

To: PUB Members  
 From: Melissa Merrell, PUB Analyst  
 Re: History of Rate Guidance and Disaggregation of Forecasted Rate and Bill Increase by Bureau  
 Date: October 25, 2016

For your meeting today, here is a summary of recent guidance issued to the utility bureaus, draft guidance under discussion at City Council, and guidance issued yesterday by Commission Fish.

Prior Years' Guidance	
Fiscal Year	Guidance
FY 2016-17	"I [Commissioner Fish] expect that any proposed combine rate increase will be below 5%, and within the range of what we adopted last year."
FY 2015-16	"I [Commissioner Fish] expect that any proposed rate increase will be within the range of what we adopted last year."
FY 2014-15	Commissioner Fish requested 2.5% cuts on operations; no specific rate guidance was provided.
FY 2013-14	The Mayor directed the utility bureaus to submit a base budget at 90% of the prior year's operating budget.

FY 2017-18 Guidance	
Draft Guidance presented by CBO at City Council on October 20, 2016	
Reduction Options	2.0% Public Safety and 5.0% other General Fund bureaus.  For Non-General Fund bureaus, reductions and efficiencies designed to keep fee and rate increases as low as possible.
Program Expansions	Bureaus should expect a 1.0% reduction in General Fund discretionary in order to prepare for an economic slowdown. One-time increases should be investments to decrease long-term costs or increase revenue.  Ongoing increases should be targeted to affordable housing, reducing homelessness, and critical infrastructure.
Commissioner Fish Guidance sent to bureaus on October 24, 2016	
"I [Commissioner Fish] expect that any proposed combined rate increase will reflect good value at a fair price by delivering utility services in a cost-effective manner.  Both Bureaus shall continue to fully support the Portland Utility Board, and partner with the Citizen's Utility Board of Oregon (CUB) in their budget review roles.  In coordination with the City Budget Office, PUB, and Citizen's Utility Board of Oregon (CUB), you will be asked to present your combined rate proposal to the Council."	

Also, in response to a question last month, here is the breakdown of rate and bill increases by bureau for the current budget year and the next five years.

Forecasted Rate Increases

		FY 2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	
<b>BES</b>	Bill	\$67.60	\$69.80	\$72.07	\$74.41	\$76.83	\$79.32	\$81.90	
	Rate Increase		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
<b>Water</b>	Bill	\$31.62	\$33.83	\$36.68	\$39.72	\$43.97	\$47.53	\$49.67	
	Rate Increase		7.00%	8.40%	8.30%	10.70%	8.10%	4.50%	
<b>Total</b>		<b>\$99.22</b>	<b>\$103.63</b>	<b>\$108.74</b>	<b>\$114.13</b>	<b>\$120.80</b>	<b>\$126.85</b>	<b>\$131.57</b>	
			4.45%	4.93%	4.95%	5.84%	5.02%	3.72%	
							Average Five-Year Rate Increase	5.04%	4.89%
							Compounded Five-Year Rate Increase	27.85%	26.96%