

PORTLAND UTILITY BOARD

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

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

Date: February 16, 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).

Through our years advising on budgetary matters, it has become apparent that the Board's input is needed earlier and throughout the budget process if it is to be actionable. In a [November letter to bureau leadership](#), the Board provided values-based input early in the budget process to be considered and incorporated as the utility bureaus' budgets were developed. This budget letter provides the PUB's values-based priorities this budget year, support for the bureaus' planned approach to the FY2024-25 Requested Budget, concern regarding long-term implications of limiting gradual rate increases, and trade-off considerations for potential reductions.

PUB's Budget and Policy Values

Equity remains the primary value and focus for the board, particularly in consideration of internal workforce and external community impacts. Considering the challenges facing the utilities and communities they serve, currently the PUB elevates and prioritizes:

- transparency and inclusive public engagement,
- proactive maintenance of infrastructure and steadfast investment in regulatory compliance,
- protection of public health and watershed health ensuring climate resilience,
- financial assistance programs specifically targeted for low-income multifamily residents who are not direct customers of the utilities, and
- general affordability for all customers.

The PUB recognizes the difficult circumstances and the need for Council and the bureaus to balance competing priorities with limited resources. For this reason, the Board provided some trade-offs to consider in budget development. Although the PUB appreciates the bureaus' attempts to be responsive to our values and priorities, alignment is increasingly challenging given last year's Council decisions to limit rate increases below those included in approved financial plans. This is amplified by regulatory obligations that cannot be reduced, charter transition expenses and unknown future liabilities caused by deferred maintenance.

Requested Budgets for Utilities

The PUB generally supports the preliminary 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. Supporting and sustaining a healthy workforce environment remains a priority, so we urge thoughtful review and management of potential impacts of reductions on workload and pay for the remaining workforce. The Board appreciates the Portland Clean Energy Fund (PCEF) investments for water efficiency improvement as well as the short-term investments for important programs related to management of watershed, stormwater, and trees on private property. However, the PUB is concerned that using those funds could establish an expectation for some services without a reliable ongoing resource, creating a potential risk to BES' long-term financial plans.

As communicated in our testimony, the PUB remains concerned that the depth of reductions required may unnecessarily compromise the forward progress of the utility bureaus and the ability of Portland to provide safe drinking water and healthy ecosystems. Council decisions make a difference over time with a cumulative impact, even when they seem small in isolation such as with the exemption of over-water structures in rates or a fractional reduction to requested rates. The PUB does not agree with the premise that high taxation is leading to migration from the city, believes this is an oversimplification of the problem at hand and should not be used as a basis to limit necessary rate increases. Note that the City's [2022 Portland Insights Survey Report](#) found housing affordability and proximity to work and family as the primary reasons for migration from Portland. Though fees and rates do impact overall affordability, we also know that people migrate away from jurisdictions unable to provide clean and safe water or effective sewer and stormwater services. Portland must sustain and continue to improve our clean water and watersheds that draw people to the area. 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.

Considerations for Rate Setting and Potential Reductions

The bureaus have been fiscally prudent in their five-year financial plans, the PUB supports their requested rates and given the lack of push back during the Public Works budget work session expect they will be approved as requested. The Board agrees with the Mayor that Portland needs to be planning 25 years out, with utility investments requiring planning even further out.

Rate increases are necessary to ensure forward progress and we urge Council and leadership to ensure we are not backsliding or putting constraints on future generations. Please consider the following trade-offs as you make decisions regarding the utility budgets:

1. Increased equity and affordability to lower-income customers are worth increased rates. Maximize opportunities that ensure that those who can afford to pay more do so, while providing maximum support for the most vulnerable. The bureaus and PUB continue to prioritize financial assistance and other programs that attempt to ensure accessibility to those most vulnerable as well as responsible and efficient service and infrastructure investments.
2. Equity initiatives remain a top priority and should not be expendable when trade-offs and reductions are required. Last year PUB advocated for and Council approved equity initiatives such as the addition of trainee positions intended to further diversify PWB's workforce. These positions now face elimination before they could be filled, putting initiatives that can advance diversity, equity and inclusion on the chopping block.
3. The City must shift from deferred maintenance of current infrastructure to funding preventative maintenance, reducing long term costs with timely investments. Capital projects budgeted to comply with federal and other regulations necessarily remain a priority along with maintenance of existing infrastructure. Failure to fund mandatory repairs and investments compromise the ability to continue to provide services and will have greater negative impact on rates in future years. This pattern pushes more costly emergency repairs and improvements of infrastructure onto future generations rather than addressing incrementally in a more proactive and responsible way with gradual rate increases. Increased rates are warranted when funding projects that will reduce long-term costs to meet these critical demands.
4. The PUB supports increased rates to fulfill future labor contract negotiations and workforce diversity, equity, and inclusion initiatives.
5. The PUB recognizes that amid a climate crisis, Natural Resources are a critical component of BES' work and of the City's commitment to climate resilience. We support consolidation of Natural Resources and with potential for more effective, efficient, integrated, and aggressive efforts to achieve the City's goals. The Board recognizes the value of a proposed project team with relevant advisory board representatives engaging with bureau directors and staff. With an unclear path and timeline for transition, the PUB continues to state on the record our support for an inclusive and gradual process that does not transfer programs or staff until identified issues are fully considered. The PUB is eager to continue engaging in the long-term and collaborative work to ensure the process thoughtfully addresses legal issues, funding, long-term sustainability, impacts on city staff, adequate public and internal review and a comprehensive natural resource strategy. The realignment is a unique opportunity to do better and elevate this important work, potentially allowing Portland to regain the cutting edge in terms of sustainable urban design, ecosystem management and environmental protection.

Next steps

The recent changes to the budget process and calendar have created new challenges in

providing timely and well-informed feedback to the bureaus and Council, but we appreciate the opportunity for invited testimony at recent work sessions. The Board recognizes the power and privilege of our role as an advisory board and take it very seriously. We remain focused on our foundational purpose of providing feedback to help inform Council and bureau leadership decisions, aiming for constructive dialogue to explore our community-based perspective and any points of disagreement to achieve optimal outcomes for the City. The PUB will continue to engage throughout the budget process, including potential feedback following a more thorough review once details are available in FY 2024-25 Requested Budgets on proposed operating budgets, program offers, capital improvement plans, and tradeoffs taken to achieve budget reductions.

The PUB is grateful for the support we receive from the public, the Bureaus' directors, staff, and ex-officio members, as well as City Budget Office and Commissioner Mapps' staff. We welcome open communication with City Council and your feedback on our budget recommendations or the priorities that guide our work.