

PORTLAND UTILITY BOARD

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

Re: Requested Budgets for FY 2020-21 for the Bureau of Environmental Services and the Portland Water Bureau

Date: January 29, 2020

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

The PUB has held multiple board meetings and subcommittee meetings over the last few months focused on gathering information, providing feedback, and building the foundation needed to understand the complex budgets for both bureaus. PUB is grateful for the significant support we receive from the bureaus' directors, staff, ex-officio members, Commissioners Fish and Fritz and their staff, the City Budget Office, and PUB staff.

This initial budget letter, in compliance with City practice for budget advisory committees, is an early opportunity to share our preliminary work and the considerations that will guide our next several months of budget work. The PUB views this letter as the first of several touch points with City Council throughout the annual budget and planning processes.

Program offers and PUB's adjusted approach to budget

The PUB continues to be supportive of the City's move to program offers in the budgeting process. As this is the second year in the City's shift to program offers, the bureaus and PUB continue to collaborate to develop best ways to work together within the new budget process. The bureaus continue to refine development of program offers. We have adjusted our review process to maximize the effectiveness of our budget advisory role. While the PUB will do a basic review of the full

budgets for both bureaus, the PUB has identified some high-interest program offers for more in-depth review. By focusing on a handful of program offers in-depth, the PUB aims to provide more focused feedback to the bureaus as well as to engage earlier and more effectively at the policy/programmatic level that ultimately drives budget optimization. The PUB appreciates the increased level of information that the bureaus are providing for the high-interest program offers as this allows the PUB to have greater context and provide more valuable feedback.

PUB’s Lenses and Values

During the process of selecting high-interest program offers, the PUB identified several lenses and values to apply in evaluating the bureaus’ program offers and developing recommendations. PUB will continue to consider the lenses and values and their connections. The PUB recognizes that conflict can exist between the various values and lenses. PUB members particularly struggle with the need of the bureaus to increase capital investments to address system maintenance and the burden that ongoing annual rate increases place on customers. Some values, such as equity, cut across all other values.

Lenses for FY 2020-21

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| Accountability and credibility |
| Equity |
| Goals, metrics, strategic alignment |
| Rate Impacts |
| Resiliency |
| Significant program changes or significant investment |
| Sustainability |

In alphabetic, not priority order

PUB’s Values

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| Affordability |
| Assistance to low-income residents |
| Efficiency of operations |
| Equity |
| Improvement and sustainability of infrastructure |
| Long-term value to residents of Portland region |
| Protection of public and watershed health |
| Regulatory Compliance |
| Service Delivery |
| System resilience and reliability |
| Transparency and inclusive public engagement |

In alphabetic, not priority order

Performance Measures Increase Accountability and Transparency

PUB is particularly interested in performance measures because they provide data to help evaluate program effectiveness, identify areas for improvement, and ensure accountability. PUB understands that both bureaus continue to develop and refine the performance measures and tie them to equity. PUB looks forward to providing input and guidance to both BES and PWB in this effort. The PUB requests that the bureaus maintain a collaborative process with the PUB to support measure development that provides meaningful information to them as well as

transparent communication for the general public. The PUB continues to recommend that the bureaus provide context for any metrics such that the public can easily understand why they have been chosen and how they might provide evidence of program success. In addition, we remain interested in tying the bureaus work back to performance indicators and outputs, equity goals, and the bureaus' strategic plans to ensure alignment.

Affordability, Low-income Assistance, and Budget Guidance

The Mayor's budget guidance stated concern about the challenges of affordability in Portland, including utility rates, and included direction to build budgets based on the rate increases included in the bureaus' five-year plans. The PUB is in the process of critically examining the concept of affordability and what it might look like through the lens of equity. Even the 4.53% combined increase projected in those plans may be unaffordable to many of Portland's residents and could disparately impact residents that already bear the brunt of structural inequities. The PUB encourages the bureaus to continue to look for efficiencies and cost-savings in both their operating and capital budgets. The PUB will continue to work with the bureaus to review and improve the low-income assistance program and other tools to ensure these programs are effective, equitable, and, where possible, expanded.

The Mayor's budget guidance also included direction for the Water Bureau to include a proposal to absorb 25% of the rate increase resulting from increased Water Filtration Plant construction costs. Although the PUB shares concern about rate affordability, we are also concerned about the potential negative impacts of delays to other priority capital projects that could result from this approach. This is a challenge that PUB will review more closely during our next phase of budget review when more information is available regarding proposed impacted capital projects.

Next steps

Over the coming months the PUB anticipates more comprehensive review of the FY 2020-21 proposed operating budgets, program offers, and major additions and adjustments to the five-year capital improvement plans. We look forward to analyzing and evaluating the bureau's requested budgets and the City Budget Office (CBO) analysis and providing additional feedback to City Council. As the budget develops, the PUB will provide a letter with recommendations regarding the budgets, participate in the budget work sessions in March, the utility rate hearing in May, as well as discuss budget issues with the Mayor and City Council if requested.

We look forward to providing you further input as the budget process continues through the spring. We welcome open communication with City Council and any feedback you have regarding our proposed approach to FY 2020-21 budget work as well as the lenses and values that guide our work.