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To: Mayor Ted Wheeler
Commissioner Mingus Mapps
Commissioner Carmen Rubio
Commissioner Dan Ryan
Commissioner Rene Gonzalez
Auditor Simone Rede

Re: PUB Recommendations for the Bureau of Environmental Services and the Portland Water Bureau FY 2023-24 Requested Budgets

Date: April 13, 2023

The Portland Utility Board (PUB) serves as a community-based advisory board for the Bureau of Environmental Services (BES), the Portland Water Bureau (PWB) and City Council. The PUB provides oversight for these two public utility Bureaus, engaging in the areas of finance and budgeting, policy, programs, and operations.

The PUB is grateful for the support we receive from the public, the Bureaus' directors, staff, and ex-officio members as well as the Council, City Budget Office, and PUB staff. We have held multiple board meetings over the last several months focused on gathering information needed to understand the complex budgets for both Bureaus and developing feedback consistent with [PUB's values](#) and priority areas, which aligned well with the mayor's budget guidance. This second letter during the budget cycle summarizes our recommendations to Council on the Bureaus' FY 2023-24 Requested Budgets and priorities.

FY 2023-24 Requested Budgets

The BES FY 2023-24 budget request includes \$527.7 million in operating and capital expenditures, with 22 new positions. The total rate of increase for the typical single-family household to support the Bureau's requested budget would be 5.15% or approximately \$4.27 month.

The PWB FY 2023-24 budget request includes \$429.7 million for operating and capital expenditures, with 31 new positions. The total rate of increase for the typical single-family household to support the Bureau's requested budget would be 8.9% or approximately \$4.64 month.

Rate Affordability - Support for Financial Assistance and Alternative Funding Models

The PUB understands the Bureaus must balance rate increases with the need for capital investments to maintain and improve infrastructure now while also preparing for a climate-change-affected future. The PUB strives to illustrate real world impacts of the City's budget decisions by considering issues of affordability through the lens of racial equity and justice; we center frontline community members and those most impacted by structural inequities in our analysis and recommendations.

The PUB recognizes the significant financial pressures that have required the Bureaus to request greater rate increases than those forecasted previously. The PUB also remains concerned about the affordability of utility rates, especially given how inflation affects every aspect of struggling ratepayers' lives. With a combined monthly utility rate increase of 6.59%, a typical single-family residential bill would increase by \$8.90 per month. We recommend that the Bureaus explore alternatives to across-the-board rate increases and consider tiered mechanisms for those that use more water, sewer, and stormwater services to absorb a larger portion of the increase or options for ratepayers with higher incomes to contribute to the bills for lower income households. Given the extent to which inflation contributes to the rate increase, the PUB recommends the Bureaus re-examine their decision not to tap into either Bureaus' rate stability fund this year. At a minimum, we recommend that the Bureaus be more transparent about the factors they consider and conditions under which they do choose to access the stability funds.

The PUB supports financial assistance programs as a critical tool to address racial equity and affordability and encourages Council and the Bureaus to consider the Board's prior recommendations regarding improvement and expansion of the programs and outreach efforts (detailed recommendations in [PUB's Annual Report-Appendix A](#) and [prior budget letters](#)). The Board supports the expansion of assistance to non-profit-run multifamily residences through the \$4 million allocated for the Regulated Affordable Multifamily Assistance Program (RAMPA) as well as the staff to successfully implement the program. However, we recommend further future enhancements to improve the reach of assistance to most apartment renters who rent from private landlords and cannot access the programs despite their need for support.

The PUB is eager to continue engaging with the Bureaus as part of the BES rate study and other efforts that impact affordability, including exploring other models and funding structures for providing basic water, sewer, and stormwater services.

Capital Planning and Infrastructure Investments

The utilities manage over \$30 billion in infrastructure that provide vital water, sewer, and stormwater services. The PUB remains committed to ensuring that infrastructure remains reliable (including capital investment), has sufficient budget for operations and maintenance, and is updated to ensure climate resilience.

Support for Proactive Infrastructure Investments - The Board recognizes that for decades funds have not been adequately set aside for operations and required repairs, resulting in substantial deferred maintenance that risks the integrity of our water system. The planning process must incorporate adequate maintenance and replacement funding to ensure the best life cycle of these investments and avoid additional deferred maintenance. The Board supports efforts to plan for addressing the deferred maintenance and urges the City and Bureaus to identify and pursue different ways to finance and save for these significant expenses.

Recommend Increased Consideration of Equity and Resilience in Decision Making - In asset management planning, we understand that risk is a critical decision point, but the Board also encourages more consistently centering affordability, racial equity, and seismic and climate resilience in the decision-making process. BES' budget documents acknowledge the disproportionate impact to vulnerable communities of collection system failures, reduced levels of service and risks, and the Bureau plans "further refinement and development of equity-centered mitigation strategies as well as related performance measures and outcomes". The PUB appreciates and is very supportive of this planned work and recommends that the Bureaus use this evaluative approach in prioritizing projects and program areas.

The Board is split about how to balance long-term planning and near-term safety, conservation, and affordability needs as exemplified by the large capital projects such as Automated Metering Infrastructure, Tryon Creek Wastewater Treatment Project, and Willamette River Crossing. For example, some members expressed concern about initiating the \$90 million investment for Automated Metering Infrastructure implementation and yet PUB strongly supports purported benefits such as water conservation and more affordable utility bills.

In the future, we expect timely and frequent communication and information about these key capital projects, especially when there are tradeoffs to consider. PUB's input as a community advisory body is an important perspective and that should influence the outcomes of these large capital projects.

Recommend Increased Focus on Climate Resilience

As highlighted in the Mayor's guidance, addressing our current climate crisis in timely ways requires us to be "laser focused on achieving outcomes." The city code is very broad in the creation and mission of BES but is narrow in the focus of assigned responsibilities by limiting to sanitary and stormwater collection and transport and watershed management. The Board is concerned that the code limitations that BES operates under, which does not include the language of climate change mitigation, is a barrier to progress and change.

To truly address climate change, the City must lead with it, understanding that climate change impacts every choice in the budget process. The PUB is committed to addressing climate change as urban heat is an immediate public health threat just like failing infrastructure. The Board encourages the Bureaus to engage with us on climate resilience efforts and consult the City's [Climate Emergency Workplan 2022-25](#) to identify priorities, actions as identified in the

workplan, and future budget requests. The PUB supports long-term investments in climate resilience and watershed restoration that will build resilience across the system - including budgeted work in Johnson Creek floodplain, Marine Drive levees, Springwater wetlands, and West Lents floodplain projects. We also support citywide climate resilience efforts such as fleet electrification that can reduce carbon emissions and potentially result in long-term savings.

As expressed previously, the Board remains concerned about the focus of the BES Tree Program being limited to private property and the budget cut of \$450,000. We are also concerned about potential disinvestment in environmental health and regulatory compliance of BES' programs.

Support for Racial Equity and Workforce Development

As detailed in our first budget letter, the PUB provided a [Workplace Racial Equity Mid-Pandemic: Focus on BES and PWB](#) report with findings and recommendations related to racial equity and workforce development. Advancing the recommendations in the report, especially those regarding data justice and career pathways for interns, apprentices, and other temporary employees, remain a high priority.

The PUB recognizes the City continues to struggle to recruit and retain non-entry level Black, Indigenous and People of Color (BIPOC) employees, that BIPOC candidates deserve proportional representation in the Bureaus, and that racial equity has not been sustained. We support the addition of limited term and permanent positions within PWB intended to expand entry level opportunities and further diversify the workforce. The Board also encourages more resourcefulness in diversifying the upper-level workforce and expects that the Bureaus provide the support needed to effectively mentor, promote, and retain BIPOC staff. The City and Bureaus must also address workplace culture that feeds into white supremacy, racial microaggressions, and targeting. While supportive of the addition of positions, the Board is cautious about use of limited term positions and potential impact of temporary appointments on career pathways. The PUB recommends performance measures to monitor outcomes of investments in workforce equity beyond just an accounting of employees of color.

The PUB also remains concerned about some field employee's subpar working conditions, which directly affect a significant number of BIPOC staff. We support projects such as the Dodd Building project, that improve worker health and safety and overall working conditions.

The Board expects continued engagement with the Bureaus and Council in this area and encourages the Bureaus to implement recommendations that advance racial equity and workforce development to elevate the work of both utility Bureaus.

Support for Funding and Expansion of the Lead Hazard Reduction Program –

As stated in our prior letter, the PUB recognizes the public health benefits that have been provided by the PWB Lead Hazard Reduction Program (LHRP) and is concerned that the program is slated to end as rates can no longer fund the program. The Board recommends that Council, at a minimum, maintain full funding for the LHRP to continue education about the

dangers of lead and to help households with lead issues to safely address those issues. The City should also consider expanding the program by partnering with Multnomah County to assist residents with low to no-interest loans to replace pipes with lead soldering from their homes, prioritizing access for low-income residents. More details regarding the recommendations can be found in the [FY 2021-22 Annual Report Appendix B](#).

Potential Trade-offs with Lower Rate Increases

In the March 16th work session, City Council and the Mayor asked PUB for our opinion about the value of the programs supported by the larger-than-forecast rate increase. PUB does value, and finds consistent with our principles, a number of the programs to promote equity, affordability, and long-term planning. In particular, the Board would like to call out the eight PWB positions targeted toward diversifying the workforce; even with our reservations stated above, we support the rate increase necessary to fund these positions. The PUB also expresses support for the Portland Harbor and Columbia Slough expenses set-aside, the \$4 million for the RAMP program, and the rate increase necessary to fund these programs.

Charter Reform Opportunities and Concerns

With the recent Charter reform, the PUB recognizes the timely need to plan for and advance local governance changes. We are concerned, however, about program reorganization happening in parallel to the budget process without sufficient public engagement regarding the potential budgetary, programmatic, and regulatory impacts. We recommend caution on making large systemic changes prior to the hiring of a new City Manager and arrival of the new Council. As a community advisory board, it is important for the PUB to be involved in discussions regarding realignment of BES and PWB programs and bureaus. The Board is discussing the governance change and will follow up with a separate letter with our comments, concerns, and recommendations.

With more realignment likely in response to governmental changes, transparent and easy to understand information will be important to allow the public to effectively engage and provide input. For example, even as an appointed Board that is reviewing content year-round, the realignment of BES programs made it difficult for us to look at trends in budget.

We also recommend that the City use the opportunity of governance change to be more collaborative and transformational in its approach to climate change and more holistically address the environmental and equity issues that Portland is and will continue to face.

Next Steps

In closing, the PUB appreciates the efforts the Bureaus have made to work with the Board, and we look forward to collaborating on the issues identified in this and prior letters.

The Board 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. If

you have any questions or suggestions, please reach out. We look forward to continued conversations about the budget and utility services.