

# PORTLAND UTILITY BOARD

---

Members:

Colleen Johnson, Co-chair

Allan Warman, Co-chair

Heidi Bullock

Ted Labbe

Robert Martineau

Micah Meskel

Lee Moore

Dan Peterson

Dory Robinson

Scott Robinson

Mike Weedall

Ex-officio Members:

Ana Brophy

Van Le

Vera Zaharova

Staff Contact:  
Melissa Merrell  
(503) 823-1810  
Melissa.Merrell@portlandoregon.gov  
City Budget Office  
111 SW Columbia St., 5<sup>th</sup> Floor  
Portland, Oregon 97201

To: Mayor Ted Wheeler  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Chloe Eudaly  
Commissioner Dan Saltzman  
Auditor Mary Hull Caballero

Re: PUB Comments to City Council for the Fall BMP Requests of the Bureau of Environmental Services and the Portland Water Bureau

Date: October 25, 2018

The Portland Utility Board (PUB) serves as the community advisory board to City Council for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). In that capacity, we have reviewed the bureaus' requested budget adjustments submitted for your approval during the City's Fall Budget Monitoring Process (BMP) and offer you the following input for your consideration.

PUB is supportive of the adjustments requested by PWB and is supportive of some of the requests requested by BES but recommends the bureau reallocate existing resources for new program and staffing support that are priorities rather than using contingency and increasing its appropriation.

The bureaus presented a preview of their expected requests at PUB's September meeting prior to submittal to the City Budget Office, PUB members received additional information on the biosolids issue at BES and the Procurement request that affects both BES and PWB, and PUB members considered the analysis and recommendations of the City Budget Office and its analyst in October.

Last Fall, PUB had a lengthy and deliberative discussion about the role of the budget adjustment process in budget management and recommended six principles as guides for evaluating changes to bureau requests at this point in the budget process. PUB evaluated the requests

through the lens of the following principles:

- Requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year.
- Requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time.
- Requests for increases to staff should be done as part of the holistic annual budget process to allow for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny.
- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities.
- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

The requests from PWB align with those principles and PUB is supportive of those adjustments. PUB notes that the changes include reducing the FY 2018-19 Capital Improvement Plan by \$44 million, one-third of the approved resources, due in part to construction delays for major projects. In addition, cost estimates for the Willamette River Pipe Crossing and Washington Park have increased, by \$32 million and \$15 million, respectively.

BES requests align in part with PUB's stated principles. PUB is supportive of the requests for program adjustments, carryovers, and internal adjustments. In addition, PUB is supportive of the requests related to biosolids, security, and procurement. However, PUB members noted that the accumulated biosolids at Columbia Boulevard Wastewater Treatment Plant should have been known and mitigated if the bureau was using proper monitoring and management techniques. BES knowingly reduced scheduled trucking for biosolids, lacked contingency plans to address risks posed by weather and fire, and didn't monitor biosolids inflows and outflows to address the net buildup until it became an emergency. As a result, BES will spend \$7 million for emergency contracts, twice as much per dry ton for removal than it would under normal operations.

Given recent trends in underspending, PUB recommends BES use its budget monitoring and management techniques to reallocate existing resources, rather than drawing on contingency, for items that have risen to high priorities for the bureau. To the extent that BES finds it needs

additional appropriation from contingency later in the year, those requests could be considered in the Spring.

With regard to capital spending, PUB continues to be concerned about the ability of the bureaus to execute on the amount, size, and complexity of capital projects and feels this should be closely monitored. Actual capital spending by both bureaus has been well below planned in the last few years. For example, in FY 2017-18, PWB spent about 64% of the authorized \$109.2 million in the Adopted Budget and BES spent about 77% of the authorized \$114.3 million in the Adopted Budget. Currently, the capital plans assume far more capacity than the bureaus can deliver. While the budgets are adjusted over time, annual rates are built on assumptions that include higher cost recoveries than needed.

Thank you for considering this feedback. We appreciate the opportunity to review these requests and provide you with our input.