

Portland Utility Board

November 1, 2016 2:30pm – 5:00pm
Portland Water Pollution Control Lab
Meeting # 17 Minutes

Attendees:

PUB Members:

Allan Warman
Cindy Dietz, ex officio
Colleen Johnson
Janet Hawkins
Julia Person
Kendra Smith
Lee Moore
Marie Walkiewicz, ex officio
Robert Martineau

Absent:

**Alice Brawley-Chesworth, ex officio
**Meredith Connolly

** Notice of absence provided prior to meeting

Staff:

Ken Bartoccii (Principal Financial Analyst, BES)
Marveita Redding (Pollution Prevention Services Group Manager, BES)
Chuck Lytle (Lab Manager, Water Pollution Control Lab, BES)
Jenny Martinez (Data Acquisition and Management Manager, BES)
Rhonda Anderson (Administrative Assistant, Pollution Prevention Services Group)
Linda Scheffler (Environmental Investigations Manager, Pollution Prevention Services Group)
Mike Jordan (Director, Bureau of Environmental Services)
Mike Stuhr (Director, Portland Water Bureau)
Gabe Solmer (Assistant Director, Portland Water Bureau)
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)
Melissa Merrell (Principal Analyst, City Budget Office)

Public:

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

I. Call to Order, Disclosure of Meetings, and Minutes

Kendra called the meeting to order.

Janet and Allan disclosed that they met with Liam about the low income discount program and Rob disclosed that he had spoken with Mike Stuhr.

Lee moved to accept minutes from the October board meeting. Allan seconded the motion and the minutes were accepted on voice vote with all in favor.

II. Bylaws

Melissa provided an update on the bylaws. The working drafts of the bylaws and the board procedures have changes to address concerns expressed last month. A section has been added that deals with staggering ex officio members in context of one-year terms and term limits. Rob moved to accept amended bylaws. Allan seconded the motion.

Melissa shared Carol Cushman's written comments which include advice on filling positions. Marie asked about the practice for nominating on boards and commissions. Melissa did research and it varied, but often staff made recommendations. Colleen suggested putting Carol's suggestion in the board procedures. Janet agreed but suggested noting in (k) a reference to board practices. Kendra suggested adding (l) that states that the PUB will follow approved board procedures.

Lee wanted to know if qualifications were 'hardened' in bylaws. The answer is that yes, the qualifications are there, but not as roles associated with individuals.

Rob noted that, besides the represented member, it is a broad skill set.

Rob raised that article 4.2 needs to be changed to 6 from 5 to have an affirmative vote. A discussion of whether an affirmative vote should be 50% plus one of total membership or a majority of those present. The board decided to strike 2 and renumber 3.

Kendra asked for additional public comment. None. Changes were passed unanimously with the amendments.

III. Recruitment for New Members

Melissa asked the board members for recommendations. She is also reaching out to the Commissioner offices, the bureaus, and the Office of Neighborhood Involvement. Kendra asked for skills spreadsheet to help with needs assessment. Rob suggested that we notify people on the current list that the list will not be used but that there are vacancies for which they could apply.

IV. Follow-up to the Site Inspection at the Columbia Boulevard Wastewater Treatment Plant

Lee raised the question of benchmarking. The plant is a technical environment. There was some follow-up.

V. Subcommittee Reports

Janet updated the board on the meeting of the Low Income Discount Subcommittee. Allan and Meredith were present. Meetings have been scheduled for the next several months. The Office of Equity & Human Rights will join the next meeting to give some insight.

Allan updated the board on the meeting of the Budget Subcommittee. Ken Rust, City CFO, provided a short rundown of thoughts on long-term costs. He highlighted personnel costs. ([Slides](#) from budget retreat and work session) Jim and Liam provided thoughts on Commissioner's [guidance](#). Allan noted that the guidance didn't include spending or rate targets. Allan also updated on the BMP hearing including the positions for 3 new staff in the Water Bureau related to water testing. Jonas and Cecelia [presented](#) information on the parts of the bureau budgets that are more and less rigid parts of the budget.

Lee asked about transition with an incoming mayor that is very connected to State and County process. Melissa noted that the Mayor-Elect was present at the budget work session and provided a thumbs up to the guidance that was presented. Liam noted that a significant uncertainty could be the changing of the commissioner of the bureaus.

Melissa is working on some questions posed by Colleen after the last budget subcommittee. She requested that any other questions be sent to her so that she could provide responses by the next meeting.

Melissa also updated the master calendar and added two dates related to the BES strategic planning process.

VI. Introduction to Pollution Prevention Marveita Redding (Pollution Prevention Services Group Manager, BES)

Marveita began by introducing members of her staff including Chuck Lytle (Lab Manager, Water Pollution Control Lab, BES); Jenny Martinez (Data Acquisition and Management Manager, BES); Rhonda Anderson (Administrative Assistant, Pollution Prevention Services Group); and Linda Scheffler (Environmental Investigations Manager, Pollution Prevention Services Group).

Marveita presented a [slideshow](#) introducing the Pollution Prevention Services Group.

Kendra asked for clarification about the 1,700 analyses. Marveita responded that those represent day to day sampling. Marveita highlighted illegal dumping by RVs occupied a lot of the Spill Prevention and Citizen Response section's time over the summer.

Lee noted his opinion that pollution prevention is the one area is going to expand significantly. State solutions are, out of necessity, are more regulatory and compliance focused.

Several staff have been leading efforts in negotiating permits. Marveita noted that a lot of the work that regulators used to do in characterizing systems is now done by staff.

Colleen asked if there was skepticism about results from their lab from regulators or communities. Marveita said that that has not been their experience. They receive a lot outside work because of their high standards and certifications.

Rob asked about capacity and if it needs to increase. Marveita noted that the lab was built for growth, but hasn't needed to increase staffing due to equipment improvements.

Marveita discussed their asset management approach to equipment; not running to failure to avoid unexpected and expensive interruptions.

Kendra asked about Water Bureau lab positions that were added. Mike Stuhr said they would be at the Water Bureau lab.

Lee asked about whether there has been thinking about combining labs. Marveita said it was looked at a long time ago and then again seven years later but there has been no recent study.

VII. **Forecast Model and Assumptions and Operating Budget Developments**

Portland Water Bureau

Cecelia Huynh, Director of Finance and Support Services, presented a [handout](#) for last five years of what comprised rate increases. She provided caveats that the methodology for the earlier years was a bit different. Maintaining Current Service Level is primarily inflationary and other cost increases to provide the same level of services. Wholesale revenue changes will impact rates. For example, when Tigard left, a retail increase was needed.

Lee asked for tutorial on how the City handles rate stabilization.

Kendra asked if the capital program/debt service component reflected prior issues. The answer is no. This chart is for rate increase components only. Existing debt is in the base.

Colleen asked if a further reduction in wholesale customers is anticipated. Cecelia said that those contracts just rolled over, so customers leaving in the near term is not anticipated.

Kendra asked if there are opportunities for new customers. Cecelia noted a few governments, but no businesses. Director Stuhr said if businesses exist in the City of Portland, Water will sell to them. Outside, businesses would find water cheaper by drilling a well or tapping a spring since they wouldn't need to pay for all our infrastructure.

A member asked what the rate looks beyond five years. Cecelia responded that they have a 10-year model, but assumptions are very basic.

Melissa asked about how the three new lead positions impact rates. At the budget hearing, Commissioner Fish stated that the ongoing cost of the positions would be absorbed by the bureau and would not result in a rate increase.

Cecelia noted that the information with regard to the bond program is very preliminary and will change as more information is gathered and projects advance. In the past, the bureau has funded a debt reserve equal to a year of debt payments which, per debt manager, will not be needed going forward. Colleen asked about maturity of the pending issue and Cecelia responded 25 years.

Lee asked about the perception of 'an unlimited need for the foreseeable future' and noted that PUB was created to reel that in. He asked how the bureaus are getting message out to public

regarding the work that the bureaus are doing. Whenever a project is ended, a new one is begun. Gabe – as former communications director – noted that this is a big challenge and one that they have been working on very intentionally. Lee mentioned rate planning as being a means for communication. Rob noted that this something he’s been talking about for a while: paying for communications is a challenge. Lee noted that they did get complaints. Liam noted that communications has been a big priority and has made starting some big projects possible. There remains a need to communicate that the good work now is part to the plan to eventually control rate increases.

Based on budget subcommittee concerns and questions, Cecelia presented [staffing](#) trends. Allan asked about fully loaded costs. Cecelia closed the loop on whether Water met previous budget guidance. The big cut in fiscal year 2013-14 was 10% plus half the security staff. Allan talked about significant rate increases over the last decade. How do we make sure the rate of increase stays below 4%?

Director Mike Stuhr provided an update on the budget process. The bureau started budget work in August. In mid-September, they worked to identify what they need to meet the current service level, meet the program objectives (i.e. service level targets), and meet future needs. Between November 16th and 18th, management will work to finalize decisions.

Bureau of Environmental Services

Director Mike Jordan began by stating BES is in the 50 to 100-year business. Jonas is taking on new work with regard to trying to develop finances that support system sustainability. Last year, the biggest concern was learning more about the system. That work will continue for the next several years. The asset management process is starting to provide information to the bureau on what are the ‘big rocks’. He expects that they will land on number of needed capital spending that is approximately 50% higher annual investment than now. Jonas and the finance team are running long-term projections.

Director Jordan said the existing plan had been around 2030 to fully cash fund the capital program but that there are questions of whether that is appropriate. There is also a second question of how much cash should one have on hand. Last year the bureau had over 500 days of cash on hand. What is an appropriate level of cash?

The Director also talked about the challenges of how the bureau gets \$150 million dollars of work in the ground. The amount that they’ve been getting in the ground has been declining. What is the right size and process? All in, what happens to the numbers? To the rates? The bureau’s preliminary look suggests that 3% range for annual rate increases is reasonable in the long-term. How do we get rate increases in the range of inflationary rate increases? Three percent is likely politically viable. Trying to create larger frame for understanding investment in infrastructure. The next several years are transitional as they get to being a financially sustainable system.

Jonas Biery, Business Services Manager for BES, then talked about the components of rate increases for the bureau. The staff found working back to do a historic extraction of components was difficult to achieve, so just a single year was provided. The bureau hasn’t issued new bonds

since August 2014, but it was structured to have full debt service only being incorporated this year.

Jonas wanted to show an example of how changes to assumptions affect the forecast. In May of 2016 the forecast rate was 3.25%. Updated revenue assumptions drove it up to 3.5% a month later. Then a refunding assumption drove it down to 3.45%. Then bond assumptions and some project changes and PERS and health costs moved it down to 3.15%. Then the refunding savings were refined and brought it to 3.10%. Then interest rate assumptions brought it down to 2.9%. As more information came in around condition assessments and the bureau began considering increased spending on capital to \$140 million bumped it back up to 3.75%. Changes to assumptions about cash or bond financing moved it from 3.75% to 2.75%. Now up to \$155 million annual on capital which has them back up to 3.00%.

The bureau is looking at how it can provide more robust modeling to understand tradeoffs.

The bureau is having management discussions over the next couple of weeks which will consider the condition assessments and how to balance investments now to create efficiencies down the road. There are some big impacts and risks: potential Portland Harbor costs as the expected date for the Record of Decision from EPA approaches and costs related to the Portland Building renovation which may have additional impacts. There will also be more costs coming from interagency agreements and other assumptions.

Staffing decisions will be a big feature in the budget and in the future.

Lee asked what the percent of revenues are from commercial versus residential customers.

Kendra noted that climate change also reflects a risk.

Mike added the FEMA BiOp (Biologic Opinion), which includes remapping flood plains with climate change in mind. He noted that TMDL (Total Maximum Daily Load – a DEQ regulatory standard for pollutants) on temperature is not something BES or the city will be able to solve on our own. BES will need to collaborate with partners.

Rob asked if the bureau will be able to achieve an appropriate replacement schedule at 3% rate increases. Mike explained that the \$155 million preliminary figure is exactly trying to get to that replacement schedule. Rob also drew attention to the need to invest in green infrastructure to address capacity issues.

VIII. Public Comment

Kendra opened the floor for additional public comment. There was none.

IX. Adjournment

Allan motion to adjourn. Janet seconded.

The meeting adjourned at 5pm.