

Portland Utility Board

Tuesday, February 6, 2024, 3:30p.m.
Virtual meeting using Zoom platform
Meeting #169

Attendees:

PUB Members:

Alexis Rife
Christopher Richard
Heather Day-Melgar
Julia DeGraw (from ~4:34pm)
Karen Williams
Robin Castro, Chair
Joanne Johnson, Ex-Officio
Joe Spada, Ex-Officio (from ~4:13pm)

Absent:

Bob Sallinger
Lorraine Wilson *
Roslyn Gray, Ex-Officio*
*Notice of absence provided prior to meeting

Staff:

Amy Archer-Masters, Portland Utility Board Analyst, City Budget Office
Anthony Locke, City Budget Office
Cecelia Huynh, Portland Water Bureau
Farshad Allahdadi, Bureau of Environmental Services
Jeff Winner, Portland Water Bureau
Ken Bartocci, Bureau of Environmental Services

Public:

Carol Cushman, League of Women Voters
Erin White, PSU Student
Rachel

Items Discussed, Action Items, Decisions

In these notes PWB stands for Portland Water Bureau, BES for the Bureau of Environmental Services, PUB for the Portland Utility Board and PP&R for Portland Parks and Recreation.

The [video](#) of the meeting as well as supporting documents can be found here:

<https://www.portland.gov/pub/events/2024/2/6/portland-utility-board-meeting>

In the below notes the **blue timestamp** indicates the approximate place in the video where a particular topic begins as well as providing a link to that portion of the video. For example, **3:45**

indicates that this topic begins at approximately 3 minutes and 45 seconds into the video. Closed captioning is available by clicking on the CC symbol in the lower right side of the video tool bar.

The Board briefly discussed Natural Resources Service Delivery work session, received presentations from BES and PWB regarding plan for Requested Budgets, and discussed and approved content for testimony to Council.

I. Call to Order

The Chair called the meeting to order at approximately 3:34pm.

II. Disclosure of communications [~3:11](#)

There were no disclosures by members.

III. Public Comment [~3:50](#)

There was no public comment.

IV. Brief Items and Announcements [~5:02](#)

Natural Resources Service Delivery

The Chair shared that PUB participated in a work session on Natural Resources on February 1st, with testimony provided by Board members Bob and Roslyn. Those members were not present but PUB staff shared appreciation for their testimony and provided a reminder of the inquiry from the Parks and BES Directors for feedback on how they can involve PUB in the process and any suggestions for what works well for members. The work plan is due to the Chief Administrative Officer in April, so timeline will move pretty quickly in the next couple months.

- A PUB member shared that they envisioned the joint board meeting a bit differently than it turned out. Interested in a joint meeting of the three boards to compile comments from all three boards. Intention of the meeting being more of a working meeting. Support from other members shared, they would appreciate hearing input from others and it aligns with shift to service area approach and increased collaboration. PUB staff/Amy suggested the PUB Chair should connect with the chairs of the other boards to identify interest and initiate coordination given short timeline.
- A PUB member shared that they would appreciate an update from BES staff regularly regarding updates on the work coming out of the work group. If it is in writing that would work such as an update coming out of the work session, next steps, keeping apprised of progress and decisions, key questions being grappled with as they go to bring the board along as it is developing rather than just a single opportunity to provide feedback.

- A PUB member shared they would appreciate an update on the definitions of natural resources, particularly since there were questions that could not be answered until that was advanced.

V. Budget Development [~15:10](#)

The Chair shared the goal for today was to hear from the bureaus regarding the challenges they are facing, plans for Requested Budgets and how they align with PUB's values. The Chair welcomed BES and PWB staff to present information regarding their budgets.

Farshad Allahdadi, BES Business Services Group Manager, and Ken Bartocci, BES Financial Planning Manager provided a brief presentation on the Environmental Services FY 2024-25 Budget Update including the following highlights:

- BES Requested Budget is essentially a Current Service Level Budget, in addition to absorbing expenses related to charter reorganization expenses within existing rate projections.
- BES Cost Pressures – including anticipated (safety and security, inflation, long-term asset investment), unanticipated (lower rate increases, single permitting authority costs, asset failure/emergency repairs) and anticipated costs with large cost uncertainty (such as Tryon Creek, Urban Flood Safety Water Quality District, transition costs, etc).
- Overview of the flexible (personal services, external materials and services) and inflexible (Capital, debt service, interagency agreements, utility license fees) portions of the BES budget.
- Portland Clean Energy Fund Investments for watershed, stormwater management and trees on private property.
- BES Strategy to address the shortfall including \$5 million budget reductions in Fall BuMP, PCEF funding of approximately \$15.5 million and work needed for remaining \$2 million shortfall.
- Identification of reduction priorities – reducing external materials and services before staffing, eliminating vacant positions before filled and minimizing direct impacts to customers.
- Summary of planned request for 5.15% rate increase and assumptions necessary to provide reliable service.

General discussion and questions included:

- A PUB member asked whether it is just kicking the can down the road by reducing based on risk-based deferral of maintenance?
 - Farshad confirmed that choosing not to do maintenance today means that it will need to be done in the future, as well as have risk of increased cost for emergency repairs. Everything BES is paying for is strategic and aligns with risk or expected levels of service.
- A PUB member asked for more information about the single permitting authority and where the costs increasing?

- Farshad responded that existing BES staff does this work currently as well as other work in the bureau, so if staff move to a centralized location then BES would need to cover the cost of replacing staff for the remainder of their work. They also noted that if they cannot raise Service Development Charges (SDCs) at least 5% then they need to cover the costs of development out of other ratepayer dollars.
- A PUB member asked how BES is addressing the backlog of maintenance in this budget? Will it increase or decrease?
 - Farshad noted that this budget does not address the maintenance backlog. The focus is on maintaining service levels in the constraints provided. Maintenance issues can sometimes be addressed by capital investment, so less capital investment also contributes to the problem. This is not ideal. BES will be able to continue providing service to the public but it is not a sustainable financial model.

Cecelia Huynh, Finance Director for PWB, provided a brief presentation on the Water FY 2024-25 Budget including the following highlights:

- The bureau is directed to limit rate increase to 7.9%, which is lower than originally projected, and to absorb city transition costs but the amounts are not clear so they are planning conservatively to manage.
- Overview of the flexible (personal services, external materials and services) and inflexible (Capital, debt service, interagency agreements, utility license fees) portions of the PWB budget. Even the flexible portions are very limited to maintain services.
- Summary of what PWB has been doing recent years – including opportunities to repurpose positions, delivering programs differently at lower costs, and improve efficiency and effectiveness.
- Summary of Portland Clean Energy Fund investments of approximately \$5M for Water and \$9.5 million for Hydroelectric Power. These funds are on top of current costs.
- Implications for the budget to reach approximately \$4-5million reductions resulting from lower rate increases, costs increased above inflation, and city transition costs.
- Summary of reduction priorities – reducing materials and services before staffing, eliminate vacant before filled positions, and minimizing direct impacts to customers.
- Summary of attempted alignment with PUB’s values and trade-offs.
- Summary of budget reductions to reach the projected shortfall including reducing materials and services, reducing space, eliminating 15-18 vacant positions (including those supported by PUB last year), PCEF funding, fee recovery, fountain maintenance shift to general fund and other reductions in materials and services.
- Summary of planned request for 7.9% rate increase and assumptions required to maintain core services.

General discussion and questions included:

- A PUB member asked about the reliability of using the PCEF funding noting they heard that it could pose some risks. What risks are assumed with that funding?

- Cecelia shared that the process for PCEF allocation is still happening and Council has not voted on allocations yet. PWB hopes to put more requests if/when additional funds are available for the water efficiency program.
- Farshad noted that for BES the three programs that the PCEF funds, BES was looking at sunseting that work. The rate based budget for those programs will be on other priorities, so if there is an expectation to continue those after PCEF funding ends in 5 years then there is a financial risk for BES.
- A PUB member asked how deferred maintenance looks for PWB.
 - Cecelia shared that PWB has not been discussing their maintenance in that way and they have been doing well at maintaining core assets. They are doing risk based analysis of any assets in poor condition, and some of those you want to run until they fail before replacing.
 - Jeff Winner, Capital Planning manager, shared that their short-term maintenance needs are being met such as the 2200 miles of distribution mains. Over time the failures will increase based on the forecast, but they have not seen an increase in breaks per mile currently.
- A PUB member shared appreciation for responding to the trade-offs PUB provided in the Fall. Are there a couple programs that PUB could explicitly support that fall into those categories?
 - Cecelia noted that they prioritized their financial assistance program as something they wouldn't consider cutting back on. They also prioritized the staffing that supports that area in customer service. However, that limits where they can cut from. For example, it does eliminate the 8 positions that PWB was adding to increase diversity. Those were vacant, so once reductions were identified as needed they put filling on hold.
- A PUB member noted that a lot of cuts appear to be in materials and services. In the past we have discussed external contracts with BIPOC organizations that helped bureaus meet diversity goals. If those are being reduced does that impact their ability to meet equity goals with contracting?
 - Cecelia shared that they were thoughtful in the exercise and does not recall a significant amount from professional services and does not believe it impacts those goals.

PUB Requested Budget Letter and Next Steps ~1:13:00

PUB staff/Amy provided an overview of upcoming key dates related to budget and upcoming opportunities for input to Council:

- February 8th – Public Works budget work session
- February 15th – next PUB meeting
- February 16th – Requested Budgets available
- March 5th – Rate hearing and PUB meeting (*note since the meeting the rate hearing has changed to March 6th*)

PUB Requested budget letter would include content from November values letter, response to Mayor's Guidance, and other priorities to highlight upon discussion. The Chair asked the group whether members had a few extra minutes to have the meeting run long to discuss this item and there was general support from members.

- A PUB member noted that they re-read the November values letter and really liked the content. They wondered if it is too late to critique the framing of the Mayor's guidance. It is inconsistent with the values of the community and PUB. If others agree, they would like to note that the guidance is limiting the progress we are trying to make.
 - A PUB member shared agreement, particularly what is stated as fact that high taxation is leading to migration out of Portland. That frames the rest of the directive limiting rate increases. They found this framing problematic, and understand they cannot change it but would like to disagree with it as foundational fact. It could lead to emphasizing the tradeoffs PUB highlighted as justifying higher rates.
 - A PUB member noted that a 2022 Insights survey stated that cost of housing was the greatest factor, so although taxes impact that it isn't a complete foundation or picture.
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- A PUB member shared that they took issue with the guidance providing limits on some bureaus and not others such as public safety that are high cost on general fund but not providing the safety they are charged to provide.
- A PUB member shared support for providing a comparison between PUB's values and the guidance. The migration and taxation issue is one that stood out to them as well, but if there are other built in assumptions those may be worth looking at.
- A PUB member noted that they don't want to miss an opportunity to provide feedback and find verbal testimony to be more impactful than written. There was support for verbal testimony, but acknowledgement that the work session is just a few days away.
- A PUB member shared support for what has been stated. They flagged that being under different constraints although the bureaus provide services that are essential to public health and safety. They would like to emphasize that there is devaluing services that are essential. People move out of cities when they fail to provide clean water.
- A PUB member stated that it is important to point out that the bureaus need the rate increases that are being requested. They are concerned that deferred maintenance is going to hurt them so really, they need more to get out of the hole. Maintaining current level is not enough.
- A PUB member shared support for what has been shared, particularly about providing in person testimony.
- A PUB member shared that they are not completely familiar with PCEF but have worked with recipients of those funds and know it was not established to fund deficits for City bureaus. They have read some articles that speak to diverting funds. While they understand more dollars have been raised that projected, they are concerned that it

may not be going to its original purpose of supporting NGOs and community organizations for people of color.

- An ex-officio PUB member shared that it may be good to see if there are particularly programs that PUB could help lift up in support of Council prioritizing them.

Heather Day-Melgar volunteered to help develop testimony, but is unable to deliver it during the work session. Chair Robin Castro shared that they have a couple days off work and volunteered to help draft the testimony and provide it on PUB's behalf.

PUB Staff/Amy noted that they connected with Commissioner's staff regarding PUB being invited to provide testimony. One challenge they are facing is the other Public Works bureau's advisory committee meets at the same time as the work session so they would want to ensure that PBOT's could be invited as well. They will try to create that space for PUB and PBOT's advisory committee. Amy noted that as Chair Robin has the authority to provide testimony on behalf of the PUB, and they would capture what was shared during the meeting to support development.

VI. Review and Approval of Minutes [~1:34:20](#)

The Board approved the January 9th and January 18th minutes as drafted without additional edits.

VII. Announcements and Next Meeting [~1:35:05](#)

PUB Staff/Amy provided the following quick updates:

- Public Works budget work session on February 8th.
- Voting member recruitment – 11 applications were received, subcommittee will be reviewing and identifying candidates to interview.
- Portland Harbor Grant cycle – accepting applications through February 15th.

Potential future meetings and topics to be determined, likely focus at upcoming meetings are budget and natural resources.

The meeting adjourned at approximately ~5:11 p.m.