attempts by both BES and PWB to understand and articulate these impacts.

PROGRAM OFFERS

For FY 2019-20, City Bureaus were directed to:

“develop their budgets in a “program offer” format. Program offers combine program descriptions, budget, and performance data for a set of services into a brief and concise document. The goal of program offer budgeting is to succinctly describe how bureau resources are allocated to deliver services back to the community. (Getting Started with Program Offers)”

The move from “Decision Packages” to “Program Offers” has been a difficult, complex, and time-consuming effort on the part of the staff of BES and PWB. The PUB would like to extend our thanks for their hard work and dedication in this process. As this new budgeting process has developed over the last few months, bureau staff have met with the co-chairs on a regular basis to ensure that PUB members received the material in as timely a manner as possible.

The PUB would like to commend the Mayor for directing this change in the budget process. While everyone is still grappling with the changes that program offer budgeting entails, we believe that this move will enhance transparency and accountability in the budget.

The establishment of performance measures as part of the program offer is intended to provide quantifiable data to determine the success and effectiveness of a particular program and to ensure accountability. Both BES and PWB are in the process of establishing these performance measures and will likely be revising them over time. The PUB would like to recommend that the bureaus provide context for those metrics such that public can easily understand why they have been chosen and how they might provide evidence of program success.

ANNUAL RATES OF INCREASE

The PUB appreciates the consolidated budget guidance letter for FY 2019-20 from Commissioners Fish and Fritz. We commend the Commissioners for their shared budget guidance and commitment to keeping the bureaus aligned. We look forward to working together with both Commissioners and their staff. Their letter emphasizes a number of our own values as listed above including affordability, value to customers, and assistance to low-income residents among others.

The Commissioners directed that the bureaus' budgets reflect a "combined rate increase of no greater than 4.53%." BES is currently forecasting a rate increase of 3% for FY2019-20 through FY2021-22 with an uptick to 3.10% in FY2023-24. However, recently BES has told the PUB that they are reasonably confident that they may be able to pull the 3.10% back down to 3% given recent trends in revenue. PWB is forecasting a rate increase of 7.4% for FY2019-20 through FY2028-29, which includes 2.2% for filtration. These forecasted rate increases suggest that the bureaus should be able to meet the Commissioners' directive. However, even a 4.53% combined increase may seem unaffordable to many of Portland's more vulnerable residents. The PUB would encourage the bureaus to continue to look for efficiencies and cost-savings in both their operating and capital budgets.

The bureaus' budgets "should demonstrate our shared commitment to providing high-quality services at a good value." One key to providing high-quality services is linking the budget requests to a strategic plan. Budgets reflect the values of an organization and tying those values to a well-thought out strategic plan that connects resources to outcomes can demonstrate to residents that their taxes and fees have tangible results.

The "Future BES Transition Team" has articulated their goals and has focus area teams up and running. More than 100 people across the bureau are engaged in reviewing processes, governance, and functions, and developing a change management plan. PWB is in the process of developing their strategic plan along the lines of BES. PUB members have been updated on the progress of PWB's strategic plan and participating where appropriate. When both strategic plans are fully implemented, the bureaus' budgets should clearly and transparently communicate that "shared commitment."

The Commissioners also asked that the bureaus "prioritize outreach about the...new financial assistance programs to ensure that eligible customers are aware of the help that is available." The PUB supports this outreach and sees it as an important part of a comprehensive approach to public engagement. Last September, the Low-Income Assistance team was introduced at the PUB meeting and provided a briefing of the program and its goals. We agree with the Commissioners that it is vitally important for this program to be successful as it is a necessary component to the overall goal of affordability. We hope to have an update on the progress of the program in the near future.

PORTLAND WATER BUREAU

PWB has 23 Program Offers. Of the 11 that the PUB has been able to examine thus far, a number of them show "no program changes planned for next fiscal year" aside from inflation adjustments and personnel costs. Performance measures had not been articulated until the requested budget was submitted. The PUB looks forward to reviewing those metrics in light of the above comments about accessibility and context. PWB is not requesting any new FTE at this time. Over the last four years, the Water Bureau requested 29 positions, 17 of those were requested for FY 2018-19. Since a number of those positions have yet to be filled, PWB decided

that it would be prudent to wait until those positions had been filled, then evaluate their needs before moving forward with other FTE requests. The PUB agrees with this decision.

Overall, the draft program offers that the PUB has reviewed are clear and concise. We look forward to reviewing the entire budget and providing comments and recommendations to the City Council at the appropriate time.

BUREAU OF ENVIRONMENTAL SERVICES

BES has 28 Program Offers. The PUB has seen a couple of drafts of all 28 as BES has revised them over the last couple of months. As of the last iteration, BES was still working on finalizing the program budgets and revising the performance measures. Some programs have metrics, although there are a number of metrics that are used for multiple programs. As with PWB, the PUB looks forwards to reviewing the performance measures in terms of accessibility and context. Of note with the BES budget is requests for 21 new FTE. Over the last four years (FY 2015-16 to FY 2018-19) BES has requested 72 FTE. Of those 72 FTE, 59 have been filled, 5 are currently under recruitment, and 8 are currently vacant. Adding the 21 newly requested FTE would bring the total to 93 FTE over 5 years, a substantial increase in staffing (about 18% increase).

NEXT STEPS

The board will reserve its recommendations on individual program offers until after the PUB analyst and CBO reviews and recommendations are complete. PUB members will review these analyses and recommendations, consider further input from the bureaus, and weigh the requests through the lenses of its stated values, cost, impact on service delivery, connection to strategic plans, and expected outcomes.

The PUB views this opportunity to comment on the bureaus' budget submissions as the first of several touch points with City Council throughout the annual budget and planning processes. We look forward to providing you further input as the budget process continues through the spring.

This Page Intentionally Left Blank

PORTLAND UTILITY BOARD

Members:

Colleen Johnson, Co-chair

Allan Warman, Co-chair

Heidi Bullock

Ted Labbe

Robert Martineau

Micah Meskel

Lee Moore

Dan Peterson

Dory Robinson

Mike Weedall

Ex-officio Members:

Ana Brophy

Van Le

Staff Contacts:

Cynthia Diaz Calvo, Coordinator
(503) 823-1810

Cynthia.DiazCalvo@portlandoregon.gov

Amy Archer-Masters, Analyst
(503) 823-6981

Amy.Archer-Masters@portlandoregon.gov

City Budget Office
111 SW Columbia St., 5th Floor
Portland, Oregon 97201

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

Re: PUB Recommendations for the Bureau of Environmental Services
and the Portland Water Bureau FY 2019-20 Requested Budgets

Date: April 2, 2019

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). On February 7, 2019, PUB submitted its initial input on the requested budgets of the bureaus and submits this correspondence as its specific recommendations. This letter is submitted in compliance with City practice for budget advisory committees, and in response to our specific duties to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (PCC 3.123.010)”

This letter is our second during this budget cycle and summarizes the PUB recommendation on the one decision package submitted in the budgets as well as general recommendations for the bureaus' base budgets. There was a range of discussion on the budgets, but all recommendations received majority agreement and full consensus on what to communicate as priorities to Council.

The PUB has held over 20 hours in meetings over the last few months to review the FY 2019-20 proposed operating budgets, major additions and adjustments to the five-year capital improvement plans, and program offers for both bureaus. The PUB receives significant support from both bureaus' directors and staff, the ex-officio members, Commissioners Fish and Fritz and their staff, as well as the City Budget Office and our PUB staff. We are grateful for their collective efforts to help us understand and navigate the complexities of these utilities and their budgets.

The PUB members reviewed the analysis of the City Budget Office and our PUB analyst, considered input from the bureaus, and weighed the requests through the lenses of the PUB's stated values, cost, impact on service delivery, connection to strategic plans, and expected outcomes. PUB finalized its recommendations at the March 14 and April 2, 2019 meetings, where 10 of the 12 current voting and ex-officio members were present.

FY 2019-2020 Requested Budgets

The Bureau of Environmental Service's (BES) FY 2019-20 budget request includes \$348.9 million in operating expenses and capital projects in the next year, and an additional 20 FTE. There are no decision packages to consider. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 3.0%.

The Portland Water Bureau's (PWB) FY 2019-20 budget request includes \$290.5 million for operating expenses and capital projects for the next year, with very limited change in staff. The one decision package is a request for \$1.1 million General Fund for preservation work at Mt. Tabor. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 7.4%.

Including the proposed rate of increase for both the PWB and BES, the combined monthly utility increase would be 4.53%. This results in a typical single-family residential bill increasing by \$5.11 from \$112.79 per month up to \$117.90 per month. The final rate of increase will depend on the items that are approved by City Council through the budget process.

Direction to Develop – DP 7731- Mt. Tabor Historic Preservation – *Request from General Fund*

PWB requested \$1.1 million from the General Fund for preservation work at Mt. Tabor. This is the fourth year of General Fund support to fulfill a City Council resolution from 2015 to allocate \$4 million for such work. This request does not impact water rates if Council decides to continue to utilize the General Fund to meet this commitment as in prior years. The board has had robust conversation about this challenging request and members have shared concern about the inequity of investing limited resources in a single location for years in one of Portland's more affluent communities. We feel that the City has many other higher priority investments that are needed to redress systematic inequities around park access, public safety,

and other services. The board has also previously raised concerns that the \$4 million commitment from City Council would fall short of the total cost to complete the preservation work needed at Mount Tabor and does not include the long-term costs of operating and maintaining the assets.

The City Budget Office recommends that Council revisit the commitment given resources available and competing priorities. The CBO further suggests that water rate funds be considered to fund some of the improvements. The PUB supports City Council revisiting the financial commitment with a focus on ensuring that future settlement agreements appropriately consider long term equity implications and impacts of financial commitments on future years. However, if Council determines that the work should continue for the fourth year of the commitment then the board urges the continued use of the General Fund for this work. To shift this expense to utility ratepayers would have a significant negative impact on rates and affordability. An increase in rates does not just impact the Mt. Tabor neighborhood but pushes increased rates onto the broader community.

Affordability

The PUB appreciates the consolidated budget guidance letter for FY 2019-20 from Commissioners Fish and Fritz. We commend the Commissioners for their shared budget guidance and commitment to keeping the bureaus aligned. Their letter emphasizes several of our own values including affordability, value to customers, and assistance to low-income residents among others. We look forward to continuing to work with both Commissioners and their staff. The PUB agrees with the City Budget Office determination that the comparison of utility rates in relation to community-wide median family income is an imperfect measure of affordability that fails to capture potentially disproportionate impacts on communities of color and may mask the impact of escalating utility rates on cost burdened families. We are committed to engaging with the bureaus to identify a new rate methodology that could more effectively capture equity considerations and expect it to be an important component of the planned comprehensive BES rate study.

Annual Rates of Increase

The bureaus met the Commissioners' directive that the budgets reflect a "combined rate increase of no greater than 4.53%." However, even a 4.53% combined increase may seem unaffordable to many of Portland's more vulnerable residents, especially since the combined utility bill for a typical single-family is expected to increase by 20% in the next 5 years. The PUB encourages the bureaus to continue to look for efficiencies and cost-savings in both their operating and capital budgets to limit rate increases as much as possible. With the rate on a trajectory to outpace inflation, Council also needs to acknowledge the level of the increase and relationship to funding the sustainability of a 100+ year system as they give future direction to the bureaus. As a reference point, please see Attachment 1 for a relative position of Portland utility bills compared to other jurisdictions.

Staffing Impacts

The PUB will continue to monitor staffing levels, as they have increased in recent years and this year include the addition of 20 full time equivalent positions in BES. We commend the PWB for not adding staff in this budget and focusing efforts on completing hiring of past positions. The bureaus have made improvements in filling vacancies, but this continues to be an area to improve upon to ensure adequate capacity within existing budgeted positions to make progress on program activities and capital projects. Although the PUB is not debating the need for specific position changes requested by BES this year, the addition of ongoing staffing has long term impacts on the financial plan. It is important to track staffing levels in coming years, particularly with the anticipated slowing of the economy that could reduce revenues needed to support the increased ongoing staffing expenses.

Low-Income Discount

The PUB was engaged by the bureaus' in development and implementation of the low-income discount program, which provides a good foundation for mitigating the impact of rates on those most vulnerable. We agree with the Commissioners that it is vitally important for this program to be successful because it is a necessary component to the overall goal of affordability. The PUB advocates for good data collection to ensure success and identify areas for enhancement to maximize the use and positive impact for those that need it. We will continue to engage in evaluation of the program and are particularly interested in efforts to explore the program's applicability to multifamily housing. The PUB recognizes that the challenge of multifamily housing affordability is a concern for all of Council that requires a more wholistic approach than just focusing on utility rates. The PUB respectfully requests to be included in the broader City discussion as it happens.

Program Offers and Performance Metrics

A critical priority for the PUB is early development and implementation of meaningful and measurable performance metrics to monitor success of the programs at PWB and BES. We recognize that the shift to program offer budgeting presented a challenge for both bureaus and their staff, and that both bureaus are also working towards aligning performance measures with their Strategic Plans and Equity Plans. We are committed to working with both bureaus to support performance metric development in the coming months. The PUB is eager for the metric development and implementation to be early enough that some measurables will be available to evaluate program offers, budget decisions, increases in staffing, and success of Strategic Plan implementation during the next budget cycle.

Next Steps

The PUB views this opportunity to comment on the bureaus' budget submissions as one of several touch points with City Council throughout the annual budget and planning processes. We appreciate the opportunity to submit our initial comment letter and to participate in the PWB and BES budget work sessions earlier this month. We look forward to providing you

further input as the budget process and rate hearings continue through the spring. If you have any questions, please reach out. We look forward to continued conversations about the budget and utility services.

Attachment 1

Average Monthly Single-Family Residential Sewer & Water Bills

