

Portland Utility Board
October 4, 4:00pm – 6:30pm
Room C, Portland Building
Meeting # 16 Minutes

Attendees:

PUB Members: Alice Brawley-Chesworth, ex officio
Allan Warman
Cindy Dietz, ex officio
Colleen Johnson
Janet Hawkins
Julia Person
Kendra Smith
Lee Moore
Marie Walkiewicz, ex officio
Meredith Connolly
Robert Martineau

Staff: Mike Jordan (Director, Bureau of Environmental Services)
Cecelia Huynh (Director of Finance and Support Services, Water)
Jonas Biery (Business Services Manager, BES)
Liam Frost (Policy Director, Commissioner Fish's Office)
Claudio Campuzano (Principal Analyst, City Budget Office)
Ryan Kinsella (Senior Analyst, City Budget Office)
Jeff Winner (Capital Improvement Program Planning Supervisor, Water)
Steve Behrnt (Wastewater Operations Group Manager, BES)
Melissa Merrell (Principal Analyst, City Budget Office)
Duane Peterson (Principal Financial Analyst, BES)
Seth Lemler (Senior Economist, BES)
Shannon Carney (Management Analyst, City Budget Office)
Megan Callahan (Public Affairs Manager, BES)
Bill Ryan (Chief Engineer, BES)
Dawn Uchiyama (Assistant Director, BES)
Jim Blackwood (Senior Policy Director, Commissioner Fish's Office)

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

I. Call to Order, Introduction of Any Audience Members

Allan called the meeting to order and asked the public to sign up for the public comment period. Meredith and Kendra joined the meeting by phone.

Rob moved for approval of September's meeting minutes. Colleen second. The minutes were approved unanimously.

Allan updated the group on the presentation to Council on the PUB's Annual Report. He said there was good feedback from Council and that Commissioner Fish is looking for even more in the next year. Allan thanked Janice and Debbie (standing in for Carol) for their support.

Melissa reminded the group that the council approved their two requested code changes: expansion to 11 members and clarification that the ex officio terms are for a full year. The PUB will need to amend their bylaws to match the code changes. There will be new quorum rules: meeting and voting quorum will be 6 members. Amending bylaws will require 7 affirmative votes.

Rob requested clarification regarding language about ex-officio members. The city attorney's office added 'reappointed for three terms.' Melissa will advise PUB on options.

There was also a conversation about staggering ex officio members. There is no guidance in code. Ex-officio members could all leave the board at the same time. Janice commented that the turnover timeframe is going to impact how they are able to participate in budget and in the development of the annual report. Alice said that summer turnover would allow them to participate well in the budget process.

The group agreed to hold off voting on bylaws until November to clarify issues.

Janet asked to set up a routine meeting schedule to get continuity on a Low Income Subcommittee, looking to meet monthly to possibly have a recommendation teed up for the FY 2017-18 budget.

Allan asked the members to disclose any bureau meetings or conflicts. Colleen reported that she had attended her first ARC meeting and Janet said she had talked with Gabe.

II. BES Strategic Plan Update

Dawn Uchiyama updated the PUB on work that BES has been doing on their strategic plan. She provided the PUB with a one-page [work plan](#) and two-page [charter](#). The bureau has brought on two consultants with unique experience to guide the process. The team has reviewed a dozen other plans of similar organizations to determine what kind of plan might be right for BES. They also looked at previous plans and did a Strengths/Weaknesses/Opportunities/Threats analysis. Dawn highlighted the connection of Strategic Plan to budget and noted the commitment to clear communication to stakeholders and employees about priorities. The charter has been signed by bureau leadership team.

Dawn presented the workplan summary saying steps 1-3 are work to date. She walked through the remaining steps from the handout. By the end of the year, they will have a direction.

Starting in new year, they'll be looking at strategic objectives, initiatives, and how to evaluate them. Next year the bureau is really looking to tie the plan to budget for FY 2018-19.

Allan asked how Melissa will be brought in. So far Melissa and Dawn have met one-on-one but stakeholder involvement is beginning now. Dawn will look for standing planning time with Melissa to tie the work to the PUB agenda. Dawn noted that Alice is on steering committee. Melissa noted that there will be a number of tools for providing feedback.

III. **BES 5-Year Financial Plan**

Jonas walked the group through the '[triangle](#)' of operating budget, five-year capital improvement plan, and resources, all balanced on coverage targets and multiple-year balancing.

The 5-year Financial Plan is a management tool to allow for discussion of priorities. It is forward looking, both short- and long-term. It aligns with strategic priorities and could include programmatic expectations, operational changes (new and evolving and ending), and staffing. The plan and related discussion provides an opportunity to address risks and challenges, particularly 'pinch points' of spikes in requirements. Jonas opened the possibility of creating a more useful document – even at the risk of becoming less concise.

Jonas walked the group through the retail rate history and drivers [sheet](#). The assumption has been level annual rate increases. This is reflected in the 3.25% increases of the forecast. This is made possible by the rate stabilization fund. Jonas noted refunding as being a positive driver of rates as well as reduced assumptions regarding debt service.

Jonas walked the group through the schedule and process for budget development.

Jonas provided a preview of next month's discussion on the forecast and rate. The bureau is looking to make an adjustment with regard to days-cash-on-hand and may also consider moving away from a level forecast. He noted that those changes have risks. He is also looking forward to being able to do scenario testing to see how changes in the rate of increase, use of stabilization fund, mix of cash and debt financing affect the model. Jonas and his team are looking at tools and strategies to do more robust scenario testing.

Condition assessment continues to be a big initiative for the bureau. Other areas include strategic and system planning including the stormwater system plan. He anticipates requests to increase operational efficiencies and design efficiencies. The leadership team is looking at right-sizing the CIP and delivering the program more effectively. He thinks there will likely be items related to Portland Building.

Rob said, looking at the minutes from the September meeting, Susan said there were \$2 billion of assets in poor/very poor condition. He thinks perhaps run-to-failure is not ideal and asked if there was an opportunity to address the optimal level of addressing those needs.

Jonas said that some of the condition assessment work is about looking for that optimal level. His plan for more robust scenario testing would allow them to see what the impacts are with CIP increases.

Lee asked, from a staff point of view, is there a way to make the PUB more informed and intelligent about the details. Jonas sympathizes. There is a lot to learn. Even full-time employees are still learning. He noted that it is very difficult to guess what would be of importance to PUB.

Allan noted that Jonas' comment about the rate in last year's plan being a ceiling under which the bureau is planning is a good thing. He again pressed the bureaus to make choices.

IV. Water 5-Year Financial Plan

Cecelia then presented the Water Bureau's five-year financial plan. She began by inviting PUB members to ask many questions today or as follow-up. She also walked the group through the retail rate history and drivers [sheet](#).

Water begins the financial planning by first forecasting revenues, including expected retail rate, wholesale and SDC revenues. Similar to BES, Water uses the City Economist inflationary assumptions and considers how the rate stabilization account can be incorporated into the plan. The bureau then considers operating needs, and the five-year capital plan. Through the budget process, the bureau continues to review these assumptions.

Colleen asked if the bureau could provide a specific breakdown of what is included in the forecast rate increases. Cecelia said that they could provide PUB with this information.

Rob asked about how the politics play into developing the rate forecast. Cecelia explained that, based on the direction of the Mayor and Commissioner-in-Charge, the bureau develops a forecast and budget that best suits the bureau's needs.

Marie asked if PUB could get a summary of what is included in the rate forecast, separated across bureaus. Melissa said that she could provide PUB with this information.

Cecelia said system development charge revenues continue to be high, bond rates continue to be low, and there may be bond refunding options, all of which could result in rate benefits. The Water Bureau is also tracking potential additional costs associated with the Portland Building remodel. As a result of the new payment processing vendor, Invoice Cloud, the bureau is expecting service charges to increase due to bank fee costs.

Cindy asked whether BES and Water had the same assumptions regarding the Portland Building. Jonas explained that the assumptions were similar, but that BES had greater capacity to use the rate stabilization account in order to smooth the rate increase.

Cindy also asked if bureaus forecast development revenues based on the same assumptions. Jonas explained that the bureaus develop the forecasts separately but that both bureaus are keyed into the Citywide conversations around the forthcoming changes in development.

Allan asked that Jonas and Cecelia assist PUB with understanding which part of the financial plan can be influenced by PUB recommendations and which part of the forecasts are more rigid and fixed.

Cecelia then provided PUB with overview of the [rate conventions](#), which show how much reduction is needed from operating and capital costs in order to lower the rate increase by 0.25%. Jonas noted that these rate conventions also apply to increases to the bureaus' budgets.

V. Sewer 101 and CSO System Operations

Steve Behrndt, Waste Water Operations Group Manager, provided an overview of the sewer and combined sewer overflow system.

The fundamental idea of sewer systems is to use gravity as much as possible. He then discussed the different flows of the system, using a map of Portland. He also discussed how the sewer system has changed throughout history and how different regulatory changes have impacted the system.

Allan asked if the bureau anticipates a need for adding tertiary treatment? Steve responded no, not at this time.

Kendra asked about the whether the rising temperatures in the Columbia posed challenges for treatment? Kendra noted that the DEQ does not assume any impacts due to climate changes, and as such, it may be necessary for the bureau to plan for these changes despite the lack of regulatory changes.

Alice noted that the bureau is beginning to plan for the expected changes due to climate change. Kendra noted that there are other groups who have significant research on this topic.

Colleen asked if the bureau was using treated water for other purposes rather than discharging into the river. Steve explained the BES recycles treated water for their own purposes, but that they do use the water for irrigation or other purposes. There is currently no market.

VI. Rate and Affordability

Kendra asked about when would be an appropriate time to have a conversation around rate affordability and when should PUB have the conversation in order to impact budget guidance. Melissa explained that the Commissioner would be developing that guidance probably later this month.

Kendra asked about whether the group wanted to create a subcommittee to look at affordability with intent of developing a recommendation.

Janet explained that a subcommittee has already spent considerable time looking at the low income discount. Kendra explained that she was proposed to expand the scope and look affordability overall.

Rob asked how the forecasted rates compare to last year's guidance of no greater than 5% combined rate increase. Cecelia explained that the forecasted rates across bureaus must be weighted in order to calculate the combined impact.

Lee explained that it was difficult to understand what the “right” increase should be without more information. Allan thought that more time was needed in order to have this conversation.

Kendra noted that in order to offer input on rate guidance, then PUB needs to be having these discussions soon. Melissa suggested that it may be difficult to have these meetings and develop a recommendation prior to budget guidance. Melissa will find a time for a budget/rate guidance subcommittee to meet later this month.

Lee and Allan asked if someone from the Commissioner’s Office would be willing to share the reasoning behind the rate and budget guidance. Melissa will inquire.

Allan thought that a subcommittee should meet soon with Cecelia and Jonas to begin budget conversations.

PUB then decided to continue the conversation around bill affordability into future meetings.

VII. Public Comment

Janice asked how many people sit on the budget subcommittee and whether this amount should be increased, given how budget fits into the primary purpose of PUB. Janice also suggested that if PUB were to develop a recommendation around the low income discount program, then they should be developing those recommendations now if they will have a budget impact.

VIII. Next Meeting Agenda

Melissa then walked through a proposed set of meeting dates for PUB in order to align with the City’s budget calendar. She highlighted key dates for PUB to receive information, develop their budget letter, and weigh-in on the budget process. Responding to Lee, Melissa provided further clarification on the requirements of the subcommittee.

The next Pub meeting will be November 1, 2016 at the Water Pollution Control Lab at 2:30 PM with on-site inspection.

Agenda topics include:

- Bylaws, continued
- Board Discussion re Rates, continued
- Forecast Model and Assumptions
- Operating Budget Development and CIP update
- Intro to Pollution Prevention

The meeting adjourned at 6:37 PM