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City Budget Office

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To: Mayor Ted Wheeler
Commissioner Mingus Mapps
Commissioner Carmen Rubio
Commissioner Dan Ryan
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

Re: PUB Recommendations for the Bureau of Environmental Services and the Portland Water Bureau FY 2022-23 Requested Budgets

Date: April 7, 2022

The Portland Utility Board (PUB) serves as a community-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB).

The PUB is grateful for the support we receive from the public, the bureaus' directors, staff, and ex-officio members as well as the Council, City Budget Office, and PUB staff. The PUB has held multiple board meetings over the last several months focused on gathering information needed to understand the complex budgets for both bureaus and developing feedback in line with PUB's values and priority areas. This second letter during the budget cycle summarizes our recommendations to Council on the bureaus' FY 2022-23 Requested Budgets and priorities.

FY 2022-23 Requested Budgets

The Bureau of Environmental Service's (BES) FY 2022-23 budget request includes \$439.2 million in operating and capital expenditures, with no change in positions. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 3.15% or approximately \$2.52 month.

The Portland Water Bureau's (PWB) FY 2022-23 budget request includes \$286.1 million for operating and capital expenditures, with five new positions. The decision packages include a \$745,000 General Fund request to assess Reservoir 6 of the Mt Tabor Reservoirs. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 7.7% or approximately \$3.73 month.

Both bureaus' Requested Budgets also include American Rescue Plan Act (ARPA) funding requests.

Rates, Affordability, Financial Assistance, and Equitable Debt Recovery

The PUB understands there is a delicate balance between affordability and the capital investments needed to maintain and improve infrastructure while striving for climate resilience. In the best of times this is a tough balancing act. As you are aware, it is even more difficult given the multi-year pandemic, rising costs of labor and materials, and the economic impacts of the war in Ukraine and Russian sanctions. The PUB considers issues of affordability through the lens of racial equity; centering those most impacted by structural inequities in its analysis and recommendations.

Affordability of Rates - The PUB appreciates that both bureaus met budget guidance with their budget requests but remains concerned about the affordability of utility rates. Combined, the rate increase for both PWB and BES would result in a monthly utility increase rate of 4.86%. A typical single-family residential bill would increase by \$6.25 from \$128.68 per month up to \$134.94 month. The PUB is concerned about the proposed rate increase during a period of increasing inflation when many are already struggling economically. The resulting bill increase from a 4.86% rate increase could prove unaffordable to many Portlanders with a likely disparate impact on black, indigenous, communities of color, low-income households and others who already bear the brunt of structural inequities.

Long-standing issues of affordability have been exacerbated by the pandemic. Thus, regardless of the eventual rate increase approved this year, issues of affordability will remain. The PUB prioritizes financial assistance and equitable debt recovery as tools to address racial equity and affordability. In previous communications to Council and the bureaus, the Board has provided specific recommendations around financial assistance and debt recovery such as the need to expand the financial assistance program, including to renters; increase outreach efforts; increase the number of languages information is available in; use of innovative outreach methods, e.g., videos or audio; and collaboration between BES and PWB as well as other bureaus City-wide on both financial assistance and debt recovery in ways that center those most impacted and take a whole person approach to ensure the bureaus' collections efforts are not worsening economic situations of those already struggling. In the coming months the Board expects to provide additional detailed recommendations on financial assistance and debt recovery.

Shift to See Opportunity Instead of Challenge in Financial Assistance — The BES financial forecast documents frame the expansion of the low-income assistance programs as a “medium risk” to the forecast for the potential future impact on rates. While that is reasonable for financial planning, the PUB encourages both bureaus to also look at the need for increased low-income assistance as an opportunity. For example, a goal to expand financial assistance could

promote exploration of more equitable funding models, pursuit of state and federal grants, and investments in culturally sensitive outreach and engagement.

Support Alignment with Equity - The PUB supports the PWB's plans in FY 2022-23 to review the residential bill discount program and crisis vouchers to align with equity goals, as well as advancing the BES rate study to address the inequitable rate structure for stormwater rates. The PUB appreciates the six shared performance goals related to affordability as an example of effective inter-bureau collaboration.

Support for Alternative Funding Sources and Models — The Board encourages the exploration of alternative means to fund low-income assistance besides rate increases, such as federal and state assistance and grants. The PUB is supportive of the requests for ARPA grant funds by the utilities, including important \$2.6 Million support already received for bill credits for low-income customers with accounts in arrears in the first round of relief. Since the first round, the bureaus estimate customers need an additional \$16.3 Million in support for bill credit. The Board is supportive of the additional funding sought to expand bill credits and protect ratepayers from the pandemic associated debt.

The PUB encourages the bureaus as part of the BES rate study and other efforts to examine and address affordability to consider and explore other models and funding structures for providing basic water, sewer, and stormwater services. The PUB looks forward to robust conversation with the bureaus and Commissioner Mapps in the coming months on the rates and affordability.

Infrastructure Investments and Capital Projects

The utilities manage over \$30 Billion in infrastructure that provide vital water, sewer, and stormwater services. The PUB recognizes a need for stewardship of aging infrastructure and generally supports the bureaus' prioritization of repairing the systems in poorest condition first to protect public health, maintain essential services and begin to address racial disparities in public investment. The PUB supports PWB's FY 2022-23 budget priority to apply equity impact assessments to capital project planning. The Board would like to see the equity impact assessment for the Advance Metering Infrastructure project.

More Clearly Communicate Long-term and Resilience Planning - The PUB encourages the bureaus to better explain how they manage assets to balance short-term needs with longer-term resiliency planning (e.g., land acquisition and watershed restoration for BES; Willamette Crossing and Bull Run habitat conservation for PWB). The PUB recognizes that the bureaus have multiple plans that attempt to balance near and long-term system needs, but that necessary balance is not clearly conveyed in budget documents. Clearly communicating about this balance is critical to the PUB's, as well as the public's, confidence that the bureaus are adequately planning for climate change adaption as well as mitigation for the city's most vulnerable communities.

Need for City-wide View of Capital Improvement Planning - It would be helpful for Council, PUB, other bureau advisory boards, and community members to know how the utility infrastructure needs fit in with other upcoming major citywide capital needs and decisions. Although the utility rates may be independent from other funding sources, Portlanders have limited resources and view the City as a single entity. Major capital investment decisions need to be balanced citywide to understand the collective impact on community members.

Attention to Intergenerational Equity – The Board wishes to ensure that both rates and the pace of investment in infrastructure are fair to current and future Portlanders. The Board is aware that if we don't make enough infrastructure investments now, future generations will have to pay more and may face immediate and catastrophic infrastructure failures. However, the Board is also concerned that this heavy shift of balance towards the current Portlanders with steep rate increases to fund long-term infrastructure projects may cause a catastrophic financial impact for families and individuals who are vulnerable to steep rate increases during a time where there are already layers of economic uncertainties. The PUB recommends attention to prioritizing capital improvements so that intergenerational equity is achieved.

Conduct Further Cost-Benefit Analysis of AMI – One of the largest increases to the Capital Improvement Plans for both bureaus was the addition of the joint \$90 million Advanced Metering Infrastructure (AMI) project planned over the next seven years. Although there may be value in providing smart meters, such as moving to actual meter reads for monthly billing, it was not clear to the PUB whether the benefits truly exceed the costs or whether the timing is right to proceed. Because the Board is concerned about the timing and viability, it encourages a more robust examination of how the financial and non-financial benefits of AMI more than "offset the cost" as the Diameter report states. The Board has also questioned the logic of an even cost split by the utility bureaus for the AMI implementation and encourages more justification of the division of costs.

It was not clear what the direct rate impact would be if this project was removed from the budget or delayed. During a time when people continue to struggle to pay their bills, every rate increase has impact. It is critical that infrastructure investments are timed appropriately and have a justifiable return on the investment.

Mt Tabor Reservoir Dam Safety - The PUB did not have much time to discuss the Mt Tabor Reservoir Dam Safety decision package request for General Fund dollars. However, the Board acknowledged the City Budget Office opposition to the funding due to the limited resources available, lack of safety threat, and unclear long-term costs of repairs and responsibilities. The PUB did not find that information provided in budget materials made a compelling case that this investment of General Fund dollars would address any of PUB's priority areas.

Mayor's Housing and Houseless Service Priority Area

The PUB encourages the bureaus to develop policies and practices that address the needs of those most impacted by structural inequities and has prioritized the intersections of the bureaus work and houselessness for several years.

Support for Staff Training and Safety - The Board appreciates the memos the bureaus wrote addressing Mayor Wheeler's priority areas. In the Housing and Houseless Services Priority Area, the PUB would like to see the bureaus identify additional training for field staff including de-escalation and trauma informed care, equity and inclusion practices when working with the public, safety measures and other support bureau staff will receive to respond effectively to community members who may be experiencing a crisis, for example may be experiencing houselessness. In addition, we encourage the bureaus to provide materials on resources the City has available to staff that may be experiencing challenges related to this work.

Support for Customers Impacted by Housing Crisis - The Board recommends the bureaus continue exploring how they can be key partners in providing direct support to those impacted by the housing crisis. Financial Assistance programs should be reaching people before they are at the point of desperation and may be at risk of losing housing. Some recommendations have been referenced above, in prior letters and will also be forthcoming. In addition, debt recovery activities for basic utilities should not put customers at risk of losing housing. The PUB is also supportive of the following requests for ARPA grant funds that may support housing and career opportunities for Portland residents who are housing insecure or experiencing houselessness:

- brownfields remediation and land restoration to prepare for reuse as affordable housing and support for the shelter to housing continuum, and
- the Green Workforce Collaborative that would establish a paid career opportunities program that protects public health while expanding economic opportunities for the community.

Support for Community Engagement Investments

The PUB generally supports increased community engagement efforts, particularly in communities historically and currently excluded from public policy conversations (e.g., black indigenous, communities of color, immigrant communities, renters). The Board has expressed support for greater investment in this area in past budgets and supports new and readjusted budget items prioritizing community engagement in the FY 2022-2023 bureau budgets as well. The PUB was pleased to learn that two new part-time staff at PWB will focus on affordability outreach. The Board also supports BES resources such as Community Engagement Liaisons (CELs) in the Watershed Revegetation Program Stormwater Operations and the plan for liaisons to focus on communities speaking primary languages other than English. A second BES program PUB was pleased to see highlighted in the BES Equity report is the Community Watersheds Stewardship Program that coordinates with the City's New Portlander Program to outreach to immigrant and refugee communities.

The PUB believes that meaningful community engagement also depends on the bureaus' recognition that different communities experience bureau services and information in different ways. Accessible language and equity analysis in budget documents may help the public better understand how bureau services impact them and how they can affect bureau services. The PUB believes the bureaus' application of the Budget Equity Strategy Tool to their budget submissions and the comprehensive equity reports included with the budget submissions are important to transparency and public understanding. The PUB thanks the bureaus' Equity Managers for the budget equity training they provided to bureaus and for composing the equity reports.

Racial Equity and Workforce Development

The PUB adopted principles to actively work to maintain an inclusive board culture and for holding themselves and the bureaus accountable for identifying and addressing racism, systemic racism, and structural inequities ([PUB Beliefs, Values, and Anti-Racist Principles](#)). The Board's racial equity work this year has particularly focused on workforce related issues. The Board currently has a project team working on gathering and evaluating data and will be developing detailed recommendations in coming months.

Sufficiently Staff Racial Equity Workforce Efforts – Based on preliminary research from the PUB project team, the PUB recommends that the bureaus ensure sufficient and dedicated staffing are allocated to the hiring, retention, and promotion of a diverse workforce. The Board also recommends a dedicated effort to evaluate the career pathways within the bureaus so that employees have opportunities to advance in their careers. Initial analysis suggests current staffing levels are not sufficient to implement either of these recommendations, let alone both.

Provide Data Disaggregated by Race – The Board is interested in measurable data that can be disaggregated by demographics, particularly race. The PUB appreciates the City's development of the equity dashboard, which disaggregates personnel data by race and gender for equity managers. The Board supports the two new positions to implement the PWB Strategic plan, focusing on internal communication and employee engagement.

As the project team has gathered data, it has proven challenging since often demographic data has been unavailable. As an early step, the Board recommended that as the bureaus are planning for the return to office of remote workers that they collect qualitative, demographic, and other relevant data in order to assess the impacts, in particular the potential disparate impacts on BIPOC employees. The PUB recognized this as an opportunity to reduce racial trauma at a critical moment for our communities of color.

The Board will continue to collaborate with the bureaus on this high priority topic and share more detailed recommendations once they are available.

Transparency, Coordination, and Communication

The AMI project investment resurfaced a periodic concern for the PUB that hampers the board's ability to provide effective and timely guidance to City Council and the bureaus. The Board was not apprised of AMI in advance of the budget process. This made it extremely difficult to gather enough information to make informed recommendations during the tight budget timelines. When the PUB is engaged earlier, the board's expertise is more fully utilized, and it is better positioned to provide meaningful input on significant proposals. This results in more actionable feedback for Council and the bureaus and more authentic and rewarding experience for both the PUB and the bureaus.

In previous letters to Council, the PUB has highlighted the benefits of and need for timely, transparent communication with the board. In the PUB's most recent [2021 Annual Report](#) the board identified a priority focus area of improving transparency, coordination, and communication with the bureaus. During the work session Commissioner Mapps indicated interest in engaging with the PUB and the bureaus to resolve this issue and the PUB looks forward to working with leadership on this process improvement.

Next Steps

In closing, the PUB appreciates the efforts the bureaus have made to work with the board, and we look forward to collaborating on the issues identified in this letter.

The PUB views this opportunity to comment on the bureaus' budget submissions as one of several touch points with City Council throughout the annual budget and planning processes. If you have any questions or suggestions, please reach out. The Board looks forward to continued conversations about the budget and utility services.