

PORTLAND UTILITY REVIEW BOARD
April 19, 2012 – Lovejoy Conference Room; City Hall

Attendees:

PURB members: Janis Adler, Sharon Kelly, Thomas Badrick, Roger Cole, Catherine Howells, Vincent Sliowski, Gordon Feigner

Excused Absence: John Gibbon, Charlie Van Rossen

City Staff: David Shaff (Water / Commissioner Leonard)
Bruce Walker (Bureau of Planning and Sustainability)
Ariane Sperry (Bureau of Planning and Sustainability)
Jim Hagerman (Bureau of Environmental Services)
Patti Howard (Commissioner Fritz)
Dave Hasson (Water Bureau)
Amy Trieu (Commissioner Saltzman)
Lisa Shaw (OMF – Financial Planning Division)
Bob Tomlinson (OMF – Financial Planning Division)

Public: Dave White (regional refuse representative)
Regna Merrit (Oregon Physicians for Social Responsibility)

Introductions

Completed

Approval of Minutes

March minutes

Approved with the following amendment

**John: My point was that it was fair that the PUBLIC pay for the mains and that the property owner for party sewers. **

Council Liaison Update

No comments

Public Comment

No comments

Bureau Updates

Bureau of Planning and Sustainability – (Bruce Walker)

(Distributes handout)There has been a challenge with this year’s rate review. For the last two months of the calendar year we are making sure our rate forecast will be spot on. I’ve been on phone with the economist. No late breaking news yet, but we are going to have some news available next week with our committee on May 1st. We are moving on a track to have another committee meeting and then a full discussion with the full PURB during the May 10th meeting.

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Several factors to review – recycling revenues. Upward pressure on the rates. Inflation factors. We look at fuel inflation as well as general inflationary factors derived from consumer price index. Looking at several factors we apply to hauler costs. The operating margin where haulers earn above 9.5%. The new platform since they are earning more than the target, will apply downward pressure on the rates. The tip fee is going up. We had a higher tip fee in our rate projection because Metro had not set their rates yet.

Sharon The main challenge is that we are at the last minute on the rates. This is very frustrating. We have all of these pieces come in so late that we only have about 15 minutes to discuss etc. This is a structural problem. We are trying to have the most current information to set rates, but we need more time. Maybe we should set a deadline and stick to that. We could use data from the end of the calendar year (inflation and utility costs etc). Seems impossible to do this in a timely way, but we can't have a constantly moving line. We need this information earlier.

Roger Why are the recycling revenues decreasing?

Bruce The primary factor is the market for paper. That is about 60% paper. It is driven by the overall global market for recycled paper. There isn't as much paper in our lives at all (news papers, magazine, emails etc). Don't want to say that that markets won't come back due to supply and demand.

Thomas Is that normal in the 10 year time frame (the \$1.10 per customer)?

Bruce Slightly on the high side. 2006 / 2007 up to \$1.80 which held down rate increases. Looking at a rolling average to remove volatility, but we would need to bring that up to the subcommittee.

Vincent What is the relative effect of recycling on the overall rates?

Bruce Looking at a 32 gallon can (very common) \$27/month including the garbage can every other week, that whole package of services. Without the \$1.10 offset, the charge would be \$28.10.

Janis Metro sets rates in August. Solid waste will go up. What is going on with the residential organic tip fee?

Bruce We have a \$60 tip fee for organics, but we didn't know what the actual tip fee would be. So while the Metro tip fee is going up, it is going up less than we had anticipated so downward pressure on the rates.

Dave (member of the public) – I was involved with the original 9.5% margin; we have lived with it for 20 years. What's the right number? Not sure. It's a negotiated number. Our goal is to work hard to compete against the rate. It's our only way to make more money. Efficiencies benefit the rate payer. We work hard and then you take away the surplus. We'd rather have a 10% margin, but we agreed to this and support it.

Janis Same hauler as residential and commercial?

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Dave (member of the public) most are both, but not all.

Janis Is one set up better than the other?

Dave (member of the public) Not sure. It depends on the hauler and their business model and mix inside and outside of Portland. In other jurisdictions there is more money on the commercial side.

Bureau of Environmental Services update - Jim Hagerman (distributes handout)

We presented to Council on our budget. Not sure how the Mayor will impact the proposed budget. Rates could still be impacted before budget adoption. Still looking like 5.9% but could change. Making up for the reduction of rate stabilization. Looking at current year's revenues – they are down by some amount.

Janis How much more a month?

Jim \$3.33 increase per month

Janis What about the situations with drainage districts?

Jim We are still talking to them, but there has been a bit of a delay. Bit of a potential hold up. Confident that we can get to an agreement that we are both dissatisfied.

Janis Last time there was PURB sewer committee mention about zero based budget concerns? Would anyone like to discuss this?

Thomas We decided that we should continue to discuss for the future, but not something for the current rate and budget process.

- **Water Bureau – David Shaff**

End testing for crypto on April 1st. We are in compliance. Only agency in the country that has been given a variance. We presented our budget last week. We have two add packages: \$1.9 million for variance and monthly billing at 2%. Commissioner Fritz does not support it now, but would in the out-years after the economy approves.

We have had many rounds of follow-up questions to Mayor and Council and have posted our Questions and Answers online.

There is a public meeting next week in Washington D.C. regarding the covered LT2 rule. Two of us are attending. Also submitting tomorrow some surveillance. I am working on my two minute summary.

Regarding the reservoir extensions – submitted request for an extension. OHA finished the variance in March. They will now be looking at the City's request shortly. If OHA said no to extension request, then an additional 2.4% addition to the rates. Too late in the process. Our plan "B" If denied (Kelly Butte), we will pull back one of for a savings of about \$5 million etc. Reconfiguring

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the CIP as needed to deal with the potential denial of the extension. This represents a per month increase of \$2.73 average single family bill. We don't want to cover our reservoirs. There is no risk to public health. Yes water quality would improve, but none you would not notice it.

Janis The watershed plan? Is this new?

David Not new – was part of the variance

Sharon What is going on with the lawsuit?

David A judge has been assigned and discovery has started. I cannot say much else.

Enhanced Role of PURB

Janis I like to think that the PURB had a role in the audit and, by extension, the IUC proposal. In light of the 'death' of the IUC proposals, do we want an enhanced roll?

Catherine What do you mean by that?

Janis In the past we were 'nagging' maybe we would do something different? Something bigger?

Sharon I would say that the IUCs rose out of problems. There needs to be more independent perspective beside Council. Council has multiple motives besides keeping the rates down. Therefore there should be someone else.

Janis Should we step into the breach? One of the biggest differences – members must have a special expertise. PURB membership is more constituent based.

Catherine Let me play devil's advocate – why do this if we don't have more power?

Janis You are right, we don't have any more power?

Roger Maybe the goal is to get to the 10,000 foot level with more City staff support.

Catherine But still do we want to do that?

Janis So we might be okay with an additional role if we had the same City staff support that was offered to the IUC.

Catherine But how much time are we asking the professionals to spend with us?

Sharon We have two roles, policy level rather than the management perspective and the public perspective. City Council defines for us what our role is. We can have the conversation, but it's been defined for us. Without a change to the charter, power will stay with the City Council. Basically advocates need to interface with Council.

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Janis One thought I had was we have tried to have members of the PURB participate in the bureau advisory committees. A complaint: they don't get all of the documentation. If we had an enhanced support from "numbers" people, our recommendations could be more informed.

Gordon I think that may be true to some extent, the amount of information has been adequate, but the perspective could change. We see the cuts that the bureaus lay out for us. We don't have the chance to see more of the details. Not sure what the solution is. BACs do see a somewhat limited perspective.

Thomas I volunteered to be on this committee. What can we do to be prepared to enhance our role to prevent them from coming back so we can focus on our core mission and role. We should take the time to look at those proposals to see what we can take from them to make us more valuable.

Catherine There are also people who aren't unhappy. We can't just focus on the people who are unhappy, we wouldn't be doing our jobs. There are the silent majority but they don't say anything about it. How do we weigh that?

Janis I would like just to throw out – the reason that the IUC came up specifically about Council approving non-utility expenses. Oh, during our November meeting with Council, the talked about expenditure criteria that would be drafted and circulated. It would be a useful tool to have. How do we follow-up?

Lisa I will follow up.

Thomas the siting of the biogas location went around some sort of PURB process. We have this process in place, but we were still by-passed.

Vincent Could PURB bring proposals for code changes to Council? Outside of our role?

Janis We should pursue ideas if we think it could be helpful. If you have ideas for code changes we should bring them to the table.

Sharon Agreed. If we have ideas of how to do something differently it's fair game.

Vincent I'll think about this more.

Roger Member make up changes might make sense. We might add some areas of expertise. Maybe more members or cycle out existing roles. If we are going to make rate recommendations we should have more expertise.

Catherine I'd like to play devil's advocate again. One strength of PURB is that we are all just citizens rather than at the professional (engineering level).

Gordon Maybe a mix or balanced.

Bob Tomlinson More people can be more difficult to manage. PURB used to be 15 members.

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Janis Do we want to draft something to bring to Council at the utility rate hearing?

Sharon I don't think we're ready to have an opinion. We should keep thinking about and talking about but not ready.

Thomas We should signal to Council what we are thinking about. Doesn't have to be public.

May Agenda

- PURB role (continued discussion)
- Website changes
- BES watershed / open space management
- Rate testimony (solid waste, sewer and water)
- Field trips

May 10th is the next meeting.

Adjourn

5:57PM