Financial Planning recommendations are subject to revision based on new information that becomes available during the budget process, either from the budget forums, meetings with Commissioners, or the Council budget work sessions.

FINANCIAL PLANNING DIVISION ANALYSIS
FY 2012-13 Budget

Bureau of Environmental Services

Analysis by: Lisa Shaw

I. Overview

Budget Summary	Revised FY 2010-11	Revised FY 2011-12	Request Base FY 2012-13	Request Total FY 2012-13	Percent Change
Resources					
Beginning Fund Balance	130,750,000	179,345,500	111,957,500	111,957,500	-37.6%
Licenses & Permits	1,344,208	1,230,000	1,155,000	1,155,000	-6.1%
Charges for Services	246,965,988	260,873,837	286,506,800	284,170,736	8.9%
Intergovernmental Revenues	1,433,554	2,435,764	2,385,828	2,385,828	-2.1%
Interagency Revenue	2,633,914	2,844,807	2,057,597	2,057,597	-27.7%
Fund Transfers - Revenue	447,605,350	291,964,823	276,750,000	276,750,000	-5.2%
Bond and Note Proceeds	305,183,319	228,000,000	217,000,000	217,000,000	-4.8%
Miscellaneous Sources	2,935,000	23,302,000	1,187,500	1,187,500	-94.9%
Total Resources	**$1,138,851,333**	**$989,996,731**	**$899,000,225**	**$896,664,161**	**-9.4%**
Expenditures					
Personnel Services	56,008,234	57,743,996	59,364,255	58,640,119	1.6%
External Materials and Services	63,240,383	38,384,488	51,791,740	50,487,148	31.5%
Internal Materials and Services	41,311,208	40,470,334	41,756,591	41,470,193	2.5%
Capital Outlay	190,309,447	89,169,600	70,409,262	70,388,324	-21.1%
Debt Service	151,214,829	151,048,986	151,786,222	151,786,222	0.5%
Fund Transfers - Expense	465,954,321	311,101,981	283,987,250	283,987,250	-8.7%
Contingency	137,391,711	253,101,305	191,828,039	191,828,039	-24.2%
Unappropriated Fund Balance	33,421,200	48,976,041	48,076,866	48,076,866	-1.8%
Total Requirements	**$1,138,851,333**	**$989,996,731**	**$899,000,225**	**$896,664,161**	**-9.4%**
Total Bureau FTE	**549.10**	**543.03**	**543.78**	**540.28**	**-0.5%**

Percent Change is the change from FY 2011-12 Revised Budget to FY 2012-13 Total Requested Budget.

II. Key Issues

Utility License Fee Charge

The Utility License Fee (ULF) is charged to all utilities (public and private) for use of the public right of way. BES and Water had been charged higher rates than private utilities, however, passage of Ordinance #178717 in September 2004 capped the charges to BES and Water until the rate aligned with private utilities. Starting in FY 2012-13, the BES rate will be aligned with private utilities, and the ULF charge will be indexed to BES' gross revenues at 5%. In addition, an accounting change was made to reflect the payment of the ULF charge as external materials and services rather than a fund level transfer. This accounting change is reflected in the overview table above (note difference in external materials and services expenses between FY 2011-12 and FY 2012-13).

Requested bill increase of 5.9%

The average single family home will experience an increase of $3.33 per month, or $39.96 per year, with the requested bill increase of 5.9%. See the chart below for drivers:

Average Single Family (ASF) monthly bill	% Impact	$ Impact
Components	**Base =**	**$56.52**
1. Inflation and other misc. adjustments	0.28%	$0.16
2. Decision Package reductions	-0.58%	($0.33)
3. Increase in Debt expenses (debt service)	0.52%	$0.29
4. Reduction in transfer to the Construction Fund	-0.57%	($0.32)
5. Increases in GF Overhead, ULF payment, POBs	0.38%	$0.21
6. Decrease in non-rate revenues	1.32%	$0.75
7. Decrease in transfer from the Rate Stabilization Fund (RSF)	4.55%	$2.57
Subtotal increase per month =		**$3.33**
Total	**5.90%**	**$59.85**

With the proposed Water Bureau rate increase of 11%, the total combined utility bill for the average single family home would increase by $6.06 a month from $81.28 to $87.34. This represents a combined utility increase of 7.5%.

As is demonstrated in the chart above, each 1% of bill increase translates into a bit more than $0.56 additional per month that the consumer will pay [$0.56 x 5.9 = $3.33]. The first five items listed above combine to nearly a net zero impact. That is, the decision package reductions along with the reduced transfer from the Sewer System Construction Fund (Fund 614) have the effect of balancing the increases in inflation as well as the increases to the overhead, Utility License Fee (ULF), pension obligation bond (POBs) payment and debt service.

The main force driving the rate increase is compensating for a drop in other resources. In the first case (item # 6), the bureau is adjusting for reductions in non-rate revenues and increases in receivables and in the second case (item #7) the bureau is transferring $18 million less from the Sewer System Rate Stabilization Fund (Fund 617) into the Sewer System Operating Fund (Fund 600).

It is important to understand how rates are derived, at least in broad strokes, to appreciate how either of these actions matter. In order for BES to determine at what level to set rates, the bureau first outlines the expenditure requirements necessary to run the sewer and stormwater system. In the FY 2012-13 Requested Budget submission this number for the Sewer System Operating Fund is $445.4 million. From this point, the bureau subtracts any non-rate revenues that are expected. These non-rate revenues primarily include: Systems Development Charges, interest on investments, revenues from wholesale contracts, grants (for specific projects), transfers from other funds, interagency revenues from other bureaus and bond proceeds. This revenue figure is projected to be about $177.4 million. The non-rate revenues are subtracted from the expenditure requirements to yield the total amount of rate revenue necessary to close the gap:

Sewer System Operating Fund: **$445.4 million in expenditures** – **$177.4 million non-rate revenues** = **$268.0 million rate revenues needed**

When faced with a reduction in projected non-rate revenues, the only way in which to keep the equation in balance is to either A) reduce the required expenditures or B) increase the rate revenues. More details on the main drivers below:

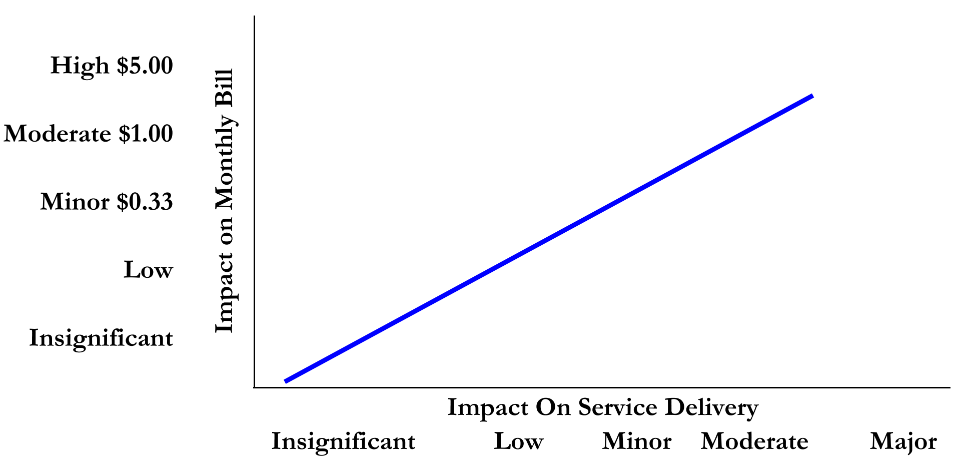
- Item #6: BES anticipates a reduced collection of non-rate revenues by about $5.2 million from what had previously been projected. Although there are several individual components within this item, the largest component is the rise in *receivables* which accounts for approximately $4.3 million of the total. Receivables are the difference between outgoing bills and incoming cash. There will always be some percentage of receivables in any given year. While much of the cash is eventually realized in a subsequent fiscal year it will not be enough to off-set the next round of receivables. As the level of rate revenues increase so does the level of receivables. Additionally some receivables are never collected and are written off.
- Item #7: BES is reducing by $18 million the funds transfer from the Rate Stabilization Fund to the Sewer System Operating Fund (Fund 600). As has been discussed in previous reviews, the bureau increased rates early to enable contributions to the RSF that could be subsequently drawn down in later years. The bureau weighed various options and decided on a plan to "smooth", or gradually increase sewer bills over time rather than dramatically increase early or near the end. As a result, the loss of this resource was known and planned for.

Impacting the rate is a cumbersome exercise in that not all dollars are treated in the same manner and therefore, not all reductions have the same impact. The model takes into account real experience, the outside environment and a whole host of other small, but interrelated, inputs. Based on the FY 2011-12 financial forecast, BES had planned to increase the bill for the average single family home by 6.5% in FY 2012-13. In order to bring the increase down to 5.9%, the bureau submitted $2.3 million worth of reductions to its operating budget (as discussed in section III Decision Package Analysis and Recommendations).

When faced with a reduction in projected non-rate revenues, two main questions should be asked when deciding on the correct approach to balancing the equation:

1. What is the impact to *service delivery*?
2. What is the impact to the *monthly bill*?

Optimally, the City would only seek to implement reductions that have the smallest impact on service delivery and the largest impact on the monthly bill. It is likely that reductions that fit into this *High* value / *Insignificant* impact category do not exist as they have either: 1) already been taken or 2) never existed in the first place. More likely, any large impact on the bill would have a moderate or major impact on service delivery. Therefore, the optimal solution is to identify options that minimize service delivery impact.



The interpretation of what qualifies as the level of impact is open for discussion. For the purposes of this analysis, the impact on service will be as is reported by the bureau and a "minor" or a minimum impact needed on the monthly bill will be set at $0.33 per month, or at least $4.00 per year in savings.

Below are some examples of types of reductions and why they are not optimal.

CIP cut. One option that the bureau could pursue would be to reduce a project or two in the CIP by deferring or cancelling some specific rehabilitation projects. In order to be included in the CIP in the first place, however, a project has to score "high" in both the likelihood and consequences of failure occurring, so the service delivery impact based on the matrix above is probably greater than "minor". Additionally, CIP cuts impact the rate model not on a one-for-one basis, but on a ten-to-one basis due to the nature of CIP funding – primarily bond proceeds and transfers from the Construction Fund. The current year impact actually reflects the estimated debt service cost rather than on the full construction cost. Therefore a $1.35 million CIP reduction impacts the model in about the same way a $135,000 operating cut might. As is highlighted below, a $135,000 cut to the operating budget yields a savings to rate payers of approximately one cent per month, or approximately $0.12 per year. This places the savings from most individual capital projects in the "insignificant" category and not worth pursuing. In order to achieve large rate savings, BES would need to cancel or defer major CIP projects which would greatly increase the impact on service delivery.

CIP cut	Rate Model Impact	% impact	$ impact
($1,350,000)	($135,000)	-0.03%	($0.01)

The fact that a project in the CIP is already addressing a problem with a high chance of failure may be reason enough not to slate it for reduction, however an approximate 1/10 discount disqualifies the cut as a meaningful one from a financial point of view as well.

Operating Cut. Another option that the bureau could consider is a cut to the operating budget. Based on the decision package reductions already submitted in the Requested Budget, the bureau has likely already offered up cuts that have a "low" to "minor" impact on service delivery. What remains, therefore, are primarily cuts that have an insignificant impact on the monthly bill or with a more significant impact on service delivery. Although an oversimplification in how the model works, every $100,000 in operating cuts will yield less than $0.01 per month in savings (approximately) to the customer or less than $0.12 a year in savings.

Out-years. The bureau has the following planned out-year bill increases, which will result in an average monthly single family residential bill of nearly $74.00 by FY 2016-17 in order to achieve planned rate revenues of $321 million. On average, the planned bill increases have adjusted upward by a bit less than half a percentage point over the same four year interval since the bureau's FY 2011-12 budget submission, resulting in a four year average annual increase of 5.75% rather than 5.31%.

Forecast SFR bill increase comparison

Financial Plan	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	4 Year Average
FY 2011-12 Plan	6.50%	6.15%	4.30%	4.30%	n/a	**5.31%**
FY 2012-13 Plan	5.90%	5.90%	5.60%	5.60%	4.40%	**5.75%**
Variance	(0.60)	(0.25)	1.30	1.30	n/a	0.44
Forecasted monthly bill	**$59.85**	**$63.38**	**$66.93**	**$70.68**	**$73.79**	

FPD Recommendation: There may be another $250,000 to $300,000 or so worth of additional cuts that the bureau could implement with minor to moderate impact on service delivery. These additional cuts, however would likely result in a monthly savings of no more than $0.03 per month or just less than $0.40 per year. FPD supports the proposed bill increase of 5.9% and encourages the bureau to continue to review its budget for ways to reduce the financial burden on ratepayers in future years.

Portland Harbor / Risks to the Forecast
The results of the Portland Harbor clean up costs and the City's allocation of the costs continues to be an unknown and unknowable liability until the Environmental Protection Agency (EPS) issues a Record of Decision and the non-judicial allocation of liability is determined. Some upcoming project milestones:

- March 2012 – Lower Willamette Group to submit the draft Feasibility Study to the EPA
- Spring 2013 (estimated) – EPA to issue a proposed clean up plan and take public comment.
- Estimated Spring 2014 (estimated) – EPA to issue a Record of Decision describing how the site will be cleaned up
- Estimated 2015 / 2016 (estimated) – Release of the allocation process identifying the City share of clean up costs

FPD Recommendation: Although the share of the City's costs will not be known for several years, the City can start discussions around how costs will be funded as there are several options. The burden of the entire clean up cost does not necessarily need to borne by sewer and stormwater ratepayers. BES is encouraged to continue the City-wide funding discussion.

Trees
The City has a variety of tree-related objectives as well as complex and interconnected tree-related responsibilities that fall across several bureaus. Regulations and code impacting trees had been fragmented and incomplete until recently. Last fiscal year Council adopted the consolidated Citywide Tree Code (Title 33 and Title 11) in order to create a consistent and cohesive regulatory framework for trees. Phase I of the new code went into effect as of July 2011 and Phase II is slated to go into effect as of February 2013. At the same time, Council directed the bureaus responsible for administering aspects of the new code to work collaboratively on implementation and funding. The bureaus involved are: Planning and Sustainability, Development Services, Parks, Transportation, Water, the Office of Management and Finance, and BES.

While progress has been made to create a comprehensive approach to caring for and managing this asset, the bureaus' Requested Budgets do not always demonstrate that they are working in concert toward a common goal. Highlights of the Requested Budget packages that impact trees, (please note that recommendations will be addressed in the individual bureau-specific FPD reviews):

- **BES**: Fungicide to protect elm tree canopy reduction ($62,500)
- **BES**: Park Ranger for watershed security reduction [trees and other vegetation] ($65,000)
- **Parks**: Tree inspection reduction ($80,000)
- **Parks**: Dutch Elm program reduction ($131,417)
- **BDS**: Citywide Tree Project one-time support add $144,882

FPD Recommends: In order to support and complement the work that is being accomplished with the new code, FPD recommends that Council designate a lead "Tree" bureau in order to create and manage a shared tree prioritization and funding plan. The lead bureau would coordinate and facilitate ongoing discussions amongst the member bureaus. This would include acting as a clearing house for all tree-related proposed budget changes to ensure that all member bureaus were aware of one another's potential cuts / adds and how the request might impact the City's progress toward established goals. With guidance from the lead bureau, the member bureaus could also develop criteria for which types of tree-related functions are an appropriate fit for particular bureaus to host.

The City might consider expanding on the work already started with the Bureau of Development Services' coordination of the consolidated tree code when looking for a lead bureau.

Budget Advisory Committee Recommendations
The BAC was comprised of seven members representing business, advocacy groups, labor, the Portland Utility Review Board and citizens at large. They met throughout the fall and winter and developed nine recommendations for the bureau. Highlights of the recommendations:

- Develop a utility rate impact statement for new budget items
- Review the utility base charge for potential future modification
- Restoring full charges for drainage district stormwater fees
- Endangered species program funding revision

FPD recommendation: FPD supports the recommendations for increased transparency, adopting to industry best practice, charging the full cost of service and evaluating the City's approach to funding a City-wide program.

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					FPD Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Bureau of Environmental Services											
Reductions											
ES_01 - Reductions for 5.9% Rate Increase	01	(3.50)	0	0	(2,336,064)	(2,336,064)	(3.50)	0	0	(2,336,064)	(2,336,064)
Total Reductions		*(3.50)*	*0*	*0*	*(2,336,064)*	*(2,336,064)*	*(3.50)*	*0*	*0*	*(2,336,064)*	*(2,336,064)*
Total Bureau of Environmental Services		**(3.50)**	**0**	**0**	**(2,336,064)**	**(2,336,064)**	**(3.50)**	**0**	**0**	**(2,336,064)**	**(2,336,064)**

Summary by Decision Package Type

	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Total Reductions	*(3.50)*	*0*	*0*	*(2,336,064)*	*(2,336,064)*	*(3.50)*	*0*	*0*	*(2,336,064)*	*(2,336,064)*
Total Unfunded Ongoing	*0.00*	*0*	*0*	*0*	*0*	*0.00*	*0*	*0*	*0*	*0*
Total Bureau Adds	*0.00*	*0*	*0*	*0*	*0*	*0.00*	*0*	*0*	*0*	*0*
Total Realignments	*0.00*	*0*	*0*	*0*	*0*	*0.00*	*0*	*0*	*0*	*0*
Grand Total	**(3.50)**	**0**	**0**	**(2,336,064)**	**(2,336,064)**	**(3.50)**	**0**	**0**	**(2,336,064)**	**(2,336,064)**

III. Decision Package Analysis & Recommendations

The bureau submitted one complex decision package to reduce its overall base budget by $2.3 million or 1.05%. The overall programmatic impacts of these cuts are highlighted in the chart below.

Program Budget - All Funds	Base	Cuts	FY 2012-13 Requested Budget	% of Program Cut	% of Total Cut	FTE Cuts
Administrative Services	36,865,735	(390,128)	36,475,607	-1.06%	16.70%	(1.00)
Engineering Services	107,969,871	(260,656)	107,709,215	-0.24%	11.16%	(1.50)
Healthy Working Rivers	738,725	(110,564)	628,161	-14.97%	4.73%	(1.0)
Pollution Prevention Svcs	9,574,581	(234,506)	9,340,075	-2.45%	10.04%	
Portland Harbor	4,059,718	(35,000)	3,949,154	-.86%	1.5%	
Wastewater Services	50,722,110	(393,972)	50,328,138	-0.78%	16.86%	
Watershed Services	13,391,108	(911,238)	12,479,870	-6.80%	39.01%	
	223,321,848	**(2,336,064)**	**220,985,784**	**-1.05%**	**100.00%**	**(3.50)**

Fund Level	**675,678,377**	**0**	**675,678,377**
Grand Total	**899,000,225**	**(2,336,064)**	**896,664,161**

The largest dollar cuts are taken from Watershed Services at over $900,000. The second largest cuts are taken from Wastewater Services and from Administrative Services.

Reduction Packages

Reductions for 5.9% Rate Increase/ES_01, ($2,336,064), (3.50) FTE, Bureau Priority #1

The bureau submitted their reduction as one package, however for the purposes of this review the package will be broken down into each of the seven program areas.

Administrative Services

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	7,538,845	(199,362)	7,339,483	-2.64%
External M&S	16,122,660	(79,930)	16,042,730	-0.50%
Internal M&S	12,656,292	(89,898)	12,566,394	-0.71%
Capital	547,938	(20,938)	527,000	-3.82%
Total Admin Services	**36,865,735**	**(390,128)**	**36,475,607**	**-1.06%**

Functions and areas impacted:

- Accounting Services ($82,745)
- Admin Services ($35,615)
- Financial Management ($21,000)
- Environmental Policy ($139,932)
- Facilities Management ($62,500)
- Inventory & Purchasing ($20,938)
- Pollution Control Facility ($27,398)

The overall cuts to this program area are not significant at just more than 1%. The largest subprogram cuts are the cut to Environmental Policy, which reflects the retirement of a Principle Financial Analyst and reduces the subprogram's overall budget by 21%. The next most significant cut is the reduction to Facilities Management which represents an approximate 6.1% section reduction.

Engineering Services

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	22,839,641	(189,882)	22,649,759	-0.83%
External M&S	10,327,727	(70,774)	10,256,953	-0.69%
Internal M&S	7,214,179		7,214,179	
Capital	67,588,324		67,588,324	
Total Engineering Svcs	**107,969,871**	**(260,656)**	**107,709,215**	**-0.24%**

Functions and areas impacted:

- Education ($25,272)
- Out of town Travel ($10,502)
- Asset Management contract ($35,000)
- Senior Administrative Specialist ($51,540)
- Chief Engineer ($138,342)

Although the largest cut is for a Chief Engineer position, there will be no service impact as this position was dedicated to the construction and implementation of the Combined Sewer Overflow project which was completed in December 2011. The bureau still maintains a Chief Engineer who oversees all capital projects. The cuts to education and to out of town travel reduce these areas by 20% and 23% respectively.

Healthy Working Rivers

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	505,067	(75,564)	505,067	-14.96%
External M&S	128,949	(35,000)	93,949	-27.14%
Internal M&S	104,709		104,709	
Total HWR	**738,725**	**(110,564)**	**703,725**	**-14.96%**

Functions and areas impacted:

- Office Support Specialist ($75,564)
- Professional services contract ($35,000)

Overall, the Healthy Working Rivers Office is taking a 15% cut, a larger proportion of the program than all the other program reductions combined. Although the position being eliminated is vacant, and another position is on loan to the ESA program, this leaves the office with only 4.00 FTE remaining. The professional services cut reduces the office's contract budget by 27%. Cuts to such a small program area will likely result in overall reduced capacity.

Pollution Prevention Services

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	8,891,062	(115,356)	8,775,706	-1.30%
External M&S	2,406,912	(119,150)	2,287,762	-4.95%
Internal M&S	(2,058,393)	0	(2,058,393)	
Capital	335,000		335,000	
Total Pollution Prevention Services	**9,574,581**	**(234,506)**	**9,340,075**	**-2.45%**

Subareas targeted for reduction:

- Environmental Program Manager ($115,356)
- Professional Services Contracts ($87,600)
- Travel, supplies and misc services ($31,550)

The manager position is being held vacant for one year and not a permanent reduction, so will have shorter-length impact on the overall productivity of the program than an ongoing cut would. The professional services contract capacity is reduced by about 10%. The negative $2 million in the base internal materials and services reflects internal cost recovery for programs, like Field Operations and Lab Services, that perform services for other programs. Across the bureau this account will net to zero.

Portland Harbor

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	554,324		478,760	
External M&S	2,732,609	(35,000)	2,697,609	-1.28%
Internal M&S	772,785		772,785	
Portland Harbor	**4,059,718**	**(35,000)**	**3,949,154**	**-0.86%**

- Professional Services contract ($35,000)

The professional services reduction reflects the elimination of the Tribal Institute Agreement with PSU. Based on the progress which has been made to date and the timeline of upcoming milestones in the process, this reduction is not anticipated to have a service impact.

Wastewater Services

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	12,908,264	(143,972)	12,764,292	-1.12%
External M&S	13,652,291	(250,000)	13,402,291	-1.83%
Internal M&S	22,223,555	0	22,223,555	
Capital	1,938,000		1,938,000	
Wastewater Services	**50,722,110**	**(393,972)**	**50,328,138**	**-0.78%**

Three areas are targeted for reduction:

- Columbia Blvd Wastewater Treatment Plan (CBWTP) Electrical ($93,972)
- CBWTP Operations ($50,000)
- Maintenance Engineering ($250,000)

While these cuts are significant in that they represent nearly 17% of the bureau's overall reductions, the impact to the program area is almost zero. Maintenance Engineering, the subprogram sustaining the largest cut will have capacity reduced by just under 9%.

Watershed Services

Spending Category	Base	Cuts	FY 2012-13 Requested	% of Spending Category
Personnel	6,127,052		6,127,052	
External M&S	6,420,592	(714,738)	5,705,854	-11.13%
Internal M&S	843,464	(196,500)	646,964	-23.30%
Total Watershed Services	**13,391,108**	**(911,238)**	**12,479,870**	**-6.80%**

Three areas are targeted for reduction:

- Sustainable Stormwater ($637,512)
- Watershed Division ($196,500)
- Re-vegetation Program ($77,226)

The Sustainable Stormwater cut reflects a deferral of ecoroof grants over a longer time period, and will have no program impacts other than align budget with historical expenditures. Watershed Management Program cuts contain the elimination of funding for fungicide to guard against Dutch Elm disease ($62,500) and support for a Parks Bureau Parks Ranger who provides watershed security ($65,000). The implications of reducing funding for tree-related programs was addressed in the Key Issues section of the review.

FPD encourages BES to continually review the budget for opportunities to reduce rates and to actively coordinate all tree-related packages with all other tree-impacted bureaus. FPD recommends the cuts as presented.

FPD Recommendation: ($2,336,064); (4.00) FTE

IV. Capital Improvement Plan Analysis & Recommendations

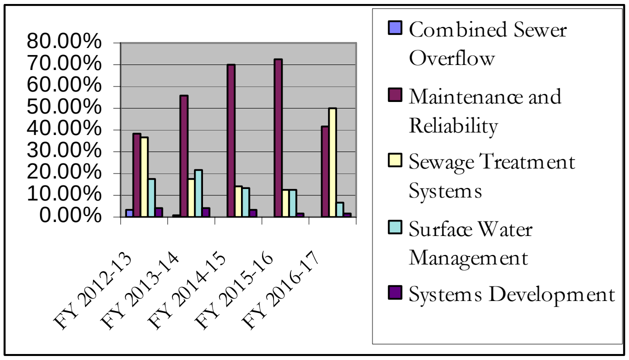
Capital Plan Summary	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**5-Year Total**
Combined Sewer Overflow	$3,404,000	$495,000	$0	$0	$0	**$3,899,000**
Maintenance and Reliability	36,789,000	58,665,000	75,161,000	77,313,000	80,414,000	**$328,342,000**
Sewage Treatment Systems	35,009,000	17,952,000	14,818,000	13,330,000	95,131,000	**$176,240,000**
Surface Water Management	16,327,000	23,128,000	13,945,000	13,592,000	13,511,000	**$80,503,000**
Systems Development	3,898,000	4,799,000	3,721,000	2,137,000	2,662,000	**$17,217,000**
Capital Plan Total	**$95,427,000**	**$105,039,000**	**$107,645,000**	**$106,372,000**	**$191,718,000**	**$606,201,000**

Shift toward Maintenance

Now that the bureau has successfully completed its 20 year Combined Sewer Overflow (CSO) program, the focus of the CIP will shift to the bureau's unmet infrastructure needs. There are still three projects related to CSO that will be active in FY 2012-13:

- Portsmouth Odor Control Facility – this project is part of the CSO program, but not required by the state. Odor control is part of BES' agreement with the surrounding community: $2.03 million
- System Start up - work is primarily to automate the tunnel system to better manage flows during storm events: $1.09 million. Work will continue into FY 2013-14.
- Portland Opera parking lot land use compliance: $277,000

The chart below shows the shift to Maintenance and Reliability as a greater percentage of the overall CIP. The percentage climbs to over 70% in FY 2015-16 and then drops to second as Sewage Treatment efforts become the primary focus starting in FY 2016-17.



V. Performance and Accountability

Performance Measures

The bureau maintains 16 performance measures: four *efficiency*, five *effective* and seven *workload* measures. Overall, the bureau appears to be meeting stated performance measure goals, with a few exceptions. Explanations are outlined below:

- *Average Resources spent in site investigation*

FY 2010-11 Year End	FY 2011-12 Revised	FY 2012-13 Requested
$6,132	$4,435	$13,000

It appears that the costs for site investigation are about to increase by 300%. The bureau explains that the methodology use to calculate the project costs was modified and is now more inclusive and provides a more comprehensive picture of true costs.

- *Cost to operating and maintain treatment plant*

FY 2010-11 Year End	FY 2011-12 Revised	FY 2012-13 Requested
$509	$555	$565

Based on the measures reported, it appears that costs per million gallons treated has increased by more than 10%. BES explained that FY 2010-11 was unusually low due to a higher volume of flow being treated and that the current and out-year projections are more indicative of regular flow levels.

- *Number of trees planted*

FY 2010-11 Year End	FY 2011-12 Revised	FY 2012-13 Requested
48,797	56,950	41,400

The current and outyear projection represent a 27% decrease from the FY 2011-12 projections. The bureau explains that they have adjusted their targets to more achievable levels with their community partner, Friends of Trees.

Strategic Plan

The bureau updated its strategic plan for 2011-16 and has set out specific priorities for the next five years. Of the priorities listed, FPD is particularly in support of the following:

- Responsibly manage ratepayer funds to provide services that address community needs now and in the future
- Protect, rehabilitate, and maintain existing infrastructure for long-term reliability