

**PORTLAND UTILITY REVIEW BOARD**  
February 16, 2012 – Lovejoy Conference Room; City Hall

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Attendees

PURB Members: Charlie Van Rossen, Gordon Feighner, John Gibbon, Catherine Howells, Sharon Kelly, Vincent Sliowski, Thomas Badrick

Absent: Janis Adler, Roger Cole

City Staff: Lisa Shaw (OMF - FPD)  
Bob Tomlinson (OMF – FPD)  
Sophia Kecskes (Commissioner Fish)  
Amy Trieu (Commissioner Saltzman)  
Patti Howard (Commissioner Fritz)  
David Shaff (Water Bureau / Comm Leonard)  
Dave Hasson (Water Bureau)  
Jim Hagerman (BES)  
Bruce Walker (BPS)

Public: Regna Merritt; Kent Craford

**Introductions**

completed

**Amend/Approve PURB**

December and January minutes not available

**Vice Chair vote**

Charlie moves to nominate Gordon as Vice Chair  
John provides second  
All members present approve

**Council Liaison update**

- Patti– Comm Fritz

No updates

- Sophia – Comm Fish

No update

- Amy – Comm. Saltzman

We submitted our budget with help of BAC and the rate we landed at was 5.9%. Also on the issue of non-conforming sewers, the committee citizen advisory committee will make a recommendation to the Commission on March.

**Public Comment**

- Regna Merritt. Thank the Water Bureau for many wonderful comments to the State. The variance request was reopened. The comments were really wonderful. Update the member list on the website and please update the minutes. That is important. We don't know if we will have an IUC, so the buck stops with PURB. Hats off to the PURB for impacting the way in which the budget is formatted. Still a long way to go, but a good step in the right direction.

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- Kent Craford. Wanted to briefly read comments to you from Ryan Burr (testimony from City Council re: LT2 delay). “We care about Portland. However the future seems cloudy. We are also the largest water customer. Since 1999 reduced water use by 2some% but our expenses have increased over 200%. What is a way to reduced the fixed costs so that citizens can decrease their bills . . . “ Excited that Council voted the way in which it did. We have an awesome opportunity that we haven’t had in years to curb the rate of growth that we haven’t had in years. Despite the fact that these projects have been delayed, the Water Bureau is backfilling the gap with additional projects that did not need to be added to the CIP totaling \$105 million. The point is that we have successes in delaying the reservoir project, but it will be a hollow victory if it is replaced with additionally projects. We need meaningful rate relief. Please look carefully at CIP and we hope that PURB will push for lower rate increases. 11% increase is totally unjustified. My other members are really struggling financially.

### Bureau Update

- *Solid waste* (Bruce)

Two handouts are passed around by Bruce. Five Year Financial Plan and Revenues by funding source pie chart. (attached)

A few items to highlight:

1. similar to the audit review that occurred for Water and BES, the Auditor is looking at Solid Waste methodology. We have already had a few meetings with her staff. I have encouraged them to contact the PURB for residential rate setting factor. One issue is the operating margin, the 9.5%. The biggest difference is that we can’t come here today to talk to you about our proposed rate increase. We will come back to talk about the franchise review later this spring of our franchise system. This auditor’s report is very timely. We’ve had initial kickoff meetings. It would inform a new franchise agreement but would not inform rates for this next fiscal year. In the past it’s been a 10 year agreement, but that could be negotiated differently.

John – with the franchise agreement we have in place, is it a full 5 year call, or are there financial implications.

Bruce – we have a 10 year agreement. We could not just exit at the 5 year mark.

Budget for BPS. We have a number of activities. I am representing solid waste management. Other activities rely on general fund resources, grants and IA funds. Solid Waste is about \$5.5 million on an annual basis. I want to draw your attention to a change we are recommending for the upcoming year. We are requesting a proposed rate increase for our commercial haulers by \$1.50 per ton .

Key programs on the first page of the narrative sheet. Second page demonstrates the spend down of the reserves as had been planned.

John – where does the money come from to pay for the hauler study?

Bruce – yes, part of the Solid Waste budget. Usually \$24,000 to \$30,000.

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Charlie – I love numbers. Are you sure that the commercial increase will not impact the residential increase? And what were the program increases?

Bruce – yes. All increases were related to the composting program.

Sharon – what’s driving the \$1.50 per ton increase? What’s it going to pay for? Seems like an awfully big increase, about a 25% increase on the City’s portion.

Bruce – major program emphasis to boost recycling and to launch commercial composting programs. The revenues will not be there without the increase. Reduction in Metro grants. Happy to have the conversation about why the increase is needed. We have recognized that commercial revenues are not tracking to meet expenditures and mandates.

Thomas – it might be helpful to see what this would actually do to the average bill to a hauler. It’s a much bigger impact if the City and Metro are both raising fees.

Sharon – our roll is to understand and help manage for the users. More discussion needed in committee.

- *BES* (Jim)

Handout – highlights and risks from Jim. (attached)

We will know be operating the CSO facilities. Integrate the green infrastructure. Operating budget is really decreasing a bit. Capital budget is a bit smaller. We are requesting a bill increase in 5.9% and 530.1 FTE.

In dollar terms for average single family \$59.85 per month to \$73.79 forecast by the end of the five year interval.

Focus now on repair and maintenance. Looking at likelihood of failure and the consequence of failure. The discretionary capital projects are all in the “5”, “5” red zone risk area where the likelihood is high and the consequences are dire.

The rate increase is dominated by the change in net rate stabilization fund transfer, 4.55% of the 5.90% . The bureau will not be accepting funds from the RSF in FY 12-13.

Major risks is operating the CSO facilities. The facilities have been delivered, but now we need them to operate well. The economy continues to be a wildcard.

Several risks to the forecast: We have begun to charge a tiered system for extra strength dischargers. Currently ‘in talks’ with the drainage districts about revising the arrangement with the districts. We would like to introduce retail charges – the negotiations are ongoing.

Charlie – on the capital side, do you bond? (yes) so the actual dollar impact is really debt service. How long out to you carry costs.

Jim – about 25 years, we may change to 20 years. Rates for bond sales are good. Unfortunate that no one is selling insurance, however we have to borrow more than we are going to use to set up an

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insurance fund. Once the bonds are retired, the reserve funds are available for other capital expenditures.

○ *Water* (David Shaff)

News regarding the lawsuit. Case has been specially assigned. March 2<sup>nd</sup> Judge Bushon. The case will continue on for several months if not longer. Don't expect a whole lot to happen while the legislature is in session.

Our request for the schedule change and answer some of Kent's comments/criticisms. We aren't backfilling with 'new' projects. We believe we are taking a very strategic approach. We took several projects out past the five year interval. We are now pulling them back in; they are not really new. We said to the state we have several things we really should do before we take on the reservoirs.

So, what changed? What we said was when we created our schedule in 2009 we took on some risk. We are taking on several projects and a fair amount of risks.

Took a page from New York's play book and have copied it. We are taking our information to demonstrate that there is not a risk. We believe we made a good case, but we won't know for a while. The state has indicated that our variance application is 'pending'.

General budget. 11% rate increase. From \$24.76 to \$27.49 starting in July for average monthly customer. We are the lowest basic utility service. We meet federal guidelines on affordability. Our position doesn't change. Once the Lake Oswego and Tigard efforts are underway, they will surpass us.

Operating budget of \$85 million. Big risks:

1. The LT2 variance and whether or not we receive one
2. Construction schedule (Kelly Butte)

Dave Hasson – we have in our budget two decision packages

1. monitoring for the variance and 2. monthly billing. Staffing is reducing by about 1.15 FTE net.

Regna – I might add that the Water Bureau's Advisory Committee recommended that people who want to pay quarterly could still do so.

David – I disagree. Our budget submission does call out that the BAC supported monthly billing but that the quarterly amount should still be made available. There is the possibility that the impact will be less on the operating side because we won't have as much postage and printing.

John – how do you read? Quarterly? 180,000 residential accounts?

David – 140,000 or so residential. Total accounts are 180,000.

John – had you looked at monthly reads for everyone that it would cost about \$45 million?

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David – yes, monthly reads would be very expensive with new automatic reading software/hardware AMR. The return on investment is about 5 years. However Council is not prepared for a large project such as this.

Charlie – what is the dollar increase per 100 cubic foot?

David – going from \$3.086 to \$3.0425

Charlie – what about the new CIP project format?

David – it's an annual report, retrospectively. It's posted on line. I will send the link to Lisa to send around.

**Committee Updates**

- o Water (John) – various subjects that they want to talk to the Water bureau about.
- o No other committee updates

**IUC update**

Charter committee met on Monday and they took public testimony. You should know that if we are going to make a comment in a hearing setting, someone besides me will need to make the Wednesday the 22<sup>nd</sup> hearing (focus will be on Police, not IUC)

The concerns: 1. long and complicated mission statement and raises questions about flexibility and I have some tremendous concerns. And 2. charter commission is punting for the procedures for how they will fulfill their mission (PUC or ways and means committee). I suggested that they needed to nail down the procedures before going to the ballot.

Charlie – has Janis' memo gone to the Charter commission? Lisa will have to check.

**Website revisions**

Charlie – I'm trying to look at structure in this first go around rather than content.

Lisa – maybe the website responsibility could be someone else other than FPD. It will never be something I am able to spend a lot of time on. Maybe a better fit with Water Bureau and BES.

David – the more you link to our bureaus the more we need to take responsibility

**Retreat recap**

Handout (attached)

**March agenda**

Not discussed

Adjourn

6:28