



# CITY OF PORTLAND

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## Portland Utility Review Board

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

Subject: 2012 Portland Utility Review Board – Annual Report

Date: December 18, 2012

## Recommendations Regarding Garbage and Recycling

The PURB recommended that:

- 1) Council adopt the proposed solid waste and recycling rate increase of 4.2% for FY 2012-2013;
- 2) the PURB participate in the 2012 mid-term review of the Hauler Franchise Agreement; and,
- 3) Council adopt a pending proposal to relax the scheduled implementation of the Clean Fleet policy in order to minimize the policy's disproportionate impact on ratepayers, as 75% of the solid waste residential rate increase was attributable to this policy alone.

Results: Council adopted the proposed rates and the PURB was invited to participate in the 2012 Franchise Agreement mid-term review. The proposal to relax Clean Fleet policy implementation was adopted by Council in June, 2012.

## Recommendations Regarding Changes to the Hauler Franchise Agreement

In collaboration with Bureau of Planning and Sustainability (BPS) staff, and as a result of its participation reviewing the Franchise Agreement, the PURB recommended that:

- 4) haulers' annual reports be completed early enough to ensure the PURB can make well-studied and thoughtful recommendations before Council's annual utility rate hearing. [This involved revision of a section regarding the due date for haulers' Detailed Cost Reports.];
- 5) City fleet standards be monitored to measure the impact on ratepayers;
- 6) the franchise agreement term not be increased beyond the existing 10 years;
- 7) recycling revenues to haulers be averaged over a three-year period to smooth the impact of recycling revenues on household rates; and,
- 8) can-size incentives remain in place in order to give residential ratepayers some control over their rates.

Results: To be determined by Council on December 19, 2012

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## **Recommendations Regarding Sewer Rates**

The PURB recommended that Council adopt the Bureau of Environmental Services (BES) budget including a proposed rate increase of 5.9%. The PURB felt the increase was necessary to maintain existing infrastructure and provide capacity for critical issues that could arise in the coming year such as emergency repairs and replacement of infrastructure prior to its failure. The PURB also recommended that any additional cuts to the BES budget be made in such a way as to minimize the impact on programmatic operations.

Note: After the PURB recommended adopting the BES proposed budget, the Mayor proposed additional reductions. In light of those reductions, the revised and reduced BES proposed rate was 5.41%. The PURB recommended Council adopt the revised proposed rate.

## **Recommendations Regarding Water Rates**

The PURB declined to recommend that Council adopt the proposed PWB budget including a proposed rate increase of 11% for the average residential single family home. Rather, the PURB recommended a rate increase of 9%. This included the PURB's recommendation that a new program to switch to monthly billing not be implemented because it would add nearly 2% to water rates.

If the City revisits switching to monthly water and sewer billing, the PURB suggested the City consider other options for the program such as adding a small service surcharge (as done by insurance companies) or a small percentage charge (similar to property tax billings) to the monthly bills.

Note: After the PURB recommended a water rate increase of 9%, the Mayor proposed additional reductions. In light of those reductions, the revised and reduced PWB proposed rate was 8.1%. The PURB recommended Council adopt the revised proposed rate.

## **Water Base Charges**

Water base charges are currently calculated using a modified cost-of-service model (that does not include some costs related to installation and reading of water meters). The PWB is contemplating moving to a true cost-of-service model but the impact of such a move would fall hardest on residential ratepayers. The PWB budget advisory committee (BAC), including members of the PURB water committee, recommended studying whether the transition to a true cost-of-service model could be phased in over two or three years to lessen the impact on ratepayers.

## **Other PURB Activities and Positions**

### Capital Improvement Task Force

In response to a FY 2011-12 budget note generated by a recommendation of the PURB, a task force was formed to improve the public transparency of CIP documents. Two members of the PURB Sewer Committee participated on the task force. The task force recommendations were:

- 1) To budget individually all CIP projects which are \$500,000 or more;
- 2) To direct OMF to establish a chart showing the City's top10 inter-bureau projects;
- 3) To define and identify the first time a "new" project appears in a CIP;
- 4) To identify and include non-bureau revenue sources for a CIP;

- 5) To identify the criteria that are used to elevate a project to a CIP; and,
- 6) To maintain accurate and timely CIP data within Portland Maps.

#### PURB Retreat and website

In February 2012, the PURB held its first annual retreat. The primary purpose of the retreat was to inform new board members about the PURB, their roles as board members and the PURB's purview. One outcome of the retreat was recognition that the PURB website needed serious revision. A PURB committee has been working on the website and is expected to unveil the new, improved version within the next month.

#### Non-conforming sewer Citizen Advisory Committee

Members of the PURB served on the Citizen Advisory Committee to draft a new ordinance and rules regarding non-conforming sewers. The rules were recently implemented by Council.

#### Schedule Adjustment to Long Term 2 Enhanced Surface Water Treatment Rule (LT2) Requirements

The PWB submitted a request to the Oregon Health Authority (OHA) for an adjustment to the compliance schedule for the uncovered finished drinking water requirements of LT2. The adjusted schedule was reviewed by the PWB BAC which includes members of the PURB. The adjusted schedule would have given the City seven more years to comply with the LT2 rule and lowered CIP costs by \$100M. The request was denied by the OHA on May 17, 2012.

#### Stormwater Rates and Drainage District Proposal

BES staff informed the PURB about implementation of direct billing for stormwater services in Portland's three drainage districts. The PURB also heard testimony from residents in the drainage districts about the planned new charges. The impact on ratepayers as a result of direct billing is significant. The PURB chair (not the PURB as a whole) recommended to Council that phase-in of the new rates be extended for as long as possible, far beyond the timeline suggested in the BES proposal, to blunt the impact on ratepayers. The Chair also recommended that the City share the costs of levee recertification with the districts.

#### Field Trips

The PURB attended several utility-related field trips which were both informative and hugely entertaining. Two trips involved solid waste and recycling. They included a trip to the Metro Central Transfer Station located in NW Portland and to Nature's Needs food scrap compost facility in North Plains. Three trips were related to sewage treatment and water runoff. One was a tour to the Stephens Creek confluence with the Willamette, showing headwaters development stormwater facilities, another was a tour of the Multnomah Village stormwater facilities and the piece de resistance was a tour of the Swan Island Pump Station, which included a visit of the rooftop garden and a long elevator ride below the Willamette River.

#### Fluoridation of Drinking Water

City Council voted unanimously in favor of fluoridating City water with a directive to the PWB to implement the program by March 2014. Initial estimates of the cost to design and construct a fluoridation facility were about \$5 million with operation and maintenance costs of approximately \$500,000 per year. The estimated rate impact was between 1.5% and 2%. Further discussion of this program has been tabled pending the results of an anti-fluoride referendum scheduled for the May, 2014 ballot. Should the City revisit the fluoridation issue after the vote, the PURB would make a recommendation Council regarding implementation of the program.

### Conservation Rate Structure Study Participation

The PWB is conducting a conservation rate structure study to determine the impact of the current, and alternative, rate structures on water savings. Two members of the PURB are participating in the citizen-ratepayer stakeholder group to provide advice and feedback on the study and its final recommendations. The study is scheduled to finish before the end of 2012.

### Spending Utility Ratepayer Money

During the 2011 work session, the Mayor informed the PURB that a process was in place to develop utility expenditure rate criteria. The OMF was to develop the criteria which were then to be reviewed by City Council and the PURB. To date, no such criteria have been written. Over the last year, the City was also sued for its use of ratepayer funds in ways not directly linked to the delivery of water and sewer services. The PURB continues to be concerned over the City's use of ratepayer dollars to fund projects that are not directly linked to the delivery of utility services.