

PORTLAND UTILITY BOARD

Members:

Alexis Rife

Bruk Berhanu

Cormac Burke

Darrel Bobb

Julia DeGraw

Kyle Chipman, Co-Chair

Dr. Myra Khushbakht

Jennifer O'Connor

Lauren Rosenkranz

Lorraine Wilson, Co-Chair

Ex-officio Member:

Joanne Johnson

Staff Contacts:

Jonna Lynn Bransford, Coordinator
(971) 313-0999

Jonnalynn.Bransford@portlandoregon.gov

Amy Archer-Masters, Analyst
(503) 823-8340

Amy.Archer-Masters@portlandoregon.gov

City Budget Office
1120 SW 5th Ave, Ste 1010
Portland, Oregon 97204

To: Mayor Keith Wilson
Council President Jamie Dunphy
Council Vice President Olivia Clark
Public Works Committee - Chair, Vice Chair, and Members

CC: City Council, Auditor Simone Rede, City Administrator
Raymond Lee III, DCA Priya Dhanapal, Portland Utilities
Director Ting Lu, Budget Director Ruth Levine

Re: Budgets for FY 2026-27 for Portland Utilities (Public Works
Service Area, Bureau of Environmental Services and Portland
Water Bureau)

Date: April 10, 2026

Mayor and Leaders of City of Portland Utilities,

The Portland Utility Board (PUB) provides independent community oversight of Portland's public utilities, offering city leadership an informed and balanced perspective rooted in equity while recognizing the financial and infrastructure challenges faced by the bureaus.

The PUB recommends adoption of a Current Service Level (CSL) utility budget for FY 2026-27, supported by a 7.5% combined rate increase to maintain essential services, preserve workforce capacity, manage risk and uphold intergenerational equity.

This recommendation:

- Avoids worsening deferred maintenance backlog and system risk.
- Maintains regulatory compliance alongside protections of public health and the environment, supporting climate resilience.
- Preserves core operational and workforce capacity.
- Supports intergenerational equity through responsible, incremental rate setting; and
- Minimizes long-term costs compared to deferral and emergency repairs.

The PUB continues to strongly support maintaining and expanding targeted financial assistance programs to protect vulnerable ratepayers.

The PUB does not support Utility Budget Scenarios 2 or 3 (Current Revenue Forecast or 5% Rate Reduction) due to unacceptable service reductions, increased long-term costs, equity impacts, and heightened

system risk. These proposed reductions are compounded by the reality that, after years of tightening budgets, the Current Service Levels reflect significant cuts already made by each bureau, including the elimination of vacant positions, reductions to effective trainee programs, and the slashing of internal facility maintenance.

Intergenerational equity means today's ratepayers pay their fair share for the services on which they rely, rather than shifting higher costs and risks to future Portlanders. Incremental rate increases, as proposed in the CSL budget, are central to responsible financial planning.

The utilities face a substantial and growing backlog of deferred maintenance. Any reduction in funding would increase system risk, threaten regulatory compliance and further shift costs to future generations.

The PUB notes that a CSL budget alone does not resolve the existing maintenance funding gap. We therefore recommend updated and comprehensive financial planning that is responsive to policy decisions and ensures long-term system sustainability and resilience.

Concerns with Alternative Budget Proposals (Scenarios 2 and 3)

The **PUB opposes Utility Budget Scenarios 2 and 3** based on the following issues:

- Reductions to preventative maintenance and core services.
- Increased long-term costs despite short-term savings.
- Reduced operational and emergency response capacity.
- Misalignment with current financial realities.

The utilities are highly regulated and have already streamlined budgets to meet core service, safety and regulatory requirements. Cumulative impacts of prior year rate decisions, combined with escalating costs, have created a growing deferred maintenance gap. Significant financial commitments and increased costs on capital projects required to meet regulatory compliance, such as Bull Run Filtration, further limit the ability to reduce spending without increasing risk.

The PUB prioritizes affordability but is not willing to sacrifice necessary investments for a \$1.82 per month difference in utility bills for the average customer. Previous financial plans did not anticipate the scale of recent cost escalations and were not adjusted to reflect subsequent policy decisions. A return to those rates is arbitrary and not aligned with current financial realities. These reductions would impact planning and program coordination, emergency response readiness, environmental compliance and overall system reliability.

Recognizing that cost pressure to customers will continue to increase within and beyond the utilities, the Board maintains a commitment to financial accountability and transparency by the bureaus. **The PUB supports reductions achieved through operational efficiencies** while recognizing they could take years to materialize, particularly given ongoing reorganization, major projects and prior years' austerity measures. Operational efficiencies and other

reductions should be strategically planned and executed, not reactively imposed to meet near-term targets that undermine long-term capacity and service delivery. Factoring in the risks to planning, reliability, compliance and emergency response, the only viable options from scenario 2 are those with minimal negative impact on customers and workforce capacity.¹

The PUB also opposes extending bond terms from 30 to 40 years. While this extension provides some short-term customer bill savings, it increases the overall cost to ratepayers, limits future financial flexibility and defers today's obligations to future generations - as Council acknowledged, it "kicks the can down the road". It was suggested that future density would increase ratepayer base to absorb the increased cost of longer terms, however financial planning typically incorporates reasonable population growth estimates so relying on uncertain higher projections could elevate risks. Though infrastructure investments may support systems with long lifespans, significant reinvestment is typically required within 20-30 years, making longer-term financing misaligned with asset lifecycles.

Balancing Key Priorities to Maintain Essential Services

The PUB believes clean water is a human right, and utility services are essential to a healthy, functioning city. In evaluating the budget, the Board prioritized the following principles:

- Affordability, including financial assistance support, long-term affordability and intergenerational equity.
- Infrastructure sustainability and resilience (including risk reduction and unified capital asset management).
- Operational realignment and efficiencies, workforce capacity and strategic alignment (including core services, One Water, Natural Resources); and
- Transparent and meaningful public engagement prior to decision-making.

The City faces significant challenges from years of underinvestment in other core infrastructure. While prior decisions to limit rate increases may have reduced near-term impacts to customers, they have contributed to encroaching long-term funding challenges for the utilities. The PUB recognizes the need to balance competing priorities with limited resources for community members and the City.

In service of this balance, the PUB supports the utilities' independent financial oversight panels to strengthen accountability and transparency. We value and are prepared to partner in

¹ If Council were to pursue savings despite the risks, PUB advocates limiting to the following: concept #26485 savings with increased paperless billing and #26496 shifting credit card fees to permit holders (requires citywide change). However, if worth pursuing these efficiencies those funds may be more impactfully reallocated towards the growing deferred maintenance gap and/or other utility priorities. The PUB could provide more detailed feedback on the reduction options and risks if serious consideration proceeds with leadership.

monitoring major capital improvement projects where costs have escalated substantially from initial estimates, such as Bull Run Filtration.

The Board is tracking the City's efforts to address broader funding needs (transportation fees, among others), engaging around potential workforce and customer impacts as they relate to the utility bills and rates. Planning for total customer impact – including communication, affordability, and public perception – is important. However, efforts to address infrastructure needs across City service areas should not come at the expense of increasing utility maintenance backlogs.

It is critical to balance affordability with the reality of rising costs, deferred maintenance and long-term system resilience. Utility systems are often taken for granted until failures occur, at which point the impacts can be catastrophic and significantly more costly. Strategic investment today can help reduce long-term costs driven by deferred maintenance, emergency repairs and regulatory pressures. The PUB supports ensuring those who can afford to contribute to system maintenance do so, while continuing to prioritize assistance for those most vulnerable.

Next Steps and Opportunities for Engagement

The PUB remains committed to engaging constructively with City leadership as an informed representative of the public. Foundational to this awareness was the opportunity for the Board to visit Portland's core utility facilities. We encourage the Mayor and Council to visit as well; seeing the operations firsthand provides a deeper appreciation of the priorities and challenges faced by the utilities' workforce through the infrastructure they maintain.

The PUB strongly recommends improving early, transparent communication of budget guidance and proposals, along with restoring consistent opportunities for advisory board and public engagement. The PUB has worked for years to rebuild community confidence in the City's utility decision making and is eager to continue to partner with you. Strengthening processes to ensure timely, authentic and impactful opportunities for engagement will improve decisions, outcomes and public trust.

The PUB urges the Mayor and Council to adopt a CSL budget supported by a 7.5% rate increase to protect public health, maintain essential services and reduce long-term financial risk. This recommendation for a CSL budget builds upon the positive results of PUB's recommendation and Council's decision last year to base reduction on justifiable customer impacts and responsible financial planning. Continue making strategic investment decisions that prevent significantly higher costs in the future.

We welcome your feedback and continued engagement. Please reach out to [PUB staff](#) with any questions or follow-up (more contact information provided on cover page).