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

Re: Proposed Budgets for FY 2024-25 for the Bureau of Environmental Services and the Portland Water Bureau

Date: April 25, 2024

As a community-based advisory board, the Portland Utility Board (PUB) provides independent oversight for the public utility bureaus engaging in the areas of finance and budgeting, policy, programs, and operations of the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB).

During the budget development process, the PUB has provided a [November letter to bureau leadership](#) as well as a [FY 2024-25 Requested Budget letter](#) with the Board's values based input and considerations for the utility bureaus' budgets. This letter supplements the PUB's testimony at the budget work session and rate hearings, documenting our support for elements of proposed utility investments and areas of concern.

Pending Budget Process Recommendations

The PUB acknowledges the unique circumstances this year with transition. Yet, we are concerned and uncertain about how each bureau's share of transition costs will affect core services and operations. As well, the extremely short budget timeline, lack of details in the budget documents and late changes to process did not provide enough information in a timely manner for the Board to effectively engage and provide feedback. The Board appreciates the Council members' recent requests for feedback on the budget process. The PUB is having deeper discussions on potential improvements to enhance effective engagement of the public and plans to submit some recommendations by June.

Support for Forecasted Rate Increases

The utility bureaus have been fiscally prudent in their financial plans, attempting to balance affordability, the continuation of services, and infrastructure needs. The PUB supports the rate increases approved by

Council this year, including 5.15% increase for BES, 7.9% for PWB, and a 5% increase for Service Development Charges (SDCs). The Board advises against rate increases below those included in updated financial plans, including SDCs; limiting SDC rate increases shifts the costs for development onto existing ratepayers rather than developers.

The PUB prioritizes intergenerational equity as well as affordability of current rate payers, which requires reasonable investments today to avoid pushing infrastructure burdens onto future generations. PUB supports each bureau's budgetary focus on addressing maintenance backlogs and aging infrastructure in FY 2024-25. Still the Board remains concerned about the growing deferred maintenance and implications for the utilities' long-term system resilience, particularly when facing unanticipated transition expenses and regulatory obligations. We do appreciate that the rate increase continues to fund some multi-family assistance through the Regulated Affordable Multifamily Assistance Program (RAMP).

The Board continues to support the bureaus' equity initiatives and continues to believe those initiatives are too often sacrificed to balance budgets. We are disappointed that the rate increases are insufficient to fund additional PWB planned investments in training programs intended to diversify the workforce and advancement opportunities for BIPOC employees. The PUB believes that increased rates are warranted when funding equity initiatives and projects that will reduce long-term costs.

As stated previously, the PUB supports the general approach the bureaus have planned to manage the projected reductions including reducing materials and services before staffing, eliminating or repurposing vacant positions, identifying improvements to deliver programs more efficiently and minimizing direct impacts to customers. Affordability remains a core value and focus but must be viewed within the context of long-term implications for the ratepayers, recognizing that incremental rate increases are an important component of the financial planning necessary to provide sustainable and resilient water, sewer, stormwater and natural resources services.

Concern Regarding Proposed Cuts to Natural Resource Programs

The PUB is deeply concerned about proposed cuts to natural resource programs within BES. The programs proposed for cuts include "Watershed, Natural Systems, Restoration and Biological Sciences; Stormwater management, Blue/Green Infrastructure, and Revegetation; and Trees on Private Property" totaling \$15.7 million a year. These programs represent longstanding, foundational green infrastructure programs within BES that are critical for protecting our environment, achieving regulatory compliance with federal environmental laws, and meeting BES' mission. The public has repeatedly reaffirmed its strong support for these programs as a key part of BES' mission and the City's environmental strategy. In a budget of over \$1.6 billion, it is troubling that the only programs targeted for cuts were these cornerstone environmental programs rather than cuts being spread more equitably across different program areas of the BES budget. The proposed cuts were not discussed with the public and it is not clear how or why BES chose these specific programs to target for cuts.

BES proposes to remedy these proposed cuts by utilizing Portland Clean Energy Fund (PCEF) funds to sustain them over a five-year period while it "seeks to secure stable long-term funding". While this strategy alleviates the need to dismantle these programs in the short run, it also raises the following serious questions:

- Why are these programs which have been funded on rates since their inception suddenly being removed from the rates and transferred to PCEF funding?
- BES has long assured the public that green infrastructure programs were a priority for the bureau. Why are they now flipping long-standing and aggressive efforts to maintain and build these programs on rates without any explanation or public process?
- Why is BES shifting cornerstone environmental programs from a stable and well vetted funding source (rates)? Backfilling existing programs with PCEF funds has been controversial and may not be a stable approach for the long term.
- What does BES mean when it states that it is using PCEF as a "five-year bridge, allowing BES time and capacity to secure stable long-term funding."? What alternatives are there besides rates (which remain stable, sustainable, and appropriate) and General Fund (which is currently stretched thin)?

The PUB appreciates the opportunity to engage in the discussion with leadership and other stakeholders planning for the future of natural resources services at the City. However, the process will take over a year, and potential creation of a new "Natural Resource Unit" within the Infrastructure Service Area will still require a stable funding source. For years, BES has aggressively and successfully argued both in litigation (Anderson Lawsuit) and at the ballot (Measure 26-156) that these natural resources programs are critical to BES' mission and appropriately funded by rates. These programs are foundational to the city's stormwater, environmental and climate resilience strategies, among the most popular at BES and promote deep partnerships with community groups. These programs historically made BES and the City of Portland a national and international leader in green infrastructure. Proposing these programs be cut and then backfilling funding with PCEF appears to be more opportunistic than strategic, losing stable rate funding, and placing important programs in jeopardy of permanent instability and eventual dissolution. It sends a confusing message to the community about BES and the City's commitment to protecting and restoring the environment and achieving regulatory compliance with environmental laws.

Closing and Next Steps

The Board recognizes the power and privilege of our role as an advisory board and take it very seriously. The PUB will continue to engage throughout the remainder of the budget process as well as provide oversight of implementation of budget decisions. The PUB appreciates the opportunity to engage with Commissioner Mapps and other Council members to provide feedback on how to improve the City's budget process to maximize the timeliness and effectiveness of public input, including advisory boards like the PUB. We welcome open communication with City Council and your feedback on our recommendations or the priorities that guide our work.