

PORTLAND UTILITY BOARD

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To: Mayor Ted Wheeler

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

Date: January 26, 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. This initial budget letter, in compliance with City practice for budget advisory committees, shares our preliminary thinking and considerations that will guide our next several months of budget work together.

The PUB is guided by several areas identified in our workplan, including racial equity, the climate crisis and climate justice, innovation and efficiency, and interagency and cross sector collaboration. This past year, the PUB updated our values to make it clear that clean water is a human right and further define the importance of affordability and fairness. Keeping these in mind, the PUB expects to be engaged by the bureaus and recommends to the City Council that they prioritize consideration of financial assistance, racial equity and workforce development, infrastructure and asset management, and lead hazard reduction. Below, we expand on these areas, our priorities, and how these are connected to the Mayor's budget guidance.

Preliminary Budget Considerations

Budget is integrated into the Board's work year-round, but this becomes even more focused during review of the Requested Budgets through the Utility Rate Hearing. Following are early considerations we encourage the Council to take into advisement based on program and policy work over the past year.

Financial Assistance Programs and Multifamily Assistance –

The PUB feels that affordability of service for those most in need is a top priority, and encourages Council and bureaus to consider PUB’s recommendations provided on the financial assistance programs in recent years (documented most recently in the [FY 2021-22 Annual Report Appendix A](#)). The PUB continues to focus on affordable water, wastewater, and stormwater service for all Portlanders, particularly for people that bear the brunt of structural inequities.

The PUB has provided detailed recommendations regarding the financial assistance programs and continues to support expansion of these programs. The bureaus recently presented information regarding expansion to aid renters through the Regulated Affordable Multifamily Assistance Program (RAMP). The PUB has repeatedly advocated for expansion to multifamily residences, supports the direction the program expansion is going, and commends both PWB and BES for developing this program. The PUB agrees the RAMP program is a step forward, however the Board desires continued improvement as the limited reach of the program still leaves the majority of apartment renters without access to financial assistance. The Board recommends collecting disaggregated demographic data to evaluate whether racial equity goals are being met by the program. The Board also recommends that the bureaus explore how to identify and reach people in need that live in private for-profit apartments.

The PUB expects continued engagement with the bureaus and Council on the evolution of financial assistance programs, recognizing the need for consideration and input regarding the tradeoffs that may be required to ensure sufficient funding to prioritize future program enhancements and/or expansions.

Expectation for Early Engagement of PUB regarding Reorganization of Programs –

The PUB is aware of recent Charter reform and the need for discussions to advance work related to the local governance changes, including bureau program reorganization. The Board is supportive of these efforts and has prioritized innovation and efficiency and inter-agency collaboration. However, the Board is concerned about program reorganization happening in parallel to the budget process without sufficient engagement of the public regarding the potential budgetary, programmatic, and regulatory impacts. The Board has repeatedly highlighted the benefits of and need for more timely, transparent communication and engagement of the PUB in prior letters to Council. The shifting of programs may have important implications in terms of budget, regulatory compliance, level of service and equity. The Board continues to prioritize budgetary oversight to ensure compliance with legal concerns regarding the appropriate use of rate-payer funds, which was the basis for establishing the Board. As an oversight board, it is critical that the PUB be involved at the front end of any discussions regarding realignment of BES or PWB, or programs within these bureaus. The PUB expects to be involved to ensure sufficient consideration of impacts and opportunity for feedback prior to decision-making.

Support for Racial Equity and Workforce Development –

In June 2022, the PUB endorsed the [Workplace Racial Equity Mid-Pandemic: Focus on BES and PWB](#) report, published by board members Karen Y. Spencer and Theresa Huang, 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. This will not only provide avenues to build trust within the board, the bureau, and with the community, but also advance other critical topics such as field employees' working conditions (which include a significant number of Black, Indigenous and People of Color/BIPOC employees).

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

Support for Infrastructure Maintenance and Asset Management –

The PUB recognizes the need for stewardship of aging infrastructure and conditionally supports the bureaus' trend of prioritizing repairs of the systems in poorest condition first to protect public health and maintain essential services, yet the bureaus need to address racial disparities in public investment. The Board also supports long term investments that bolster the City's climate resilience, watershed protection and seismic preparedness. The PUB is concerned about potential disinvestment in environmental health and regulatory compliance of BES' programs and requests more information regarding recent trends and expected future investments in watershed health to determine whether the changes over time are moving in the right direction. The PUB would like to better understand how the bureaus' environmental mission, particularly in relationship to watershed health, will be achieved going forward. The Board expects continued engagement and bureau leadership in green infrastructure programs such as tree planting, green streets, greenroofs, habitat restoration and other green infrastructure strategies as well as providing the scientific foundation for meeting environmental goals, particularly as any reorganization due to governance changes are considered.

The PUB understands the difficult fiscal environment that is impacting existing capital plans and potential rate impacts. The Board is also aware of some staff working in facilities that require significant repairs. While we understand that capital improvement plans must be balanced with other priorities, these priorities must never outweigh the expectation of a quality workplace to be provided by an employer and recognizes that the City must address the material realities of subpar work conditions for some of its bureau employees. The City has identified staff as essential to keep systems running but not created adequate working environments to ensure the City maintains those essential staff and this needs to be addressed. The PUB expects the bureaus to provide healthy and safe working environments for all staff.

The Board is committed to long term improvements and wants to ensure investments are made timely to maintain intergenerational equity. The PUB expects to be adequately engaged and informed about capital improvement plan priorities and decisions, particularly if there are tradeoffs to consider in order to best fulfill the PUB's purpose. A few capital projects that

remain of particular interest for the PUB include:

- Automated Meter Infrastructure (AMI) – refer to recommendation made in [PUB’s April 7, 2022 Recommendation letter](#) requesting further cost-benefit analysis, as all of the concerns have not been addressed.
- Bull Run Treatment Projects
- Secondary Treatment Expansion Program (STEP)
- Tryon Creek Wastewater Treatment Plant
- Willamette River Crossing

The PUB remains concerned about overall impact to rates and the need to balance CIP project decisions and would like to see more information regarding these and other projects before commenting on tradeoffs for current year priorities.

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

The PUB recognizes the public health benefits that have been provided by the 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](#).

PUB’s Priority Area Alignment with Budget Guidance

PUB’s priority areas (identified and outlined in our [FY 2022-23 Workplan](#)) apply to all PUB’s budget and policy work, connect to bureau challenges and priorities, and align with the Mayor’s budget guidance and priority lenses. The Mayor’s priority lenses of equity, climate action, and high-performance government closely align with PUB’s priority areas and we are eager to see how these elements impact decision-making. This work is supported as the bureaus and PUB focus together on improved process coordination, communication, and mutual trust-building. When engaged timely and effectively, the programs and policies are more fully informed and with better outcomes.

Racial Equity

Consistent with the [PUB’s Beliefs, Values and Anti-Racist Principles](#), the Board centers racial equity in all its decision-making. In developing recommendations, the PUB not only analyzes the distribution of burdens and benefits, but also considers how to advance reparative actions that address harm done by past inequitable policies, actions, and practices.

The Board supports the bureaus’ identifying their performance measures that relate to the Mayor’s priority lens of Equity, particularly where it can move beyond broad equity goals or statements and tie directly to measurable deliverables and outcomes.

The Climate Crisis and Climate Justice

The PUB recognizes that marginalized communities are disproportionately impacted by climate change while contributing least to the problem. The Board takes a climate justice approach to addressing the climate crisis and recognizes the import of the bureaus' work in addressing impacts on the community. The Board works to ensure that the most impacted communities are included in the decision-making processes and that bureau climate resilience policies equitably distribute benefits and burdens.

The Board supports bureaus identifying performance measures that relate to the Mayor's priority lens of Climate Action.

Innovation and Efficiency

The Board encourages innovation and efficiency in analyzing bureau policies, operations, and plans, while ensuring that innovations and efficiencies benefit communities, advance equity and do not happen at the expense of marginalized communities.

The Board supports bureaus in their efforts as they relate to the Mayor's priority lens of High-Performance Government, especially for racial equity and workforce development. The transitioning form of government provides a critical opportunity to focus on PUB's priorities particularly as service areas are aligned and we look to identify innovations, efficiencies, and opportunities for collaboration.

Inter-Agency and Cross-Sector Collaboration

The Board looks for opportunities for inter-bureau and inter-agency collaboration, cooperation, and sharing of resources such as staff expertise and equipment in ways that advance equity and enhance services. This is an area that the Board has focused for several years and requires even more attention with the governance change, going beyond just the utility bureaus' work.

Next steps

Over the coming months the PUB will conduct more comprehensive review of the FY 2023-24 proposed operating budgets, program offers, capital improvement plans, and potential tradeoffs that impact rate increases.

The Mayor's December 13th Utility Rate guidance suggests the bureaus should build their budgets reflecting good value at a fair price in any rate increase and requests options to compare tradeoffs to consider against rate increase options. The PUB will weigh in on the rate increase further in the budget process once the Board can review the information provided in the Requested Budgets.

The Board looks forward to analyzing and evaluating the bureaus' Requested Budgets, the City Budget Office (CBO) analyses and providing additional feedback to City Council. The PUB intends to participate in the budget work sessions in March, provide a detailed letter with recommendations regarding the budgets by early April, and engage in the utility rate hearing in May. We also look forward to discussing budget issues with the Mayor and City Council as

appropriate.

The PUB is grateful for the significant support we receive from the bureaus' directors, staff, ex-officio members; Council and their staff; the City Budget Office; and PUB staff. We welcome open communication with City Council and your feedback on our budget recommendations, our proposed approach or the priorities that guide our work.