



Nick Fish, Commissioner  
David G. Shaff, Administrator

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**Portland Water Bureau  
FY 2014-15 Budget Development Process  
Budget Advisory Committee (BAC)  
January 8, 2014, 2:00 to 4:00 pm**

**1120 SW 5<sup>th</sup> Avenue, Portland, OR 97204  
3<sup>rd</sup> Floor, Fir Creek Conference Room**

**AGENDA**

1. Welcome and participants introduction (David Shaff/Tim Hall)
  - Meeting Notes from December 18<sup>th</sup> BAC meeting
2. Water Conservation Rate Structure Study
3. Finalize Community Program Description/Ranking
4. Budget Impacts from Industry Standards/Asset Management Replacement Cycles.
5. 2011 AWWA-QualServe Performance Indicators Benchmarking Survey
6. Options to mitigate the water quality issues in the distribution system
7. FY 2014-15 Requested Budget and Rate Increase
8. Questions and Answers
9. Public Comments and Questions
10. Future tentative BAC meetings
  - Wednesday, March 19, 2014
  - Wednesday, May 7, 2014

**SUMMARY NOTES**

**Attendees:** Water Bureau: David G. Shaff, Cecelia Huynh, Chris Wanner, Ty Kovatch, Edward Campbell, Mike Stuhr, and Kathy Koch. Water Bureau Budget Support Staff: Mary Leung, Jan Warner, Tim Hall, Jeff Leighton Susan Bailey, Stan VandeBergh, Jeff Winner and Robin Hagedorn (recorder); Water Bureau Labor: Representatives: AFCSME: Mark Gipson; COPPEA: Jamie Wilde; Non-Represented, Ashley Schaer; Advisory Community (BAC) Members: Citizen: Charles McGee II, Kay Durtschi, Mike Ellis, Kellie Barnes. PURB: Catherine Howells. Others in attendance: Ryan Kinsella, OMF; Sonia Schmanski, Office of Commissioner Nick Fish. Public Attending: Kathryn Notson; Bob Jenks and Jeff Bissonnette, Citizens Utility Board of Oregon.

**Agenda:**

- ◆ Welcome
  - ◆ Housekeeping Items from December 18, 2013 BAC Meeting
  - ◆ Water Conservation Rate Structure Study
  - ◆ Finalize Community Program Description Rankings
  - ◆ Budget Impacts from Industry Standard/Asset Management Replacement Cycles
  - ◆ 2011 AWWA-QualServe Performance Indicators Benchmarking Survey
  - ◆ FY 2014-15 Requested Budget and Rates Increase
  - ◆ 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 welcomed attendees and announced that Glenn Bridger and Lise Glancy would not be present.

David announced that two potential BAC meetings are on the calendar. March 19<sup>th</sup> and May 7<sup>th</sup> have been added if the BAC needs to receive new information or hold additional discussions on budget issues. The BAC will be alerted as needed.

David reminded the BAC that the bureau's budget is due February 3<sup>rd</sup> and reported that Mayor's Proposed Budget should be announced on April 30<sup>th</sup>. The Mayor's office has not announced any budget work sessions for city bureaus at this time; should that change David will notify the BAC.

David reported that Commissioner Fish is asking for a combined BES/Water bill increase of less than 5% for FY 2014-15.

David noted that proposed rate ordinance will have the first reading before City Council on May 14<sup>th</sup> and the second reading on May 21<sup>st</sup> with May 29<sup>th</sup> as a back-up should there be a delay in the process.

**Agenda Overview**David Shaff:

David reviewed the agenda. There were no changes.

## **Water Conservation Rate Structure Study**

### Edward Campbell:

Edward provided a brief overview of the Water Conservation Rate Structure Study completed in 2013. In May 2010 the Portland Water Bureau received approval from the Oregon Department of Water Resources (OWRD) of its Water Management and Conservation Plan under Oregon Administration Rules Division. The rules require an evaluation of alternative water rate structures that encourage water conservation that can potentially be implemented as one of the five-year benchmarks by May 25, 2015.

Edward noted the differences in the types of rate structures that are used around the country. The study was conducted to determine if an alternative rate structure will in fact produce equal or greater water efficiencies than currently obtained by the existing uniform rate structure.

Those rate structures include Uniform, which is what the Water Bureau uses; Seasonal, which charges higher amounts in the peak use season; Increasing Block, which increases rates as consumption increases and various alternatives to the previous three methods. The alternatives are considered hybrids of the original three.

Mike Ellis asked about the rate structure that provides more assistance to low income customers.

Edward noted that the Water Bureau has a program that provides relief to low income customers and is a good fit for the Uniform Rate Structure that is currently used.

## **Finalize Community Program Description Rankings**

### David Shaff:

David briefly noted the difference between the program rankings by bureau managers and the community members. The most significant difference is where the Ground Water program is ranked which is higher by the managers than the community members.

Mike Ellis commented that he didn't take into account seismic issues for the rankings but believed little would have changed his final decision.

## **Budget Impacts from Industry Standard/Asset Management Replacement Cycles**

### David Shaff:

David reviewed information on what can be done to reduce the backlog in the replacement cycles of assets noted in the Asset Management Report.

Mike Stuhr noted the report shows industry standards that are set by American Water/Wastewater Association (AWWA) and it is common to assign a 100 year expected life to pipelines. For Portland, that would require the replacement of over 20 miles of pipe per year, estimating over \$200 million more would be needed in the 5 year CIP to complete that amount of work. However, local conditions are more benign than typical, so the current replacement goal is about 4 miles of pipe per year at this time. Pipe is also installed to provide for system deficiency improvements, plus work done for others, for an annual install total of about 5-7 miles.

Kellie Barnes asked how various assets are prioritized and who decides what project is first to be done.

David answered that staff discuss asset management and perform analysis and make a business case in determining the priority of which projects move forward.

## **2011 AWWA-QualServe Performance Indicators Benchmarking Survey**

### David Shaff:

David provided information on QualServe Performance Indicators Water and Wastewater Utilities Survey Benchmarking Summary Annual Report. The most recent survey was completed in 2013 and is expected to be publicly released soon.

David noted some results from the survey completed in 2011, showing the Portland Water Bureau ranked well on many of the benchmark indicators. Some of those include customer accounts per employee (1.9 staff per customer), Customer Service Complaints per 1000 customers (.36 – the bottom quartile was 1.18) and Disruption of Water Service per 1000 customers for planned and unplanned disruptions (1.35 and .28 respectively) which are very good rankings.

David also noted that affordability is ranked below the bottom quartile.

Kellie Barnes noted that Portland's water rates are lower compared to many other water providers.

## **FY 2014-15 Requested Budget and Rates Increase**

### Cecelia Huynh:

Cecelia provided information on the updated water retail rate forecast, listing changes that have adjusted the rate from the updated forecasted rate of 7.2% rate increase down to 7.0 to 7.1% as of January 7th for FY 2014-15.

Cecelia noted that Interagency costs have been communicated from OMF which the Bureau is still analyzing. There could be City budget decisions that may impact the Bureau. We will not know about them likely until the Mayor's Proposed Budget.

David reminded the BAC that OMF is proposing several Add Packages in their budget but most do not impact the Water Bureau.

David updated the report on the City's Risk Division recommendation to City Council for Portland Building repairs or replacement. The Commissioners will be holding discussions on the options and no decision is expected for some time.

Mark Gipson asked how a 5% bill increase can be achieved with the utility bureaus if the Water Bureau is proposing a 7.0% increase.

David reported that it is likely that BES will propose a rate increase of 4% to 5% and the combined water/sewer bill increase would be close to the 5% increase requested by Commissioner Fish. There is the possibility that some additional adjustments by the Bureau will have to be made to the Water Bureau budget to reach the 5% target.

David noted that the CPI rate should be coming in February and may have impact on the budget.

Kellie Barnes noted how the typical customer doesn't understand about the combined water/sewer rates listed on the billing statement. Although three services have charges listed, most customers assume it is their water charge that is high and the bureau should look at being more vocal in their messaging.

Mike Ellis suggested more be done to inform the public that typical water customer's rate will only increase by \$1.93 per month at current proposed rate increase rather than a providing a percentage rate increase.

David noted that educating the public is a challenge, noting that the updated billing statement provides an opportunity to inform customers, and that improving messaging to customers and the public will continue.

## **Next Steps**

### David Shaff:

David asked members of the BAC present to voice their opinions on the proposed budget and rate, increase so that information can be included in the budget documentation.

Kellie Barnes gave her general support for the proposed budget and that she appreciated the assistance of the bureau staff to help educate her about the bureau and provide information and resources. Kellie also noted that having the Citizen's Utility Board (CUB) should be a positive step for the budget process.

Mike Ellis gave his support for the proposed budget and also noted his concern for the water system over the long-term and what impact the longer replacement cycle of the water systems assets could have.

Charles McGee II gave his support and suggested it would be helpful to BAC members to be able to meet for a brief time prior to the BAC Budget meetings to hold collaborative discussions prior to the start of the regular meeting.

David noted that planning that earlier meeting time for the BAC members will be reviewed.

Kay Durtschi gave her support on the budget and rate increase.

Mark Gipson as the AFCSME Representative gave his support for the proposed budget.

Ashley Schaer speaking for Non-Represented staff gave her support for the proposed budget.

Jamie Wilde as the COPPEA representative also gave his support.

PURB member Catherine Howells remarked on the budget process and how well the budget process went.

## **Questions and Answers**

There were no additional questions.

Bob Jenks from CUB noted the openness and transparency of the budget process and commented that he expects a good working relationship with the Utility Bureaus as the new partnership moves forward.

## **Next Committee Meeting**

The next BAC meeting is tentatively set for Wednesday, March 19, 2014 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 if needed.