

SUMMARY NOTES

Attendees: Water Bureau: David G. Shaff, Dave Hasson, Michael Stuhr, Susan Bailey, Edward Campbell, Greg Drechsler, Stan VandeBergh, Chris Wanner, Kathy Koch, Kelly Mulholland; Water Bureau Budget Support Staff: Cecelia Huynh, Jan Warner, Mary Leung, Jimmy Brown, Mary Leung, Jamie Seaquist, Jeff Winner and Robin Hagedorn (recorder); Water Bureau Labor Representative–COPPEA: David Argast and Shannon Rivas; DCTU: Mark Gipson. PURB: Michael Crean, John T. Gibbon; Community Members: Charles McGee II, Josiah Hill III Clinic, Kay Durtschi, SW Portland, Grace Bayley, IRCO, Glen Bridger and Jenny O’Connor. Others in attendance: Floy Jones, Friends of the Reservoir; Seth Reeser, Portland OMF; Milena Hermansky, Office of Commissioner Fritz, Lise Glancy, Port of Portland.

Agenda:

- ◆ Introductions
- ◆ Follow up from November 17th BAC meeting
- ◆ Mayor’s Direction – Budget Calendar FY 2011-12
- ◆ Deferred Rate Increase
- ◆ Non-Mission Critical Mandated to Water Bureau
- ◆ Next Meeting Agenda

Welcome and IntroductionsDavid Shaff:

David called the meeting to order, followed by introductions of those present and a review the day’s agenda.

David asked for any follow-up items from the November 17th meeting.

Dave Hasson provided information on Revenue Summary reports for planned revenue for Fiscal Year 2010-11 and projected revenue for Fiscal Year 2011-12. Dave noted that monies from bond proceeds, which are financial resources, are not “revenue” for the bureau and therefore are not included in the numbers.

Mayor’s Direction – Budget Calendar FY 2011-12Dave Hasson:

Dave reviewed the budget calendar for the committee. David Shaff noted that a request has been submitted asking that the Water Bureau present its budget to a Council work session on March 14, 2011 which is the first day of budget presentations to City Council, but the scheduled date has not been confirmed. The Utility Rate presentation before Council and the Council’s vote are scheduled for May 18 and 25, 2011.

Dave noted that the preliminary budget package already contains the budget reductions that should meet Mayor Adams budget direction for one-time reductions of 1.5%. The major difference is that the reductions that the Water Bureau is proposing are permanent.

Deferred Rate Increases

Dave Hasson:

Dave presented information on deferred rate increases. Deferred rate increases for customers came from budget decisions made in fiscal year 2006-07. The Water Bureau did not request rate increases that fully reflected the total costs for the bureau in those years. Water rate increases in the fiscal years of 2006-07, 2007-08 and 2008-09 were kept temporarily low by drawing down the bureau's operating fund balance total by approximately \$10 million, cost savings and using the rate stabilization account. The proposed budgets for fiscal years 2011-12, 2012-13, and 2013-14 will have proposed rate increases partially based on recouping the percentages of deferred rates from the earlier years.

Action Item: An expanded rate chart will be presented at the December 8th meeting which details water rates and bills without deferred rates from fiscal year 2006-07 up to 2013-14.

Non-Mission Critical Mandated to Water Bureau

Dave Hasson:

Dave provided a report on a list of non-mission critical programs and expenses that were previously identified by members of PURB, the office of the City Auditor, community members and the Water Bureau. The list is based on Fiscal Year 2010-11 Adopted Budget except where indicated otherwise on the list. High dollar impacts include the Utility License Fee, Low Income Discount Program and Utility Relocation costs for big projects like the Eastside Street Car and the Moody Avenue project. Another large one-time was the Sustainable House, which is a sustainable model project and received funding from a variety of sources besides the Water Bureau. The Sustainable House will be open for educational outreach on green and sustainable building methods for a year. The Water Bureau will sell the property after a year to recoup the building costs.

David noted that a meeting was held on November 30th between members of PURB and the City Council that include conversation about non-mission critical issues. Water and BES have hired a consultant to conduct a study of best practices for approval of rates by large public utilities around the nation.

A further review of non-mission critical issues will be discussed at a future budget committee meeting.

Preliminary Rate Update

Dave Hasson:

Dave provided an updated report on changes to the proposed preliminary rate increase. Two wholesale customers have requested decrease in their peaking demands, which lower their rates for Fiscal Year 2011-12. Their contracts provide an option for requesting a peaking factor reduction when they have met certain historical criteria, which they have. This adversely impacts retail rates by about 0.1%.

Next Committee Meeting and Agenda

The next Budget Advisory Committee meeting is Wednesday, December 8, 2010 at 2:00 p.m. in the Portland Building, 3rd Floor Fir Creek Room.

Agenda Items to be included:

- Rate structure/base charge
- Prioritize Water Program
- CIP Sub-program breakdown