
**Portland Water Bureau
FY 2013-14 Budget Development Process
Budget Advisory Committee (BAC)
December 18, 2013, 2:00 to 4:00 pm**

**1120 SW 5th Avenue, Portland, OR 97204
3rd Floor, Fir Creek Conf Room**

AGENDA

1. Welcome and participants introduction (David Shaff/Tim Hall)
 - a. Meeting Notes from December 4th BAC meeting
 - b. December 11th BAC meeting cancelled
 - c. Map overlay for Capital Improvement Program (CIP) work
 - d. Span of Control
2. Program Description/Ranking (David Shaff/BAC)
3. Rates Forecast Updates (Cecelia Huynh)
4. Next Steps
 - Additional Information Requests from BAC (if any)
 - Reschedule December 11th meeting for January 8, 2014
5. Questions and Answers
6. Public Comments and Questions
7. Next meeting – Wednesday, January 8, 2014

Note: The December 11, 2013 BAC meeting was cancelled as a result of a power outage to the Portland Building on December 9-10, interrupting staff preparations for the meeting.

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, Jeff Leighton Susan Bailey, 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, Glenn Bridger, Mike Ellis, Kellie Barnes. PURB: Thomas Badrick and Catherine Howells. Others in attendance: Ryan Kinsella, OMF; Sonia Schmanski, Office of Commissioner Nick Fish. Public Attending: Kathryn Notson, Floy Jones, Friends of Reservoir and Jeff Bissonnette, Citizens Utility Board of Oregon.

Agenda:

- ◆ Welcome
 - ◆ Housekeeping Items from December 4, 2013 BAC Meeting
 - ◆ Map Overlay for Capital Improvement Program (CIP)
 - ◆ Span of Control
 - ◆ Program Rankings
 - ◆ Rates Forecast Update
 - ◆ Questions and Answers
 - ◆ Public Comments and Questions
 - ◆ Next Meeting Agenda
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Welcome and IntroductionsCecelia Huynh:

Cecelia called the meeting to order and announced that David Shaff was briefly delayed.

Agenda OverviewCecelia Huynh:

Cecelia reviewed the agenda. There were no changes.

Span of ControlCecelia Huynh

Cecelia reviewed the staff to manager ratio for FY 2013-14.

Mary Leung noted that the report reflected data based on the beginning of the fiscal year and that any organizational changes were not incorporated in the final report.

Map Overlay for CIPJeff Winner:

Jeff Winner reviewed mapping data that showed aging distribution mains, water hydrants and service lines. Jeff noted that some of the pipe material is listed as substandard due to age of the asset and product manufacturing processes from the mid 1940's.

Glenn Bridger asked about replacing hydrants due to changing regulations.

David Shaff reported that federal legislation has exempted hydrants from Lead in Drinking Water Act and noted that any changes to lead in hydrants will hopefully be phased in over several years.

David Shaff:

David noted that budget documents posted to the bureau's budget web page were updated with more descriptive document titles.

Robin Hagedorn noted that each document also lists the date of the BAC meeting that the document was presented at.

Program Rankings

David noted the Management Team reviewed, discussed and changed the rankings of the programs, specifically Groundwater and Planning. Groundwater is the water source used if the Bull Run is shut down and it also supports the bureau's System Filtration Avoidance Waiver. The Planning Program includes Asset Management which guides the work that is needed on the water system and its assets. These programs have been moved to higher ranking.

Kellie Barnes asked about the Data Management Program and what it included.

Susan Bailey reported that the program included CADD and GIS along with Synergy programs.

Kellie Barnes also asked about the Emergency Management and Resource Protection Group.

David explained the role of the Emergency Management Program. There is two full-time staff in the program and their role is to assist the bureau with emergency response during a disaster or other emergencies such as a Boil Water Notice or a natural disaster.

In response to a question, David explained that Resource Protection is a Group and the staff is allocated mostly in the Conservation Program, Planning, Watershed, and Regulatory Compliance programs.

David asked that the BAC members return their ranking sheets to Tim Hall and soon as possible. Tim will follow-up with those BAC members not present.

Water Rates

Cecelia Huynh:

Cecelia provided information on the updated water retail rate forecast, listing changes that have adjusted the rate from the initial forecasted rate of 14.1% increase down to 7.2% as of December 16th for FY 2014-15.

Cecelia noted that most recent changes include Wholesale Updates which is a 0.2% increase; estimated COLA Update from November which is -0.3% decrease along with General Fund Overhead (GFOH) which is at -0.2% decrease. Interagency costs have not been communicated from OMF and may impact the rates higher or lower depending on the costs.

David noted that OMF is proposing several Add Packages in their budget but most does not impact the Water Bureau.

David also reported that the City's Risk Division will be recommending to City Council that the Portland Building needs structural repair. Early discussions will include options of tearing down and rebuilding or retrofitting and rehabilitating the facility. Costs associated with either option will more likely come in the FY 2015-16 budget.

Cecelia reviewed the assumptions to the rates forecast.

Kellie Barnes asked about how the Rate Stabilization Account is utilized to lower rates for the year and how the account is replenished.

Cecelia noted that \$7.6 million will be transferred from the account for the FY 2014-15 budget. The account is replenished by previous year's savings. The most recent year was the FY 2012-13. A \$2 million minimum balance is kept in the account.

Next Steps

David Shaff:

David stated that the January 8th BAC meeting will have discussions about the Bureau's proposed budget and in the interim time if any member of the BAC has additional questions or requires more information they should contact Tim Hall or David with their requests.

David noted at the January meeting, the community members of the BAC will be asked to vote to support or not support the proposed budget.

David noted that the BAC in previous years have had dissenting opinions which were included as part of the budget submission.

Questions and Answers

Glenn Bridger asked for an estimated budget increase based on a 100 year life cycle for the distribution system.

Kellie Barnes asked for the ratio of the number of employees to customers served, noting she read an AWWA report listing various benchmarks and wondered about the Portland Water Bureau's ratio.

Mike Ellis asked who decided on the proposed 2.5% cuts to the budget.

In response to Glenn's question about where the directions to reduce cost by 2.5% can from, David Shaff reported that he directed the Management Team to prepare their budgets at the reduced rate. David noted that the initial proposed rate increase of 14.1% would not be approved by the City Council and knew that cuts would be needed to lower the proposed retail rate proposal.

David also noted that as part of the bureau budget submission and presentation, the BAC may be asked to have a statement or comment included as part of the Cover Memo. This has been done by the BAC in previous years. As the City Council has budget discussions it is likely that public testimony will be sought and BAC members may choose to comment on the Water Bureau's budget during that time.

David also reported it is likely the BAC will hold additional meetings in February or March and when the Mayor's Proposed Budget is announced, or if there are major changes to the Water Bureau's Proposed Budget.

Floy Jones requested a presentation on the Conservation Rate Structure Study.

Next Committee Meeting

The next BAC meeting is Wednesday, January 8, 2014 at 2:00 p.m. in the Portland Building, 3rd Floor, Fir Creek Room.

Tim Hall will send out a meeting reminder.