



**Portland Water Bureau  
FY 2013-14 Budget Development Process  
Budget Advisory Committee (BAC)  
December 4, 2013, 2:00 to 4:00 p.m.  
1120 SW 5<sup>th</sup> Avenue, 3<sup>rd</sup> Floor**

**Agenda**

1. Welcome and participants introduction (David Shaff/Tim Hall)
  - a. Meeting Notes from October 30<sup>th</sup> meeting minutes.
  - b. Meeting Notes from November 20<sup>th</sup> BAC meeting
  - c. Follow-up items from November 20<sup>th</sup> BAC meeting
    - o FTE allocation by Water Program
    - o Positions eliminated in FY 2013-14
  - d. Additions to the current agenda
2. General Debt Information (Jonas Biery, City Debt Manager)
3. Rate Revenue Scenarios to fund Capital Program (Cecelia Huynh)
4. Capital Program - Years 6 to 10 Highlights (Mike Stuhr)
5. Programs Description/Ranking (David Shaff)
6. Questions and Answers
7. Public Comments and Questions
8. Next meeting agenda – Wednesday, December 11, 2013

**SUMMARY NOTES**

**Attendees:** Water Bureau: David G. Shaff, Cecelia Huynh, Chris Wanner, Edward Campbell, Mike Stuhr and Kathy Koch. Water Bureau Budget Support Staff: Mary Leung, Jan Warner, Tim Hall, Stan VandeBergh, Jessica Letteney. Susan Bailey, Jeff Winner and Robin Hagedorn (recorder); Water Bureau Labor Representatives: DCTU/AFSCME: Mark Gipson; COPPEA: Jamie Wilde; Non-Represented, Ashley Schaer; Advisory Community (BAC) Members: Citizen, Glenn Bridger, Kay Durtschi, Mike Ellis, Kellie Barnes and Lise Glancy, Port of Portland. PURB: Catherine Howells. Others in attendance: Ryan Kinsella, OMF; Sonia Schmanski, Office of Commissioner Nick Fish; Jonas Biery, City Debt Manager, Kathryn Notson, Floy Jones, Friends of Reservoir and Jeff Bissonnette, Citizens Utility Board of Oregon.

**Agenda:**

- ◆ Welcome
  - ◆ Housekeeping Items from November 20, 2013 BAC Meeting
  - ◆ General Debt Information
  - ◆ Rate Revenue Scenarios to Fund Capital Program
  - ◆ Capital Program
  - ◆ Program Description/Ranking
  - ◆ Questions and Answers
  - ◆ Public Comments and Questions
  - ◆ Next Meeting Agenda
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**Welcome and Introductions**David Shaff

David called the meeting to order and announced that the presentation by Jonas Biery, City Debt Manager would be the first agenda item covered.

**General Debt Information**Jonas Biery

Jonas Biery, City Debt Manager for the City of Portland gave an overview of the City's debt program and explained how the process works when the Water Bureau prepares for a bond sale to finance Capital Projects. During that process the Debt Management staff look at several factors including what are the capital project or projects needing funding, what funding is available, the utilities ability to repay the obligation and if funding is already available. Using bonds pays for the cost of asset over time, generally 25 years. The asset is also depreciated over the life of the bond as well.

Jonas noted that bonds are monitored frequently by independent credit companies such as Moody's. It is important the Water Bureau maintains its AAA credit rating which can help the bureau obtain lower bond rates and that failure to meet bond obligations would likely result in a lower credit rating which means higher bond rates in the future.

Jonas reported that Debt Management staff provide guidance and advices the Water Bureau and are generally conservative when estimating rates for bond issues in future years as it is very difficult to forecast what economic impacts may have on bond rates that are planned five to 10 years away.

## **Rate Revenue Scenarios to Fund Capital Program**

### Cecelia Huynh

Cecelia reviewed the current and future rate forecast which included how bond rates assumptions fit into the budgeting process.

Cecelia presented a couple of scenarios on how much more cash financing of the Capital Program does a 1% retail rate increase provides.

### David Shaff:

David commented that the initial rate increases proposed each year undergo changes from budget savings, lower debt service payments with updated bond rates, changes in costs and timing of capital projects, and City Council directions to keep retail rates lower for customers.

Kellie Barnes asked if there were any expected regulatory compliance requirements that might have a future impact.

David noted revisions to the Lead and Copper Rule as one, and Chris Wanner reported the Chemical Security Act which may force a change of the types of chemicals the bureau uses for water treatment and how they are used and stored.

## **Housekeeping Items from November 20, 2013 BAC Meeting**

### David Shaff:

David reviewed on the Preliminary Budget by Water Program with FTE information provided to the BAC and noted that the term FTE stands for Full Time Equivalent. The FTE difference between the FY 2013-14 budget and preliminary 2014-15 budget is 575 FTE compared to 565 FTE respectively, a drop of 10 FTE.

Kellie Barnes asked if a vacant position is still listed in the budget and if eliminated completely, it is removed from the budget.

David confirmed that vacant positions are handled as Kellie asked.

Kellie Barnes asked about the ratio of managers to workers and noted that she understands that the ratio can vary based on the work.

David reported that the City is currently reviewing the Span of Control of managers to workers and adjustments are being made as appropriate opportunities develop. The Management Team will continue to examine this issue as needed.

## **Capital Program**

### David Shaff:

David said the CIP Program Budget for years 6 to 10 are very preliminary and will likely change as we continue to plan into the future. As a comparison, David noted that the City's 20 year Citywide Systems Plan, currently in draft form lists many proposals which may not happen.

### Mike Stuhr:

Mike reviewed the preliminary CIP Program Budget for years 6 to 10. The plan addresses changes in budget if the bureau moves to replace distribution lines at a higher rate than current levels and noted

that the total CIP each year is slowly coming down, but does not consider impacts that may result from new in regulatory compliance requirements from Federal or State agencies.

Mike Ellis asked if the CIP for out years could show planning for seismic upgrades and costs for implementing the Oregon Resiliency Plan adopted by the State of Oregon.

Kay Durtchie asked if a map of assets can be provided that shows planning for replacements of those assets and what level of priority are assigned to them.

Lise Glancy also asked if a column can be added to the CIP report showing the life cycle of the assets.

### **Program Description/Ranking**

#### David Shaff:

David reviewed the Program Ranking list previously completed by the Management Team and senior managers and asked the community members and staff representatives of the BAC to review and complete their ranking of the programs and return the form before the December 11<sup>th</sup> budget meeting.

David reminded the BAC that the detailed program descriptions already provided would assist them with completing the form.

Glenn Bridger questioned if the Regulatory Compliance Program should be listed on the ranking separately or be moved to the other Bureau programs that the work or tasks fall within.

David asked the BAC to rank the Water Programs as we have them, keeping Regulatory Compliance Program separated for now

### **Questions and Answers**

None

### **Next Committee Meeting and Agenda**

The next BAC meeting is Wednesday, December 11, 2013 at 2:00 p.m. in the Portland Building, 3<sup>rd</sup> Floor, Fir Creek Room.

Tim Hall will send out a meeting reminder.