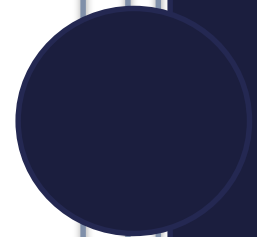




# PORTLAND UTILITY BOARD

*FY 2015-16 Annual Report*



# PORTLAND UTILITY BOARD

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Kendra Smith  
Co-chair

Allan Warman  
Co-chair

Alice Brawley-Chesworth

Meredith Connolly

Cindy Dietz

Janet Hawkins

Colleen Johnson

Robert Martineau

Lee Moore

Julia Person

Marie Walkiewicz

Date: September 20, 2016

To: Mayor Charlie Hales  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Steve Novick  
Commissioner Dan Saltzman  
Auditor Mary Hull Caballero

From: Portland Utility Board

Re: FY 2015-16 Annual Report

Per Chapter 3.123 of Portland City Code that governs the Portland Utility Board (PUB), please find attached our Annual Report for fiscal year 2015-16 and a preliminary workplan for the upcoming year.

As you will see from the report, this year the PUB spent a majority of its time establishing a base of knowledge about bureau operations and budget processes of the Portland Water Bureau and Bureau of Environmental Services and establishing the bylaws and operating procedures of the board to enable it to operate effectively. The PUB also acted in the capacity of the Budget Advisory Board for the bureaus, reviewing the capital and operating budgets for FY 2015-16, as well as the proposed rate and fee schedules. Finally, the PUB engaged in several policy considerations facing the city, spending the most time on the issue of the Low Income Discount program and questions of equity.

The prior year will act as a foundation for the board to fully engage with bureaus and city council on behalf of the residents of Portland.

This coming year, the PUB will engage the broader public in discussions and deliberations. To increase its effectiveness in providing utility oversight and to facilitate that public engagement, the PUB requests City Council members to take a more proactive role in bringing issues related to either bureau to our attention early in the development, but certainly well in advance of City Council action.

In 2016-17, the PUB looks forward to actively engaging the bureaus as part of their strategic planning processes and as they develop plans for future capital improvement program proposals. The PUB will be taking an in depth look at the affordability of water and wastewater services, and will work with both bureaus to identify strategies to help contain costs and manage the rate stabilization funds and overall debt service.

Building upon the foundation that the PUB established in its first year, members look forward to a constructive dialogue with the Council and bureaus in 2016-17.

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## Portland Utility Board FY 2015-16 Annual Report

The Portland Utility Board (PUB) officially began its service to the city on September 1, 2015. Its formation and general structure was recommended by the Portland Utility Oversight Blue Ribbon Commission which, in 2014, evaluated the need for additional oversight of Portland’s utility bureaus – the Portland Water Bureau (PWB) and Bureau of Environmental Services (BES). In response to that evaluation, the PUB was created to:

*“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (Portland City Code. (3.123.010)”*

To act as effective advocates for the citizens of Portland, board members need a broad understanding of utility management, bureau operations, and the city budget process. The PUB’s first year was an intensive examination of these areas, educating members and developing both the mechanisms and structure for engagement with the bureaus, City Council, and the public.

The following sections detail the investments made by both board members and bureau staff to establish the knowledge foundation for members, activities to engage with the public, and the process improvements that have been made to integrate PUB oversight into the bureaus and the City’s budget processes.

### Member Education

Through June 30, 2016, the members of the PUB have dedicated 410 hours of service in formal meetings plus additional hours preparing for meetings. The PUB held twelve Board meetings (Table 1).



Ivy Dunlap, Landscape Architect for BES, shows PUB members Allan Warman and Colleen Johnson green street facilities. Photo credit Dawn Uchiyama.

Table 1: FY 2015-2016 PUB Board Meetings

<b>September 1, 2015</b>	<b>January 19, 2016</b>
Board Perspectives Bylaws Workplan	Budget Development Update Discuss, Amend, and Approve Budget Letter Bylaws
<b>September 22, 2015</b>	<b>February 2, 2016</b>
Budget Process 101 Bureau Activities Briefing Workplan	BES Strategic Plan Overview Water Bureau Briefing on System Resiliency Budget Development Update Internal Board Procedures
<b>October 13, 2015</b>	<b>March 1, 2016</b>
Introduction to Bureau Finance PUB as a Budget Advisory Committee Workplan	Budget Discussion with Bureaus CBO Budget Reviews CUB Update on Biogas Internal Board Procedures
<b>November 3, 2015</b>	<b>April 5, 2016</b>
Administrative Briefs and Workplan Review Bureau Activities Briefing Low Income Discount Program	BES Strategic Plan and Public Involvement Recommendations of Low Income Subcommittee Adoption of Internal Board Rules Recommendation of Co-chairs Work Plan Revisit
<b>November 24, 2015</b>	<b>May 3, 2016</b>
Bill Affordability Budget Development Update CIP Discussion	Asset Management Membership Committee Report Performance Management Portland Harbor Update
<b>December 15, 2015</b>	<b>June 7, 2016</b>
Budget Development Update Bylaws	BES Strategic Plan Update Billing and Customer Service Key Service Levels Washington Park Update
<i>Summaries of all meetings can be found on the PUB website.</i>	

The board's FY 2015-16 work plan identified five major areas of review for the PUB: Financial Planning and Budgeting, Rate Setting and Debt Service, Strategic and Resiliency Planning, Bureau Performance, and Bureau Engagement and Oversight (Table 2). Each Board meeting was designed to further the members' understanding of the challenges and opportunities facing each bureau within these areas of review. In between meetings, there were substantial reading materials to help members fully understand the depth and breadth of the services of each utility.

Table 2: FY 2015-16 Topics Reviewed by Workplan Category

<b>Financial Planning and Budgeting</b>
Budget Process 101
Introduction to Bureau Finance and Bureau Budget Update
2016 Budget Development Updates
Capital Improvement Plans
CBO Briefing of Budget Analysis and Reviews
<b>Rate Setting and Debt Service</b>
Bill Affordability
Billing and Customer Service
<b>Strategic and Resiliency Planning</b>
BES Strategic Plan Overview
Resiliency in the Water Bureau
Bureau Strategic Plans and Public Involvement
Asset Management at Water and BES
<b>Bureau Performance</b>
Performance Management and Key Performance Measures
Key Service Levels of the Water Bureau
<b>Bureau Engagement and Oversight</b>
CUB Briefing on Biogas
Portland Harbor Update
Lead
Washington Park Update

PUB members also participated in a total of 10 subcommittee meetings to address the low income discount program (6 meetings), the budget review (3 meetings), and new member selection (1 meeting) (Table 3). The PUB produced a budget letter in its role as budget advisory committee for the utility bureaus, and also created an evaluation matrix of options for the low income discount program.



Chris Wanner, Water Group Manager for PWB and PUB Co-chair Allan Warman during an onsite inspection of the Bull Run Watershed. Photo credit Mike Stuhr.

Table 3: FY 2015-2016 PUB Subcommittee Meetings and Participation in ARC Meetings

<b>Low Income Discount</b>	<b>Budget Committee</b>
October 29, 2015	January 12, 2016
November 12, 2015	February 22, 2016
January 19, 2016	May 18, 2016
February 16, 2016	
March 15, 2016	
May 19, 2016	
	<b>Membership Committee</b>
	March 24, 2016
<b>Administrative Review Committee Meetings with the Bureaus</b>	
January 18, 2016	May 3, 2016
March 1, 2016	June 23, 2016

In addition, there was time integrated into several board meetings for the members to address administrative tasks, such as the hiring of staff to assist the PUB, and the development, review, and adoption of board bylaws, board procedures, and a board process for filling vacancies and electing chairpersons. By the end of the fiscal year, the PUB used these newly established procedures for recommending to the Mayor co-chairs and a new member for appointment.

### **Public Engagement**

To be effective advocates for the public, there needs to be open and transparent communication. The PUB has an established website (<http://www.portlandoregon.gov/cbo/68272>) to help facilitate the sharing of information with the public and among members. All meeting notices, agendas, minutes, bureau presentations, and other meeting materials are posted on the website for public access. In addition, the PUB bylaws reflect a strong commitment to public engagement with time set aside for public comment during each meeting and before all votes. In addition to regular board meetings, PUB members also participated in 4 administrative review committee (ARC) hearings for the bureaus. These hearings are bureau mechanisms for members of the public to request a review of decisions, determinations, or orders of the BES and PWB for which there is an Administrative Review provision in Code and Rule. The process ensures the public can exercise their right to be heard and receive fair treatment. Having PUB members who are not city employees participate in the process helps keep the process fair and equitable.

## Integration into City Budget Process

Finally, a corner stone of PUB's creation was multiple opportunities to participate in the city budget process to provide oversight and to advise City Council. With the approval of Board members regarding the scope and intent of the messages to be conveyed, the PUB Co-chairs participated in several meetings with Commissioner Fish, the Mayor, and the full City Council, including:

- Council work session on requested budgets on March 29, 2016
- Mayor's budget work session on April 15, 2016
- Council rate hearing on May 19, 2016
- Meetings with Commissioner Fish on April 21, 2016 and July 28, 2016

## Challenges and Opportunities Encountered

- **Budget Review and Input.** For both bureaus, the operations budget for fiscal years 2016-17 and the five-year capital improvement plan (2016-2021) are products of previously developed programs, plans, and studies that guide the management of bureau infrastructure. As such, the PUB had limited influence in the budget process for the first year. PUB will work with the bureaus in fiscal year 2016-17 to take a closer look at their strategic planning processes, and evaluate their proposals for future projects in their Capital Improvement Plans.
- **Low Income Discount Program.** In the Fall, PUB created a subcommittee to review the Low Income Discount Report at the request of Commissioner Fish. The subcommittee met six times and received staff reports on the current program as well as plans for additional program outreach.

The subcommittee identified ten potential options for the bill discount currently administered by the PWB. In their discussions, the subcommittee members voiced concern with the basic structure of the program; not all residents with similar income profiles have access to the program. Access is limited to low-income residents (renters and owners) in single-family households that pay their bill directly. As currently structured, all utility customers subsidize the program through their rate payments. That structure increases the burden on low-income residents who can't access or choose not to participate in the program.

The PUB will continue to examine this issue within the broader context of equity and affordability in FY 2016-17.

- **Member Turnover and Composition.** Serving on the PUB requires a substantial commitment of time. While some members are actively paid by their employer for their time in service, others are not (some employed are obligated to use vacation or administrative time off for attending meetings and events). This can lead to challenges of attendance and may influence the level of turnover in the PUB. In the first year, two members resigned due to time commitments and conflicts. To address this concern, the PUB has attempted to minimize the meeting time and length and avoid scheduling mid-day meeting times. However, the PUB acknowledges that participating in the board is time intensive and members will have scheduling conflicts. In addition, the bureaus are large, complex entities and it takes a substantial investment for board members to establish their

knowledge foundation to provide oversight and engage with the bureaus and City Council in an effective manner. In recognition of these challenges, the PUB requests an amendment to city code to increase the size of the PUB from 9 to 11 members. This will expand the pool of established members to account for potential turnover and an assumption of at least two absences per meeting among various members.

The subcommittee that reviewed replacement candidates recommended that the PUB staff work with the Office of Neighborhood Involvement to conduct outreach and build a candidate pool for the PUB to potentially draw from when vacancies occur. The PUB staff is actively engaged in this outreach.

The PUB would also like City Council to clarify the existing code so ex-officio members serve year-round to ensure they are apprised of all the topics that impact budget discussions; these discussions happen throughout the year. The ex-officio members offer valuable insight to the discussions and are viewed by the rest of the PUB as full members, despite their inability to vote.

- **Meeting Format and Reflection.** Several PUB members have requested more time to reflect on and discuss the information it receives from the bureaus. To date, many of the meetings have been packed with agenda items, leaving limited opportunity for discussion. Restricting the number and extending the length of the agenda items in the future should allow time for both presentation and reflection. These changes are included in the work plan for the next year. In addition, the PUB will be setting meeting times more consistently (First Tuesday of each month, 4-6:30pm) to help build it as an institution.
- **Communication with City Council.** The PUB welcomes the opportunity to work with Council to ensure proper public process and vetting occurs when utility projects or projects impacting the utilities are proposed outside normal procedures or the budget process. The Blue Ribbon Commission recommended the formation of the PUB to proactively address such issues. While the consideration of Terminal 1 North occurred outside the fiscal year window for this annual report, it was an important illustration of the need for proactive communication and engagement of the PUB by Council for agenda items that affect the utility bureaus. Unfortunately, the PUB was not given an opportunity to provide proper public vetting of the Terminal 1 North resolution and its impact on BES. This may have been partially due to the fact that the proposal originated from a Commissioner not overseeing the bureau. The politics and lack of public process that ensued with the Terminal 1 North proposal should not continue if the City is to protect the interests of utility customers. The PUB takes its oversight role seriously and were disappointed that the full Council did not recognize the importance of PUB's role in the thoughtful public process in this decision.



## Reflection on Blue Ribbon Commission Recommendations

The Portland Utility Oversight Blue Ribbon Commission reported to City Council on November 13, 2014 their recommendations for the formation and execution of the PUB. They highlighted the following Goals and Key Considerations:

1. Build on efforts to date
2. Recognize that rates are driven by multiple factors, some outside the City's control
3. Start anew but avoid creating new bureaucracy
4. Honor the commitment and dedication of staff and volunteers
5. Address real and perceived issues of public concern and trust
6. Improve transparency, communications, and education
7. Adopt new standards of practice
8. Ensure the PUB has strong public standing and accountability
9. Provide for strong and consistent public involvement in decision-making
10. Recognize that innovation requires risk and failure which should not be a deterrent
11. Recognize the relationship of balance of authority to bond ratings

Upon review, the PUB and City Council met many of the expectations outlined in the report, including:

- Streamlining three advisory groups to one, and having the PUB adequately staffed and operating year round
- Offering ample context to PUB members to ensure they understood the influences on rates
- Honoring the involvement and perspectives of staff and public through the PUB makeup and administration
- Providing the PUB with strong public standing and accountability
- Institutionalizing and expanding the City Utility Rate Review public hearing to foster dialogue
- The PWB and BES bring all projects over \$500,000 to the City Council as regular agenda items and not on as consent agenda items.

Areas of the report that continue as a work-in-progress for the PUB to consider include:

- Working more closely with the bureaus to have them proactively utilize the PUB to vet their policy and budget matters, before they enter formal public process with City Council
- Addressing real and perceived issues of public concern and trust. The PUB is yet to be seen as a body to share such grievances.
- Improving transparency, communications and education. The PUB has light attendance from the general public at its meetings.
- Working with City Council to adopt new standards of practice regarding utility oversight, and providing for strong and consistent public involvement in decision-making. The late-breaking Terminal 1 North resolution represented a departure from this desired goal.
- Viewing the bureaus activities with an eye towards innovation
- Thoughtful consideration of the investment requirements and policies that may be appropriate and necessary to retain high bond ratings for both bureaus.

## **Proposed 2016-17 Workplan**

The proposed 2016-17 workplan is designed to help the bureaus integrate the PUB into their work flow, especially for activities like strategic planning, capital improvement budgeting, and operational budget decisions (Table 4).

## **Conclusion**

The PUB appreciates the opportunity to serve the City and utility customers. We look forward to a productive year ahead and continued engagement with City Council regarding issues impacting the bureaus.

In addition, we extend thanks to many members of the bureau staff who prepared information and presentations for the PUB as well as the Citizen's Utility Board and the League of Women Voters, who regularly attend and offer us perspective in our discussions. We appreciate their time and investment in the PUB.

Table 4: FY 2016-2017 Draft Work Plan

<b>July</b>	<b>January</b>
Adopt Annual Procedures	Adopt letter to Council re budget submissions
Begin discussion of annual review	CIP Quarterly update
Stormwater System Plan	Condition Assessment
Clean River Rewards	Equity and Workforce Planning
Portland Harbor	Participate in proposed budget hearing
Water Key Service Levels	
<b>August</b>	<b>February</b>
Summer Supply Plan	Prepare comments for budget hearing
Groundwater	Rate Methodology
Intro to Watershed Services	Strategic Plan Update BES
Terminal 1	
Annual Review, Report, and Workplan	
<b>September</b>	<b>March</b>
Annual Report and Work Plan	Participate in proposed budget hearing
Broad review of CIP proposals	Participate in mayor's budget meetings
	Board reflection on rate, rate equity, and rate affordability
	Construction Performance
	Communication and Customer Relations
	Reveg
<b>October</b>	<b>April</b>
CIP Annual reports and Quarterly Update	Consideration for member appointments
Follow up PUB feedback on CIPs	Co-Chair considerations
5 Year Financial Plan	Participate in mayor's budget meetings
Board Discussion rate guidance	CIP Quarterly update
Strategic Plan Update BES	Prepare and adopt comments for rate hearing
Sewer 101 and CSO System Operations	Facilities Plan Update
Set dates for 2017 meetings	TCWTP Permit Renewal
<b>November</b>	<b>May</b>
Follow up PUB feedback 5 year Financial Plans	Participate in Rate Hearing
Forecast Model and Assumptions	Council action for appointments
Operating Budget Development and CIP update	PUB recommendation of chairs and members
Intro to Pollution Prevention (On-site Inspection)	Board reflections on Performance and Strategic Planning
<b>December</b>	<b>June</b>
Review Budget Development	Begin discussion of Annual Review
Board discussion on Budget Info presented to date	
Draft Budget Letter	
Staffing Decisions and Recruitment	