

Bureau of Environmental Services

CBO has posted the online, interactive version of the bureau's performance dashboard here: <http://www.portlandoregon.gov/cbo/article/523276>

The following questions were asked during the bureau's budget work session. Responses are included in the attached packet.

1. What are the details behind the bureau's budgeted contingency figures?
2. Was there a time when the City initially built the bulk of the existing sewer system and how was it paid for? What did the average citizen pay?

BES FY 2015-16 Budget Worksession Responses (4/2/15 session)

Question 1: What are the details behind the bureau's budgeted contingency figures?

The Mayor asked the question about the \$140 million of combined Contingency (aka, Ending Fund Balances) within BES' FY16 Requested Budget. Here is the breakdown of that figure by fund with an explanation of its sources and purpose:

- Fund 600, Sewer Operating Fund -- \$62,983,238: Includes \$59.9 million of non-cash receivables and accruals, and only \$4 million of cash ending balance (equal to 3.6% of Fund 600 operating expenses), of which \$1.5 mil is reserved for Off-site Stormwater Management projects and \$180,000 is state revolving fund loan debt reserve (the remaining \$2.3 million equals the BES policy goal of 2% of operating expenses.)
- Fund 608, Environmental Remediation Fund -- \$1,501,001: Includes \$1.025 million from Portland Harbor ODOT NRDA subfund 608001, which must be used on mutually agreed upon restoration projects, with any remaining balance (including accumulated interest earnings) returned to ODOT by 6/30/16; the remaining \$476,000 is about 10% of the Fund 608000 operating expenses.
- Fund 614, Sewer Construction Fund -- \$46,100,000: Equals cash reserved for funding BES capital improvements into FY2016-17 until the next bond sale in the fall of 2016; made up of cash contributions from the Operating Fund, Line & Branch revenues, and interest earnings, as bond proceeds are presumed to be depleted by year-end FY 2015-16.
- Fund 617, Sewer Rate Stabilization Fund -- \$30,025,000: accumulated cash since FY 2013-14 to be used for future rate stabilization, with large draws anticipated in FY 2018-19 (\$10.6 million) and FY 2020-21 (\$9.3 million), dampening the increased debt service on new bonds sold in those years.

Question 2: 2. Was there a time when the City initially built the bulk of the existing sewer system and how was it paid for? What did the average citizen pay?

Precise answers to this question would require considerable research in the City archives. While much of the historical information regarding the system is known to the engineering section, the finance section does not have as clear a history, making the connection between the construction and the financing difficult. Nonetheless, preliminary research revealed the following pieces of narrative. In addition, the bureau has provided a chart showing the replacement cost in 2015 dollars of investments made in the past (exclusive of the stormwater system).

Portland Sewer Charges History:

Source: Report upon a System of Sewerage for the City of Portland, Oregon, Alfred F. Sears, C.E., December 1883

“The present custom in Portland is to place sewers in streets on the petition of property holders. These sewers consist of terra cotta pipes of which the dimensions appear to be arbitrary, and they are laid without inspection; that being impossible under the present organization of the street department.”

“All lines of pipe are on streets perpendicular to the course of the river into which they discharge their contents.”

“Already the drainage of more than 20 streets with the wastes of 300 blocks or 500 acres finds its way to our river. So far as I can estimate, this sewage contains the wastes of about 12,000 lives.”

“The old sewers amounting to an extent of twelve and a half miles and built at a cost of \$97,940 or about \$8,000 per mile, cannot be properly thrown away and need not be, as with some inconsiderable outlay they may be adapted to the new system, for which I have so arranged the grades of the intercepting sewers that the existing lines may be admitted to them.”

The report notes that in 1883, Portland had about 12.5 miles of sewers constructed at a cost of \$97,490.

Source: Sewage Disposal and the Sewer Charges, A Report by the Portland City Club Section on Planning and Public Works, February 6, 1942

Spring 1933

Voters approved a \$6 million self liquidating bond issue to finance a sewage disposal system. System plans were inadequate and the city couldn't market the bonds and the proposal was shelved.

November 1934

Voters reject a plan to use general tax revenue to finance a sewage disposal system.

November 8, 1938

Voters approve a charter amendment giving City Council authority to collect sewer user charges to support construction of a sewage disposal system. Council formed a Sewer Charge Equalization Board in spring 1939 to develop an equitable sewer user charge. The board submitted recommendations to Council in fall 1939.

Council adopted an ordinance in July 1940 to levy sewer user charges and place the revenue in a sewage disposal fund. The charges averaged 14% of residential water charges. The city began levying sewer user charges on August 1, 1940. The average monthly residential sewer user charge was 23.3-cents per month.

Source: Portland's Sewage Disposal System, City of Portland, 1951

“The first mention of sewers in Portland's official records has to do with a wooden box pipe in SW Montgomery Street from 4th to the Willamette River, for which \$1,000 was appropriated by ordinance. The year was 1864.”

“Nine years later the first terra cotta pipe was laid. This was in Stark Street from 6th to the river. (The pipe sizes were 12 and 15 inch diameter).”

“At the present time we have more than 80 million dollars invested in 1,100 miles of sewers varying in size from 8 inches to 10 feet in diameter, and emptying into the Willamette River and Columbia Slough at 62 locations.”

“A charter amendment on a pay-as-you-go plan was submitted to voters on November 8, 1938, and the enterprise was accepted. The probably cost as estimated at that time was nine million dollars. This amendment, Section 347 of the Charter, known as the Sewage Disposal Act, gives

the Council authority to do all things necessary to plan, build and operate a sewage disposal system, and to collect a sewer-user service charge up to one third of the water bills of all persons having property within 100 feet of a city sewer.”

“Income from the sewer-user charge amounts to about \$600,000 a years. The collections total \$3,751,800 up to and including August 1952. This money is used to defray the cost of construction and operational expenses of the removal and treatment of sewage.”

“On February 24, 1944, the Council entered into a contract with Engineers Portland Sewerage Project for the design and supervision of construction of the project.”

“The City Charter was amended on May 19, 1944, to authorize a bond issue of \$12,000,000 to finance the construction of the sewage disposal system. By March 1946, the plans had progressed to the point where the purchase of the necessary rights of way was authorized. Ground was broken for construction of the Sewage Disposal System on July 7, 1947, at N. Delaware Ave. and Columbia Blvd.”

System Replacement Cost Today's Dollars

(Combined and Sanitary Sewers, Treatment Plants, Pump Stations, CSO Consolidation Facilities)

