



CITY OF PORTLAND

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Portland Utility Review Board

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East Portland
Representative

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NE/SE Portland
Representative

David Johnson

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Representative

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Public Interest
Advocacy

Lila Wickham

Public Interest
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Tracy Marks

Commercial/Industrial
Representative

Bill Dayton

Local Business
Representative

Sharon Kelly

At-Large Member

Vacant

At-Large Member

Bob Tomlinson

Staff Liaison, OMF
Financial Planning

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor LaVonne Griffin-Valade

Subject: Final Draft - PURB FY 2008-09 Annual Report

Date: October 15, 2009

PURB members were active participants on both the BES and Water Bureau citizen budget review committees. Based on this participation and presentations directly to the PURB, we provided written recommendations to the City Council regarding the bureaus' financial plans and rate proposals:

- General comments:
 - Supported the use of Federal Stimulus money for utility projects
 - Did not support a local stimulus
 - Significant concern about the very large debt service that BES has and that the Water Bureau is headed toward
 - Specifically recommended working with Labor Unions to negotiate revisions to the contract that would save jobs, assure work continuation
 - Expressed concerns about the transfer of General Fund projects to fee based programs
- BES:
 - Cautious endorsement of the BES financial plan
 - Expressed concern about a nearly 6% rate increase during the current recession
- Solid waste & recycling:
 - Supported the financial plan for the solid waste and recycling program
 - Opposed the use of solid waste funds to support the abandoned car program
- Water Bureau:
 - Did not support the Water Bureau's financial plan and chastised the city council for allowing deficit spending in each of the prior 5 years of water bureau operation
 - The PURB called the 17.9% rate increase excessive and inappropriate given the current economic situation

Two PURB members participated on a Water Bureau “Base Rate” committee that was mandated by a budget note in last year’s budget to look at the fairness of the base rate. The committee concluded that the Base Rate in effect at the time was fair to all customers including sewer only customers. (Note that the city council approved changing the Base Rate for the current year and the two PURB members of this committee felt the new rate is not fair to sewer only customers.) This committee also recommended that the city council consider an innovative rate approach for water customers that could solve some current bureau problems and allow billing customers more fairly for their share of system costs.

The PURB chair served as the Chair of the Water Bureau’s Administrative Review Committee (ARC). This committee provides an appeal process available to customers who feel they have exhausted all other measures regarding complaints about their utility bill.

Two PURB members did a comprehensive review of LT2 studies and the outputs from work groups as well as reaching out to activists, health professionals, the congressional delegations, and water professionals in other cities. The summary of their conclusions:

- Vigorously complete testing in pursuit of an EPA LT2 administrative variance for Bull Run treatment.
- In parallel with testing, design and plan a Crypto treatment facility.
- With all due haste replace the in town reservoirs with new enclosed storage facilities.

During the year there were no substantive discussions between the PURB (as a whole or with individual members) and the city council (as a whole or with individual members/staff). We recommend going forward that the city council take actions that will draw the PURB into substantive discussions with council members/staff on all significant topics regarding the city’s utilities. Overall, the PURB is concerned about lack of communication and substantive response from the City Council on PURB recommendations.

Sincerely,

Portland Utility Review Board

Attachments: FY 2008-09 Presentations and Tours
06/18/09 Preliminary PURB Water Subcommittee LT2 Findings and Recommendations
05/18/09 PURB Rate Testimony
04/17/09 PURB Comments on FY 2009-10 Bureau Budgets
03/20/09 Proposed Abandoned Auto Program Surcharge on Solid Waste & Recycling Bills
02/27/09 PURB Comments on FY 2009-10 Bureau Financial Plans
09/30/08 BES & Water Bureau Non-Utility Costs included in Utility Rates

PURB FY 2008-09 Presentations and Tours

- 9-19-08 Tour of BES's Water Pollution Control Laboratory - BES
- 10-16-08 Tour of Water Bureau's Groundwater Pump Station – Water Bureau
Open Meeting Law and PURB Process – Office of the City Attorney
Bull Run Habitat Conservation Plan (HCP) – Water Bureau
- 11-20-08 Tour of SP Recycling Facility – BPS
Recycling Market Update – BPS
- 1-15-09 BES Preliminary Five-Year Financial Plan - BES
Water Preliminary Five-Year Financial Plan – Water Bureau
Solid Waste and Recycling Preliminary Five-Year Financial Plan – BPS
- 2-19-09 Solid Waste and Recycling Preliminary Five-Year Financial Plan – BPS
Bull Run Habitat Conservation Plan (HCP) – Water Bureau
- 3-19-09 BES FY 2009-10 Requested Budget - BES
Water FY 2009-10 Requested Budget – Water Bureau
Solid Waste and Recycling FY 2009-10 Requested Budget – BPS
Abandoned Auto Program – PBOT
- 4-16-09 BES Rate Update – BES
Water Rate Update – Water Bureau
- 5-7-09 Solid Waste and Recycling Rate Update – BPS
BES Rate Update – BES
Water Rate Update – Water Bureau
- 6-18-09 LT2 Discussion – PURB Water Subcommittee, Water Bureau, Citizens

Preliminary

Long Term Surface Water Treatment Rule (LT2)

Findings & Recommendations

PURB Water Sub team
Dave Johnson & Lila Wickham
June 18, 2009

Outlook for our LT2 Investigation

- We are looking at this problem purely from the perspective of retail water customers.
 - Safe and affordable drinking water.
- No preconceived notion of “right answers”. A wide ranging, data driven effort to understand the crypto situation in the Bull Run watershed and the impact on its water consumers.
- We are focused on the forest, not the trees. We are looking at the big picture.
- We agree it is prudent to be cautious when dealing with public health issues. We need to balance two important but somewhat conflicting goals:
 - Reduce health risks to the population.
 - Avoid unneeded interventions.

Methodology for our LT2 Investigation

- We are viewing the Portland - LT2 issue as composed of 2 independent topics:
 - Treatment of Bull Run water
 - Enclosing the in-town reservoirs
- Our approach:
 - Interviews with key stakeholders & knowledgeable people (including activists, citizens, health professionals, professors, regulators, congressional delegations, water professionals in other cities, etc.)
 - Review of past work done regarding LT2
 - Present our preliminary findings to PURB & the public
 - Rework based on feedback
 - Present our final recommendations to PURB, city council and water bureau
- End Product: Recommendations to the city council and the water bureau on the actions we believe they should take regarding LT2 mandates.

Background: Crypto & Public Health Risks in Drinking Water

- The protozoan *Cryptosporidium* is a waterborne pathogen that causes illness in humans.
 - 1987: Carrollton Georgia water system: ~13,000 people ill
 - 1993: Milwaukee Wisconsin water system: ~400,000 people ill, 50+ die
- *Cryptosporidium* is definitely present in surface water sources.
 - In the U.S during the 1990s, *Cryptosporidium* was the causal agent for 9% of reported drinking water associated gastroenteritis outbreaks with identified sources.
 - In the following years, 2001 and 2002, cryptosporidiosis accounted for 1 out of 24 drinking water U.S. outbreaks.
 - No outbreaks occurred in the small number of unfiltered drinking water systems.
 - Crypto oocysts have been found in virtually all surface water sources in the USA.

Background: Crypto & Public Health Risks

- Transmission is via the fecal-oral route either by direct contact or indirectly through contaminated water or food.
- In people with healthy immune systems the illness is normally a moderate case of diarrhea lasting 1-2 weeks. (Although 35% of infected people do not get ill at all.)
- In people with compromised immune systems (cancer patients, organ transplants, elderly, infants, HIV, etc) the illness can be debilitating and life threatening.
- The protozoan *Cryptosporidium* is poorly understood with very little epidemiological data
 - There is no medical treatment for the illness, so doctors do not do the testing required to identify if crypto was the cause of the illness.
- Of the 14 types of Crypto species, 7 are known human pathogens.
 - The vast majority of human crypto related illnesses are related to human & cattle feces (because of high probability of exposure).
 - The other major known carriers are: poultry, dogs, cats, pigs, and rodents.
 - Little is known about the other 7 crypto species' impact on humans.
- Crypto is difficult to inactivate by chemical treatment. Filtration, UV light, or ozone bubbles are the preferred treatments in public water systems.

Background: Crypto & Regulation

- History:
 - 1986: Congress requires all surface water to be filtered
 - 1989: EPA responds with SWTR rule: systems can opt out of filtering if they meet testing standards.
 - 1996: Congress passes the Safe Drinking Water Act that requires EPA to use the most strident methods feasible to keep crypto out of drinking water. The law says that a better return on investment (ROI) doesn't allow selecting a less strident method.
 - 1998: EPA IESWTR rule: focused on epidemic occurrences of waterborne illness.
 - 2006: EPA LT2 rule (response to '96 SDWA legislation): focused on endemic (not outbreak associated) occurrences of waterborne illness.
 - Treatment Technique rule (as opposed to a water quality standard) because it is currently impractical to test for crypto at this low concentration.
 - LT2 standard for crypto treatment variance: 0.000075 oocysts/liter
 - LT2 public health goal: 1/10,000 annual risk of infection via drinking water.

Bull Run Information

Bull Run Background

- Bull Run Topography
 - 100 Sq mile watershed in Mt Hood foothills.
 - Drainage does NOT include Mt Hood snow melt or glaciers.
 - 95% of the water comes directly from rain. (130" per year)
 - 17 billion gallons of storage in two Bull Run reservoirs
- Bull Run Management Unit
 - Portland's water source since 1895
 - 95% of the land is Mt Hood National Forest; 4% city of Portland; 1% BLM
 - 1977 federal law created the Bull Run Watershed Management Unit and clarified that the primary purpose of the Unit was the continued production of pure, clear, raw water for the City of Portland's retail and wholesale customers (but allowed logging).
 - 1996 & 2001 amendments: limited land management activities to only those necessary to protect water quality and operate the water supply and hydroelectric power facilities. Prohibits logging, development, and all recreational uses within the management unit.

Bull Run Background: Water treatment

- Water is not filtered (unusual in USA)
 - At times (usually after a big storm) Bull Run water can not be used because of “turbidity” (dirt suspended in the water).
 - Concern of turbidity also limits the draw down from the Bull Run reservoirs in late summer/fall.
- Water is treated with chemicals to meet drinking water standards.
 - Chlorine (primary disinfectant)
 - Ammonia
 - Sodium Hydroxide

Other major cities with unfiltered water supplies

- **Seattle**
 - ✓ Watershed is 99% protected land
 - ✓ Uses UV & ozone treatment for crypto
- **Tacoma**
 - ✓ Watershed has controlled access, but logging allowed
 - ✓ Crypto treatment undecided between UV or filtering
- **San Francisco**
 - ✓ Watershed in Yosemite National Park, some back country recreation access (0.0027 oocysts/l)
 - ✓ Adding UV treatment for crypto
- **Boston**
 - ✓ Watershed has 75% protected land off limits to development
 - ✓ Uses UV & ozone treatment for crypto
- **Portland, Maine**
 - ✓ Watershed has 2 mile protection area around water system intakes
 - ✓ Uses UV & ozone treatment for crypto
- **NYC**
 - ✓ Immense watershed includes 200K inhabitants and 104 sewage treatment plants
 - ✓ Will use UV for Crypto treatment

Does Crypto exist in Bull Run Watershed?

- Using method 1623 (raw count of oocysts)
 - Water Bureau average measurement since 1986: 0.003 oocysts/l
 - Independent research measurements taken in 1999 & 2000 (1):
 - Average: 0.004 oocysts/l
 - Peak: 0.08 oocysts/l
 - Water Bureau sampling has not found any crypto since Aug 2002.
- Using CC-PCR method (only count infectious *C. parvum* oocysts)
 - Independent research measurements from '99-'00 (1): 0.0009 oocysts/l
 - Implied Bull Run 1623 samples would have a 25% infectious rate (compared to 37% nationally).
- Derived *c. parvum* infectious rate of 1623 samples
 - Water Bureau average: 0.00075 oocysts/l
 - '99/'00 research peak: 0.02 oocysts/l
- The answer is very uncertain.
 - Yes, preliminary data shows infectious crypto exists in the Bull Run watershed at somewhere between 10X and 150X the standard set by the EPA to get a treatment variance.
 - The recent 6 year run without finding any crypto indicates that the long term averages likely overstate the presence of crypto (in part due to more accurate testing methods developed recently).
 - The extremely small sample size of all available data makes the analysis very uncertain.

(1) LeChevallier, Mark, et al. "Comparison of Method 1623 and Cell Culture-PCR for Detection of *Cryptosporidium* spp. in Source Waters." *Applied and Environmental Microbiology* 69(2003): 971-979.

Bull Run Background: Waiver/Exemption Efforts

- 2002-2005: The city worked with the EPA and others to include language in the LT2 rules that would allow a waiver for cities with very well protected watersheds.
 - Final rule has a provision for an administrative variance for Bull Run treatment, but risk mitigation option to comply with open reservoir requirements is no longer available.
- 2004 – 2008: The city engages with the Oregon Congressional delegation to work on legislative relief.
 - Congressional delegation believes getting an amendment to the SDWA is not possible.
- 2006-2007: The city files legal challenge to LT2 rules in Federal Court.
 - Court unanimously decides in favor of the EPA.
- 2008 – present: The city is working with EPA to define a testing protocol that the EPA would accept for use on an administrative variance.
 - An agreement has not yet been reached.
- 2009: Sen. Merkley commits to working with EPA to get additional time extensions for Bull Run treatment as well as supporting efforts for an administrative variance.

Historical Arguments for Bull Run LT2 Treatment waiver (& responses)

- Pristine Bull Run watershed is free of infectious crypto.
 - Historically crypto has been found at significantly higher levels than required for a variance.
 - Small sample sizes means much uncertainty in the actual level of crypto present in the watershed.
- There are better uses of our public health money than to treat Bull Run for crypto.
 - No disagreement from us.
 - However, this argument has been denied in federal court because the 1996 SDWA explicitly disallows using ROI as a reason to do less stringent treatment. So this point doesn't matter in this discussion.
- Filtering Bull Run water will invite development within the watershed.
 - Sen Wyden's office is comfortable that the current laws provide excellent protection to keep Bull Run pristine and free from human development & activity regardless of treatment choices.

Bull Run Findings Summary

- The amount of crypto in Bull Run water is very uncertain.
 - Preliminary data shows infectious crypto exists in the Bull Run watershed at somewhere between 10X and 150X the standard set by the EPA to get a treatment variance.
 - The recent 6 year run without finding any crypto indicates that the long term averages likely overstate the presence of crypto (in part due to more accurate testing methods developed recently).
 - The extremely small sample size of all available data makes the analysis very uncertain.
- 1996 SDWA federal law mandates most strident means of crypto removal feasible and explicitly denies ROI as a reason to use less strident measures.

In Town Reservoir Information

In town reservoirs - Background

- All are very old
 - Mt Tabor: age 117 years to 98 years old
 - Washington Park: age 115 years old
- PWB considers all 5 reservoirs to be in poor condition (worst possible rating) and in need of immediate replacement. (age, leakage, seismic)

In town reservoirs - Background

- Enclosed storage for finished water has been “best practice” for some time.
 - 1984: approximate date of last Oregon permit for construction of open storage for finished water.
 - 1991: EPA recommendation
 - 1993: AWWA policy
 - 1999: EPA requirement for all new storage (IESWTR)
 - 2006: EPA requirement for all storage (LT2)

In town Reservoirs Findings Summary

- Current reservoirs are in poor condition and in need of immediate replacement.
- Enclosed storage for finished water has been “best practice” for some time.
- LT2 requirements force work that should have been done years ago.

Recommendations to the Water Bureau

Recommendation #1:

Comply with all drinking water rules & laws

- Because:
 1. Our country values the rule of law, our state values environmental law.
 2. Fines would force a significant rate increase.
 3. Rush to comply in response to fines would likely result in more expensive & less effective solutions.
 4. Violation would likely have secondary economic impact: wholesale water contracts, businesses, etc

Recommendation #2:

Rigorously protect Bull Run Watershed independent of treatment decisions

- Because:
 - Public health experience has shown that prevention is far more effective and far less expensive than treatment.
 - The best foundation for a safe and inexpensive drinking water system is a protected and pristine water source.

Recommendation #3:

Expediently gather scientific data to support an EPA LT2 administrative variance for Bull Run treatment.

- STEP 1A: Before Dec 2009 have an agreement with the EPA on a testing protocol to be used to determine if Bull Run meets the criteria for a LT2 administrative variance.
- STEP 1B: Before Dec 2009 complete the “Snowball’s chance” analysis.
 - Using the above negotiated testing protocol and criteria, conduct a systematic scientific review of existing Bull Run crypto testing data to determine if there is any reasonable chance that Bull Run might meet the EPA’s standard for a variance. (0.000075 oocysts/l).
 - Suggested Leaders: Lila Wickham (PURB), Dave Johnson (PURB), Dr. Gary Oxman (Health Officer, Multnomah/Washington/Clackamas County), Yone Akagi (Portland Water Bureau)
- STEP 2: If the “snowball analysis” indicates a reasonable chance of meeting the EPA standard, then in Jan 2010 begin implementing the EPA testing protocol. Otherwise, drop all variance efforts.

Recommendation #4:

Vigorously pursue an EPA extension for meeting LT2 Bull Run treatment.

- Senator Merkley takes the lead in getting a 2-3 year extension (2016-17 date for treatment compliance).
- By Dec 2009 have negotiated a treatment extension that will allow for completion of the testing protocol needed to determine if Bull Run qualifies for a variance before breaking ground on a crypto treatment facility.

Recommendation #5:

Begin design work to Implement a Crypto Treatment Technique for Bull Run Water

- Design & planning work must proceed concurrently with work on variance request.
 - Treatment Technique selected: June 2009
 - Ground Breaking: March 2011
 - Treatment plant on line: April 2014
- Select the crypto Treatment Technique with the best long term return for water customers regarding all issues facing the water bureau.
 - Filtration should not be ruled out as a treatment option because Bull Run watershed has strong legal and legislative protections of its pristine state.

Recommendation #6

With all due haste

- Shut down the Mt. Tabor and Washington Park reservoirs and
 - Build new enclosed water storage facilities at Powell Butte, Kelly Butte and Washington Park.
-
- Because:
 1. The reservoirs are old, decaying, and in need of replacement independent of LT2 rules.
 - No “extra costs” to rate payers... this is necessary system maintenance work.
 2. New storage must be enclosed per EPA rules prior to LT2 (1999)
 3. Best practices for finished water storage & meets LT2 rules.
 4. Locations chosen by water bureau to continue to have a low carbon footprint, sustainable gravity fed system; while holding down construction costs.
 5. Fighting EPA for open reservoir waiver will hurt effort to get a Bull Run variance.
 - Guilt by association
 - Pulls away political capital, time & money

Recommendation #7

Park Bureau works with residents on use of new spaces with the cost of this work largely being covered by water rate payers.

- Because:
 1. Enclosure & lower capacity needs mean that many new uses of the existing reservoir space are possible.
 2. Hold excess Washington Park space in reserve for possible future use by water bureau.
 3. Since this transition is driven by water system needs it is appropriate for rate payers to pay for much of the cost.
 - Operational costs for the new spaces would need to be covered by Park Bureau or local citizen groups.

Summary

- Context

- 1996 SDWA federal law mandates strident measures to remove crypto and doesn't allow ROI as a reason to use less strident techniques.
- The amount of crypto in Bull Run water is very uncertain.
 - Preliminary data shows infectious crypto exists in the Bull Run watershed at somewhere between 10X and 150X the standard set by the EPA to get a treatment variance. But recent 6 year run without finding any crypto indicates that the long term average likely overstates the presence of crypto
 - The extremely small sample size of all available data makes the analysis very uncertain.

- Recommendations to Water Bureau

- Vigorously pursue an EPA extension for meeting LT2 Bull Run treatment to allow time for more testing.
- Vigorously complete testing in pursuit of an EPA LT2 administrative variance for Bull Run treatment.
- In parallel with testing, Design & Plan a Crypto Treatment facility that will have long term value to water customers.
- With all due haste, replace in town reservoirs with new enclosed storage facilities located to minimize costs and maintain the gravity flow system currently in use.



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Bob Tomlinson
Staff Liaison, OMF
Financial Planning

Date: May 18, 2009

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor Gary Blackmer

From: Portland Utility Review Board

Subject: PURB Comments on FY 2009-10 Sewer, Solid Waste and Water Rates

On May 7, 2009, the Portland Utility Review Board (PURB) met to forward the following comments to Portland City Council concerning municipally regulated rates.

Members in attendance: Paulette Rossi, Chair, David Johnson, Tracy Marks, Loren Lutzenhiser, Sharon Kelly, and Lila Wickham.

Excused Absences: Brook Drew and John Tyler, vice-chair.

One vacancy.

Solid Waste and Recycling

All Board members present supported the rate increase for the following reasons:

While fuel costs have come down this reduction has not compensated for the loss of revenue from the sale of recyclables now at record lows. Furthering the rate increase is the increase in Metro's tipping fee.

We support the incentive discount for the 20 gallon and 32 gallon monthly cans as it will help (through financial reward) to reach the City's 75% recycling goal. While PURB in the past had questions about the disincentive premium for 60 and 90 gallon roll carts as being unfair to large families the PURB now believes with the arrival of recycling roll-carts and the further options to recycle what in the past went into the garbage can that it is easier than ever to move into a smaller can.

PURB acknowledges and applauds the haulers whose continued efficiencies result in rate compression.

Bureau of Environmental Services

Five PURB members voted to accept the following comment. Loren Lutzenhiser voted against the comment stating that he believed the BES requested rate increase was reasonable considering their rate drivers.

The PURB majority had two concerns that approximately 50 percent of a typical BES bill is debt service and that rate increases of the magnitude requested are not sustainable. Considering the current economic climate the rate increase should be reduced to fall in line with past years' requests. (Continued)

PURB does not approve of the City Council switching ESA funding from the General Fund to BES customers and the local stimulus package pushing BES projects forward when BES customers are in a hard economic period.

Water Bureau

Five PURB members voted to forward the following and Lila Wickham voted against the comment explaining that she agreed with everything except that she did not support PURB's statement to hold the base charge constant. She did not feel competent to make that statement.

The bureau's budget request represents a roughly 13% increase in spending compared to this year. We believe that this budget proposal is excessive and inappropriate given the current economic situation where many businesses are cutting expenses and families are stretching reduced incomes to make ends meet. We believe with appropriate cost cutting the bureau could reduce its requested rate increase.

PURB believes that the base rate charge should reflect just the cost of delivering those shared base services (billing, customer service, meter reading, etc).

Retail water rates, wholesale customer revenue and other charges contribute towards covering the Bureau's spending.

It is important to note that the amount of water delivered has almost no impact on the expenses of the Bureau. So estimating retail demand and setting the Water Bureau's budget are independent variables that have nothing to do with each other.

The retail water rate is proportional to the Bureau's budget and inversely proportional to the amount of water delivered.

Retail water rates go up if either:

The Bureau's budget grows (this year)

Total water consumption by retail customers goes down (this year)

Retail water rates go down if either:

The Bureau's budget is cut

Total water consumption increases.



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Loren Lutzenhiser
At- Large Member

Bob Tomlinson
Staff Liaison, OMF
Financial Planning

Date: April 17, 2009

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor Gary Blackmer

From: Portland Utility Review Board

Subject: PURB Comments on FY 2009-10 Bureau Budgets

Please find attached PURB comments on the Bureau of Environmental Services, Bureau of Planning and Sustainability, and Water Bureau FY 2009-10 Requested Budgets.

**PURB BES Subcommittee Report
BES FY 2009-10 Requested Budget
February 16, 2009**

In general, the Portland Utility Review Board (PURB) believes that we participated in the development of a responsible budget for the Bureau of Environmental Services (BES). However, we as PURB members are concerned that the budget proposal still represents an increase over the previous year's operating budget by 5.95%. It was our understanding that the Mayor had requested City bureaus to reduce budgets by 5% from last year's budget.

The PURB BES sub-committee consists of Tracy Marks, Brook Drew and John Tyler. Tracy Marks and John Tyler were asked by BES staff to participate as members of their Budget Advisory Committee (BAC). Tracy and John attended two meetings of the BAC and reviewed a great deal of material in an effort to compile a report for City Council on the proposed BES budget.

The conclusions of the BAC that are summarized in its report to City Council are ones that Tracy and John support, having contributed to the reports creation, review and eventual broad support from the BAC.

We think that the proposed BES budget is responsible and seeks to minimize impacts to ratepayers while addressing the breadth of concerns the Bureau has been tasked with. We believe that James Hagerman in his introduction to the BAC report stated the position well when he wrote BES should "...continue to focus on meeting regulatory requirements and preserving the natural and built infrastructure while making every effort to constrain rate increases".

The proposed budget includes reductions of approximately 5% or roughly \$4.8million dollars. These budget savings were identified through a process that ranked projects and programs and reduced or eliminated activities without compromising the ability of BES to meet its core mission.

In summary, the PURB approves of the process by which the proposed BES budget was created. Unfortunately, the result is still a 5.95% increase to customers/ratepayers in difficult economic times.

**PURB Solid Waste and Recycling Subcommittee Report
Solid Waste and Recycling FY 2009-10 Requested Budget
February 16, 2009**

Due to lack of a staff person the **Low-Income Assistance Need Study** approved as a budget note in the FY 2008-09 Adopted Budget was not accomplished. PURB continues to believe that an interdepartmental committee to determine if there is a need for a low-income assistance program for residential solid waste and recycling customers patterned on the current program provided to Portland water and sewer customers is needed. The Bureau agrees and has stated the study will be done. With the current economy PURB believes the study must be done soon. With the unemployment rate growing, illegal dumping and theft-of-service is likely to grow. Depending on the outcome of the study a low income assistance program may help. The Budget note called for at least one member of the PURB and the hauling community. Considering that the three PURB members who were heavily involved in putting this budget note forward in FY 2008-09 will be term-limited off PURB in June, the study group should allow for one past PURB member to be included in the participants and Bruce Walker has agreed with this in conversations with the PURB Chair.

PURB applauds the Bureau for making budget cuts that do not affect customer service or outreach and education. **PURB fully endorses reducing the reliance on printed materials moving to paperless on-line resources.** This follows the City's sustainability goals.

PURB also believes that the Bureau's coordination and management of Fix-it-Fairs, paid for from the General Fund are opportunities for the community to learn sustainability through classes and displays. Because the current recession is affecting all economic levels, **PURB believes the Fix-It-Fairs should be expanded to include more neighborhoods than just those previously identified as low-income areas. Fix-It-Fairs should be studied also for the Business Community.**

PURB endorses the bureau's plans to begin notifying and assisting businesses and City facilities in meeting their goals in the Portland Recycles! Plan. **PURB believes with the poor economy the Bureau should emphasize waste reduction over recycling as a means for businesses and City facilities to save money.**

PURB opposes money from solid waste management funds being used to handle abandoned cars in the right-of-way.

PURB Water Bureau Subcommittee Report
Water Bureau FY 2009-10 Requested Budget
February 16, 2009

Recommendations:

1. Reduce the spending request. The current budget proposal represents an increase in spending (from 6% to 13% depending on how you calculate) with a projected retail rate increase of 17.9%. This is excessive and inappropriate in this current economic environment.

- The operational budget for next year should be significantly less than the budget for the current year. Nearly every business served by the water bureau is being forced to reduce spending; the bureau needs to do the same and the current budget proposal still requests spending increases rather than decreases.
- Actively negotiate with union represented employees to consider furlough's, reduced COLA's or other cost saving methods that reflect these same measures being implemented in other sectors of the economy.

2. The forecast for retail water consumption is too optimistic. This means that the bureau is likely to dig into its dwindling cash reserves to cover the revenue shortfall. Although reductions have been made in the projected retail water use we are concerned that they remain overly optimistic. The demand forecast should be reduced to 27Mccf.

If for some reason it is impossible for the council to agree to this lowered forecast, the bureau should monitor retail water use on a quarterly basis in FY 2009-10 and implement expense reductions to accommodate deviations from the budget projections.

3. Implement SAP with a methodology that will improve the precision of indirect costs applied to the Water Bureau budget. The current accounting system makes it difficult to precisely track administrative costs, overhead costs and program costs.



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Review Board**

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Bob Tomlinson
Staff Liaison, OMF
Financial Planning

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor Gary Blackmer

Subject: Proposed Abandoned Auto Program Surcharge on Solid Waste and
Recycling Bills

Date: March 20, 2009

On March 19, 2009 the Portland Utility Review Board voted unanimously to forward the following motion:

PURB believes abandoned vehicles are a livability issue and are user driven and it would be unfair for people with no vehicle to pay for the removal of abandoned vehicles on their garbage bill. PURB suggests City Council explore a funding source related to vehicles such as an advanced vehicle disposal fee.

Sincerely,

Paulette Rossi, Chair
Portland Utility Review Board



CITY OF PORTLAND

Sam Adams, Mayor
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To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor Gary Blackmer

Subject: FY 2009-10 PURB Comments on Bureau Financial Plans

Date: February 27, 2009

Please find attached PURB comments on the Bureau of Environmental Services, Bureau of Planning and Sustainability, and Water Bureau financial plans.

Sincerely,

Paulette Rossi, Chair
Portland Utility Review Board

PURB Comments on the Bureau of Environmental Services' Financial Plan

Following a presentation in January 2009 PURB voted to send the following comments forward on the financial Plan submitted by BES.

PURB was impressed with the mechanisms that BES has in place to prioritize projects and programs.

PURB believes that BES was strategic in their cuts to the financial plan.

Following the reality that it is less costly to fix a problem before it is an emergency PURB supports:

- Increased inspection efforts of 250,000 feet of pipe annually
- Find and Fix program to inspect and assess lateral and manholes prior to failure
- Increased manhole inspection of 1,000 per year

PURB supports funding the program manager, additional District Engineer and Engineering Tech position in Maintenance Engineering to get this work done.

PURB supports funding the Grey to Green Program at \$40 million through FY 2013. PURB realizes BES maintains they need \$54 million for the program but PURB believes the bureau should look internally and externally for this money rather than increasing rates in a poor economy.

PURB does not support moving projects ahead in the financial plan as part of a local economic stimulus package. PURB believes the local stimulus package is taking money from ratepayers pockets at a financially difficult time.

PURB does support the Federal stimulus package as a means of lowering rates.

**PURB Comments on the
Bureau of Planning and Sustainability's Financial Plan**

Following a presentation by Bruce Walker (BPS) on February 19, 2009 PURB voted to send the following comment forward to City Council.

Solid waste and recycling has run a premier organization that not only is responsible for regulating residential and commercial garbage collection but promoting the use of recycled content building materials and the conservation of natural resources through waste reduction.

PURB accepts drawing down reserves from \$725,000 to 500,000 over the scope of the 5-year financial plan to prevent a commercial rate increase for the next two years.

PURB supports BPS proposal to discontinue making an annual payment to the Bureau of Licenses that offsets residential franchised haulers' business license fees but PURB opposes the \$.05 per month residential rate increase that BPS estimates that would occur from this change. PURB does not accept this hidden rate increase.

The Financial Plan points to the ending of The Green Investment Fund (GIF) which was receiving money from the Solid Waste Management Fund. In a tight economy this will give BPS more money for other existing programs.

PURB Comments on the Portland Water Bureau's Financial Plan

Water Bureau staff have been very cooperative, helpful, and insightful in responding to requests and in small group or 1x1 discussions with PURB members regarding the current budget, historical data, and how things work in general.

PURB's comments:

1. The current bureau retail demand forecast of 28M ccf is overly optimistic. For each of the past 5 years the water bureau has over estimated retail demand, resulting in deficit spending and crisis cuts to departments. It is imperative that the bureau become more conservative with its demand forecasts. The revenue forecast and rate increase for FY 2009-10 need to be based on a retail water consumption forecast of 27M ccf or less. PURB will oppose any financial plan/budget proposal based on higher consumption assumptions because it will over estimate revenue and result in more deficit spending.
2. The proposed bureau spending increase is too large given the current recession. The Bureau needs to look at making deeper and more genuine cuts to their spending proposals. While large rate increases are probably inevitable (without Federal stimulus support) for the LT2 work over the 5 year timeframe of the financial plan, the rate increase for FY 2009-10 needs to be in single digits.
3. No "local stimulus" work should be done. The most recent proposals for water bureau work described as a "locally funded economic stimulus" simply add to the debt load of the water bureau just before heavy borrowing begins to fund the mandated LT2 work. This would result in additional costs to rate payers and further reduce the budget flexibility to address unexpected events.

Some historical background behind these recommendations:

- The water bureau's financial health is closely tied to accurate predictions of water consumption because of the mismatch between the rate structure and the water bureau's cost structure.
- During the past 5 years the bureau has over estimated water consumption by an average of 6% each year. Leaving the bureau with insufficient revenue (~ \$4M short on average) to meet spending plans in each of those years.
- The bureau's cash reserve has fallen from a high of \$40M to a projected balance of \$14.3M at the end of this fiscal year. This balance has fallen more than \$8M during the last 4 years even though LT2 was clearly looming on the horizon.
- Spending on system maintenance has increased over the last few years but remains at about 50% of the \$40M needed annually to keep pace with infrastructure wear out.
- Prior years' budget decision rationale has not been a topic of discussion, but PURB believes it has been a mistake to allow the bureau to operate with levels of spending that can not be supported by the customer revenue stream.
- None of these issues were identified in the OMF analysis PURB read in the spring of 2008. OMF may view these big picture issues as outside their area of concern, but in PURB's opinion they should be looking at the big picture as well as the financial details during their budget reviews.

Concerns about the water bureau's budget proposal (as of 1/9/2009):

- Forecasting retail consumption of 28M ccf (same as the newly revised lower estimate for the current year). Since there hasn't been any change in forecasting methodology, PURB believes it is likely that this forecast will continue the 5 year trend of over estimating consumption. Since cash reserves have fallen below the bureau's minimum already, a revenue shortfall caused by an over estimate of consumption would be a critical error in the coming year.
 - PURB believes the budget must be based on a forecast of 27M ccf or less of retail consumption.
 - Late news... the bureau is considering a small reduction in demand forecast, but not down to 27M ccf.
- Proposing an 18% rate hike (after including OMF's mandated budget cuts), seems out of sync with the economic recession that has hit the country.
- Bureau managers position the bureau as having made significant cuts to their organization during the last 4 years. Their position is that further cuts to operational spending and capital programs will seriously harm the bureau.
 - PURB heard their message but remain skeptical at this point, unsure of what to believe.
 - The bureau rolled out an impressive list of "cuts" that have been made during the last 4 years.
 - However, the term "cuts" has been used during this year's budget meetings to describe new requests that were turned down. PURB is unsure if the list we were shown were actual reductions in force or wish list items that were never funded.
 - The bureau explicitly listed items where costs are rising & built those into the budget request. But there was no list of items where costs are falling... fuel being down more than half, construction labor costs almost certainly will be down, etc.
 - It is PURB's understanding that the bureau's 18% rate request occurred before the OMF request for 5% cuts, but in January the bureau's budget included the OMF changes but still required an 18% rate hike.
 - Also, the 4 years of over estimated consumption & deficit spending are not what PURB would expect from leadership focused on running a lean, tight ship.

PURB is also concerned about several forecast trends:

- That maintenance work is only funded at 50% of the needed level.
- That maintenance work is going to be further scaled back during the 5+ years of work on LT2.
- That the planned costs for LT2 do not include any money for converting the existing storage on Mt Tabor and Washington Park into recreational features... an almost certain component of any viable LT2 plan.

Estimated Budget & Rate Impact of PURB Identified Non-Core Mission Items

09/30/08

PURB Identified Non-Core Mission Budget Items	BES		Water	
	FY 2008-09 Budget	Estimated Rate Impact	FY 2008-09 Budget	Estimated Rate Impact
Portland Harbor Superfund Program	\$5,905,000	0.06%	N.A.	N.A.
Low-Income Discount Program	\$1,552,124	0.16%		
Single Family Residential Discount			\$566,160	0.9%
Crisis Voucher			\$225,000	0.3%
Fixture Repair			\$65,000	0.1%
Administrative Cost			\$180,468	0.3%
Safety Net Program	Unknown	Unknown	\$125,000	0.2%
SDC Waivers for Low-Income Housing	\$1,000,000	0.10%	\$600,000	0.9%
Voter Owned Elections	\$144,381	0.02%	\$30,051	< 0.1%
Fountain Improvements	N.A.	N.A.	\$245,000	< 0.1%
Operation & Maintenance of City's Decorative Fountains	N.A.	N.A.	\$347,288	0.5%
Utility License Fee	\$12,809,000	0.45%	\$4,184,153	1.6%
Subtotal	\$21,410,505	0.79%	\$6,568,120	4.8%
Waiver for Impervious Stormwater Charges for Transportation	\$37,500,000	17.80%	N.A.	N.A.
Total	\$58,910,505	18.59%	\$6,568,120	4.8%

BES Note: Portland Harbor Superfund Expenses and Utility License Fees are assumed to be removed from expenditures for each year of the five year planning interval. In addition, they are not considered operating expenses for debt service coverage calculations and will therefore not affect rates in the same way as either operating expenses or revenue reductions.