

Portland Utility Board

December 6, 2016, 4pm – 6:30pm

Room C, Portland Building

Meeting # 18 Minutes

Attendees:

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

Absent:

* Cindy Dietz, ex officio
* Meredith Connolly

*Notice of absence provided prior to meeting

Staff: Mike Jordan (Director, Bureau of Environmental Services)
Mike Stuhr (Director, Portland Water Bureau)
Cecelia Huynh (Director of Finance and Support Services, Water)
Jonas Biery (Business Services Manager, BES)
Susan Aldrich (Program Management & Controls Division Manager, BES)
Gabe Solmer (Assistant Director, Water)
Liam Frost (Policy Director, Commissioner Fish's Office)
Claudio Campuzano (Principal Analyst, City Budget Office)
Ryan Kinsella (Senior Analyst, City Budget Office)
Melissa Merrell (Principal Analyst, City Budget Office)
Megan Callahan (Public Affairs Manager, BES)
Jim Blackwood (Senior Policy Director, Commissioner Fish's Office)
Dawn Uchiyama (Assistant Director, BES)
Ken Bartocci (Principal Financial Analyst, BES)

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 at 4:03. PUB members then reviewed prior meeting minutes. The minutes were approved without any amendments.

II. Update from PUB staff

The bylaws and board procedures document, as amended and approved at the last meeting, have been updated on PUB's website. The recruitment for new PUB members has begun and posted on the PUB website, as well as the notice being sent to the Bureau directors and the commissioners offices, the Office of Neighborhood Involvement, contacts at the Office of Equity and Human Rights, and the prior applicants. There are currently 3 openings; 7 applications have been received and 3 openings several others have expressed interest.

As a reminder, Jeff and Susan are available for follow-up questions on bureaus' CIPs.

III. Budget Update and Staffing Decisions – Portland Water Bureau, Mike Stuhr, Director, and Cecelia Huynh, Director of Finance and Support Services

Staffing

Cecelia and Mike presented the Water Bureau's proposed [decision packages](#) and [staffing trends](#). Generally speaking, the total number of budgeted positions has decreased since FY 2008-09.

Mike first provided an overview of staffing levels since FY 2008-09. He also talked about the 23 positions that are currently vacant – 11 under active recruitment and 4 under reclassification.

Mike said that these positions are all needed and not necessarily a good spot for finding savings.

The utility work apprenticeship program, approved by the State, requires constant reclassification of positions, creating paperwork.

Budget Proposal

Mike then talked about the proposed budget. Much of it is carried over from previous years. He directed the division managers to prepare budgets that meets current service levels. This includes the base budget in addition to needs for new positions or changes to interagency agreements. After developing the base budget, the Water Management Team discusses the need for any additions or changes.

Division managers then presented the six proposed decision packages that will be requested by the bureau.

Unidirectional flushing – Chris Wanner talked about the first two requests. Currently there are two positions in addition to one temporary position that currently assists with the unidirectional flushing program. The nonpermanent position conducts the field work. Water is requesting that the third position be filled permanently. For comparison, Gresham flushes its complete system every three years; Portland conducts targeted flushing (25-30 miles). This averages to complete flushing once every 100 years.

Alice asked whether the bureau would continue to use the third, temporary position. Chris explained that there is more work than the number of positions, and so he hopes to keep the current temporary position.

Water Loss Control – Currently more than 10% of water in the system is loss, based on a recent audit finding. There are a number of positions spread throughout the bureau that has something to do with this work, but there is no single person in charge of the Water Loss Control program.

Marie asked about the cost benefit of the position. Chris said the benefit is being able to maintain the assets. Rob asked if this has a regulatory component. Mike responded that this program is part of the bureau’s water conservation plan that is submitted to the State. Mike said that this is mandated position.

Records Position – The bureau is requesting a senior level position to oversee bureau records. Recently a new archiving system was implemented, P8, that houses 4 million documents. Total estimated records are 10 million per year and will increase by 1 to 2 million per year. The move from the Portland Building will also result in the need to archive items that currently housed within the Water Bureau.

Colleen asked how many people are in the current group. There are currently 5 to 6 positions that maintain GIS maps and 4 positions in the records group who respond to public inquiries. There was also a questions as to how would this position work with records policy and staff said by updating records retention schedules. Lee asked how the bureau is using new technology to address their records needs. The bureau needs to meet public records retention schedules within the current archives, which limits the opportunities to find efficiencies and integrate to other systems.

Emergency Management Position – The bureau currently has a program coordinator and program manager positions in the program. There is not enough staff to address employee preparedness and continuity of operations planning. This position would take of current of current equipment and other administrative tasks.

Allan asked why the Portland Bureau of Emergency Management isn’t tasked with issues? The bureau responded that this position would be specifically focused on water operations in an emergency, whereas PBEM focuses on citywide issues.

Community Information and Outreach – The creation of the deputy director position resulted in the reorganization of several functions, all of which had administrative support when housed in other areas of the bureau, but there is no administrative support directly to the deputy director. This position is intended to increase the efficiency of the deputy director position by minimizing the amount of administrative work.

Janet asked how this position would address the bureau’s equity plan. Gabe responded that if they find the right candidate, then this position would assist with the work on the bureau’s equity plan.

Tabor Preservation Project – This is a request of the General Fund. This project continues prior work on preserving the Tabor reservoirs.

Rate Update

Cecelia told the board that the bureau currently has a AAA rating from credit agencies. That morning, the bureau sold \$93 million of bonds at approximately 3.5% interest rate. This will

impact the requested retail water rate. Wholesale rates are also being updated. Other escalation factors are also being updated by CBO. Water is currently anticipating a requested retail rate increase of 7.0%

Lee asked what is the rate from wholesale customers and Cecelia said it was between 3.8% to 4.0%

Colleen asked about the basic process of the supplemental budgets. Melissa said bureaus have two opportunities each year to amend annual budget. Colleen asked for additional information. Melissa will prepare a five-year history of how budgets have changed in the supplemental budgets.

Kendra pointed out that it's worth considering the addition of positions in the supplemental budgets when considering the positions proposed in the requested budget.

Lee said that positions are not immediately hired when approved in the budget process and needs change throughout the year. The need for new positions is similar to the need for a new piece of equipment.

IV. Budget Update and Staffing Decisions – Bureau of Environmental Services, Mike Jordan, Director, and Jonas Biery, Business Services Manager

Staffing

Jonas provided a [handout](#) that includes the forecasted position needs and expected rate impacts. In aggregate, there is 5% increase in staffing. Staffing decisions are made in the context of service decisions. Positions are created to address a service need – either by staff or by City Council. The bureau first identifies service needs and then evaluates whether there are opportunities to reallocate towards this need. The bureau also asks how this service need will change in the next five to ten years. Is there space and organizational capacity for new positions? What will be the fiscal and rate impact of these positions?

Jonas then provided a few examples of how the bureau has evaluated service needs.

Jonas then walked through the [forecasted](#) staffing needs. Last year the bureau projected few new positions, however, the bureau is planning to request 19 new positions for FY 2017-18. 10 of the positions are due to revising the CIP to complete more projects in the near term.

The bureau is working to more proactively identify upcoming service needs and then consider position adds as part of the financial forecasts. Increases to financial forecasts, thus, also reflect this change in philosophy, in which service needs are included rather than what happened in previous years when the bureau was used a much more reactionary process.

BES is currently anticipating to request a 3.0% rate increase. Historically, rate increases are driven by the CIP. Currently, approximately 50% of the rate increase is due to capital whereas 50% is due to operational cost changes.

There are currently 27 vacancies, two of which were vacant a year ago. One of these vacancies has undergone 3 recruitments but they have not found a person to accept the position. 64 separations last year and 65 positions were filled, approximately one-third were filled internally.

Often vacancies are prioritized by the hiring managers based on their capacity to conduct the recruitment. The bureau also depends upon BHR support to conduct the recruitment.

Budget Proposal

BES is hoping to provide additional details on their decision packages in the upcoming subcommittee meeting. For now, Jonas talked about the 10 [packages](#) at a high level.

First, Jonas talked about the bureau's recent budget situation. Around 2013, the bureau anticipated a potential rating issue and "negative outlook", which impacted the bureau's ability to efficiently issue bonds. Over the past few years, the bureau has been working to improve their financial condition, so that can ultimately optimize the system through reinvestment. They have been bond ratings improve and one of the highest rated system of their size.

The bureau currently projects a rate increase of 3%, but this depends upon outstanding factors, including interagency agreements. The bureau may also need to make an adjustment to the model assumption related to long-term debt interest rates.

Line item costs of the proposed decision packages were distributed but without narrative. BES will provide additional explanation at future PUB meetings.

Mike talked about the general direction of the budget request this year. Keeping with the direction from the Mayor and Mayor-elect, and CBO identified priorities for the FY 2017-18 budget process, the decision packages address critical infrastructure, operational efficiency, and emergency and resiliency. Regulatory needs and renewable energy needs were identified by the bureau.

Allan asked for further clarification on current position totals. He also asked BES to provide further details on the assumptions included in the rate forecasts. He also asked for further details on the restructuring of the CIP.

Mike J. said that the bureau is currently working to achieve both fiscal and system sustainability. This results in a distinctly different philosophy in how the bureau is led and managed. The current cash balance and bond market allows the bureau an opportunity to work towards this fiscal and system sustainability.

Allan asked Mike to define sustainability. For Mike, fiscal sustainability is predictable rate increases that track with inflationary factors. System sustainability is creating a system that avoids catastrophic failure and is efficiently maintained.

Rob asked what type of feedback BES would like from PUB at the future budget subcommittee meetings and Jonas responded general impressions and concerns. Melissa will post all of the materials and PUB members can begin to compile questions.

Marie also advised the PUB remembers to review the strategic planning process as they consider budget requests.

V. Discuss next Monthly Meeting Agenda

Colleen asked about further clarification on PUB's next steps in the process and the purpose of the budget letter. Melissa provided an overview of budget process and how PUB fits into the budget process.

Marie asked about the Mayor-elect's direction. Melissa said that the Mayor elect weighed-in on the citywide direction and were not expecting changes to budget direction.

Colleen asked if the bureau prepared responses to the recent release of the Auditor's community survey and Marie asked how does the auditor's survey results compare to other, outside surveying of government services? The bureaus haven't yet formulated any thoughts on the citywide survey.

Melissa reminded the members that the Water Bureau recently conducted a survey that they will be sharing with the PUB in January. Gabe said that from the Water Bureau's perspective, the Auditor's Survey doesn't show a significant decrease since 2012.

Lee asked hat PUB receive communications of official position from the bureaus on timely, controversial issues. Melissa said she routinely forwards any official responses, such as the Water Bureau's response to the OHA regarding lead testing, and will continue to do so.

Melissa also asked PUB members to review the bureau equity plans that she send in this week's PUB email. A conversation about equity is on the agenda for January and the bureaus would like some direction as they prepare for the meeting. Janet said that she had recently attended a [presentation](#) of the Portland Housing Bureau which was very informative about their equity plan.

Kendra announced that she recently accepted a new position in the San Juan islands and so will need to stepdown from her PUB position in April.

VI. Public Comment

There was no public comment.

The meeting adjourned at 6:25 PM.