

Portland Utility Board

November 3, 2015 4:00-6:30 pm

Room C, Portland Building

Meeting #4 Minutes

Attendees:

PUB Members:

Alice Brawley-Chesworth, ex officio
Allan Warman
Cindy Dietz, ex officio
Janet Hawkins
Julia Person
Kendra Smith
Gwynn Johnson
Lee Moore
Marie Walkiewicz, ex officio
Michael Harrison
Robert Martineau

Staff:

Mike Jordan (Director, Bureau of Environmental Services)
Jonas Biery (Business Services Manager, BES)
Ellen Larson (BES)
Bill Ryan (Chief Engineer, BES)
Susan Aldrich (Program Management & Controls Division Manager)
Mike Stuhr (Director, Portland Water Bureau)
Ty Kovatch (Water)
Jim Blackwood (Policy Director, Commissioner Fish's Office)
Liam Frost (Policy Director, Commissioner Fish's Office)
Jeff Winner (Capital Improvement Program Planning Supervisor)
Claudio Campuzano (Principal Analyst, City Budget Office)
Ryan Kinsella (Senior Analyst, City Budget Office)

Public:

Janice Thompson (Citizen Utility Board)
Carol Cushman (League of Women Voters)

I. Call to Order, Introductions, and Notifications

Kendra motioned to approve minutes of the October 13th meeting. PUB approved unanimously.

II. Staff Update

Claudio and Ryan provided a brief update on additions to the website.

III. Introduction to Bureau Capital Plans and Bureau Budget Update

Bureaus provided an overview of how the Capital Improvement Plans (CIP), financial plans, debt service, and rates are incorporated into the annual budget. Bureaus also discussed where they are in the current budget development process including what activities are complete and which are underway.

Susan Aldrich presented on the BES capital plan. She highlighted that there are typically five pump stations in design and five stations in renovation, and that emergencies are less than 1% than expenditures in any given year.

Lee asked whether they capitalize land. Susan responded that they capitalized land but that land values is not included in replacement value. Lee asked whether they only respond to assets that are high-consequence of failure and have a high likelihood of failure. Susan responded that they are trying to address assets before they fail if they have high consequence of failure. If likelihood is lower, then they might not address those assets. Lee asked if they capitalized labor. Susan responded that they do capitalize labor if it is directly associated with the project. The replacement value includes labor and overhead.

Cindy asked for an example of an asset that they would run to failure. Bill Ryan explained that the consequences of failure are taken into account and the ability of the maintenance crews to quickly address repairs. Pump stations for example are run to failure.

Julia asked whether seismic upgrades were part of projects. Susan explained that the current capital plan includes few projects that were specifically included to improve seismic resiliency. Most pipe replacement is addressed as needed.

Alice noted that a resiliency study was underway.

Kendra asked if the floodplain models take into account climate change predictions. Alice explained that there is a lot of variability related to models. Kendra noted that the state association of floodplain managers suggests 500 year floodplain versus 100 year floodplain.

Kendra asked about the process for overseeing projects in process. Susan explained that there are regular check-ins on projects, during which they asked whether projects are going in the right direction, achieving expected goals, and within budget. Kendra followed up with a question about the process for addressing any project issues. Susan explained that if the project is 10 percent over budget, then project managers need to notify a supervisor. If the project is 20 percent over budget, then the project goes to group

management. Before any project budget adjustments are made, there is technical review to ensure that approach continues to be correct.

Susan explained that project budgets are created at 30% design and include a reasonable contingency, and so most projects often remain within budget. Susan also explained that the bureau does not have the same tools to prioritize across programs as they do for between pipes. The bureau tends to seesaw between collection system projects and mechanical projects at the treatment plants and pump stations to address regulatory requirements. Currently there are more piping projects, but with, Tryon Creek, more projects will be mechanical.

A boardmember asked why some projects come in under budget. Susan responded that part of the issue has to do with when budgets are constructed. The bureau is trying to predict cash flow six months ahead when it submits its plan in January. This delay is typically due to start of construction.

Gwynn asked about Council direction and the how cost benefit analysis is incorporated into the capital planning process. Jeff Winner responded that it was an important component but not the only lens. Jeff also explained that every break is entered into the database which then recalculates the benefit-cost ratio and reprioritizes replacement based on the updated understanding of likelihood of failure.

Mike Stuhr also responded that high consequence/low probability events don't lend themselves well to cost benefit analysis. He pointed at the cast iron pipes in an earthquake as an example.

IV. Low Income Discount Program

Michael introduced the subcommittees work on the Low Income Program. He explained that the timeline for the subcommittee has been extended because the revised timeline from City Council. Consideration is now expected in March 2016 rather than December 2015.

Marie asked of the single occupancy homes in the city, how many households are eligible for enrollment and what the average discount would be for each household.

Claudio responded there are about 25,000 single family homes that directly pay utility bill and qualify for the discount program currently. The program had almost 10,000 participants several years ago during the recession. When the study was first conducted, it was determined that low income residents should pay 70 percent of bill on average.

Michael then explained the options that subcommittee was exploring. The subcommittee began with considering values and/or rationales that PUB may consider to evaluate the expansion proposals and develop possible options that PUB would endorse.

OPTION ONE: Expand the current program by 13,000 additional low-income customers that reside in regulated units. Funding for the additional customers would be funded through rates increase.

OPTION TWO: Expand the current program by 13,000 additional low-income customers that reside in regulated units. Funding for the additional customers would be funded within current rate.

OPTION THREE: Increase subsidies/vouchers to low income renters. Funding would be transferred from the General Fund to either the Portland Housing Bureau or the Water Bureau (or outside partner) to administer the benefit.

OPTION FOUR: Create a program for current customer to opt-in/opt-out surcharge to the current utility bill. Surcharge revenues allow for the expansion of the current program to a greater number of low-income customers.

Michael then asked whether there any recommendations that the PUB may want to consider regarding the low income program. Gwynn suggested that cost-benefit analysis should be used to evaluate the options. She also said that there should be a status quo option for PUB's consideration. Michael suggested that rather than doing a cost benefit and evaluate the entire program, PUB should table this discussion until PUB is more familiar with program.

Lee proposed having the City Attorney's weighed-in on the proposed options and identified any legal concerns or questions. Michael responded that they have some weighed-in on some aspects (like direct transfer of rates to social services) but there are some legal questions that need to be further explored. Rates can be used to provide rate discounts. Lee followed up that if this use of rate funds is legal, to what extent.

Kendra expressed concern that the current low income program is not as transparent as compared to other utility donation programs and Gwynn state that further analysis is needed to better evaluate some of the options.

Lee: Clackamas considered the base rate vs. volume was considered.

Allan inquired as to whether or not the subcommittee asked why the amount provided to low income customers is not included on the bill. Michael responded, no, but that could be part of our recommendations. Alice further added that when considering possible options, it would be helpful to know the administrative costs.

Rob stated that Kathy Koch should be invited to participate in the next subcommittee meeting. He also would like to know the history of how the program was created and for what purposes. Claudio pointed out that the appendices of the program may provide useful information, such as the history of the program and suggested that someone from the County should explain other low income programs.

Michael informed the group that the subcommittee will meet again before next PUB meeting and will refine the options for consideration prior to the next PUB meeting.

V. Bylaws

Michael gave an update on the development of the bylaws.

VI. Workplan

Kendra said that comments had been incorporated into the latest version of the workplan and asked members to review updated documents and provide feedback to Claudio and Ryan.

VI. Trips and Tours

Commissioner Fish's office has suggested that PUB tour a couple of key facilities for Water and BES. Liam highlighted the value of seeing the physical infrastructure. Kendra suggested that the PUB aim to do tours quarterly. Lee expressed an interest in seeing some of the more significant capital projects. Allan suggested a plan be developed for trips and then survey PUB members for interest. Kendra said she would develop a schedule and plan for seeing the facilities.

VI. Public Comment

Catherine Howell introduced herself as a former PURB member, a participant in the Administrative Review Committee (ARC) participant, and faculty at PSU. ARC reviews accounts when billing complaints can't be resolved by other mean. Catherine explained the value of participating in ARC: opportunity to understand the struggles of ratepayers, to learn the relevant sections of City Code, and see the reasons why ratepayers express concerns about their bill. Gwynn expressed interest in participating but would like to share the responsibility. Kendra suggested getting a schedule of possible ARC times and then rotating the duty amongst the PUB members.

The meeting adjourned at 6:30pm.