

Portland Utility Board
February 7, 2017, 4:00– 6:30pm
Room C, Portland Building
Meeting # 20 Minutes

Attendees:

PUB Members: Alice Brawley-Chesworth, ex officio
Allan Warman
Cindy Dietz, ex officio
Colleen Johnson (phone)
Janet Hawkins
Julia Person
Kendra Smith
Lee Moore
Marie Walkiewicz, ex officio
Meredith Connolly
Micah Meskel
Robert Martineau
Scott Robinson
Ted Labbe

Absent:

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*Notice of absence provided prior to meeting

Staff: Mike Jordan (Director, Bureau of Environmental Services)
Mike Stuhr (Director, Portland Water Bureau)
Gabe Solmer (Communications Director, Water)
Dawn Uchiyama (Deputy Director, BES)
Jonas Biery (Business Services Manager, BES)
Jan Warner (Principal Financial Analyst, Water)
Eliot Lisac (Senior Financial analyst, Water)
Annie Von Burg (Senior Program Manager, BES)
Michelle Cheek (Engineer, Water)
Megan Callahan (Public Affairs Manager, BES)
Jeff Winner (Capital Improvement Program Planning Supervisor, Water)
Shannon Fairchild (Financial 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, Introduction of new members, and approval of prior meeting minutes

Three new members were introduced – Scott Robinson, Micah Meskel, and Ted Labbe. Mike Weedall will be joining the board in May.

Scott Robinson proposed changes to the staff listing on the prior meeting minutes — Mike Jordan was not in attendance. As amended, the minutes were approved on voice vote with 3 abstentions.

II. Staff Update

Melissa introduced Shannon Fairchild, the new CBO analyst for the bureaus.

She reminded the board about important upcoming dates in the budget process:

February 27	CBO reviews to Bureaus
March 2	PUB Budget Subcommittee
March 6	CBO reviews to council
March 7	PUB monthly meeting (CBO reviews)
March 23	Council Work Sessions (tentative - morning)
March 27	Spring BMP Requests to CBO
April 4	PUB monthly meeting
April 11	CBO BMP reviews to Council
April 13	Budget Subcommittee
April 18	BMP Council Work Sessions
May 2	PUB monthly meeting
May 18	First Utility Rate hearing

Melissa also reminded the members about a [memo](#) from Director Jordan to PBOT about the interagency agreement.

She will be coordinating introductory sessions for new members on from 8am – 9:30am On February 21, February 28, and March 7.

III. Budget Update and Rate Methodology

Jonas Biery (BES) and Jan Warner (Water) provided a 60 second update: For BES, the budget request included a single family rate increase of 2.85% which was the initial proposed. The bureau has made one adjustment and removed a \$50,000 request for ADA-related work at the lab. For Water, the submitted rate increase was 6.7%. Jan reminded the board that interagency agreements may affect the final rate. She specifically mentioned fountains. The Parks budget includes a decision package to close the decorative foundations. This is different from last year’s Parks proposal to have the Water bureau pay for Park’s operations and maintenance.

Jonas then introduced the topic of [rate methodology](#) with a financial planning calendar; while budgeting is almost year round (August - May), rate model analysis happens mostly towards the end of that process (February - May) for BES. He then talked about the different types of resources that fund the bureaus’ work and review ratemaking principles:

- Rate, permits, and fees are designed to be equitably distributed to all users.

- Rates are set to avoid shocks; increases are manageable and predictable.
- Rates, permits, fees, and charges are set on a cost recovery model
- System Development Charges (SDCs) are a reimbursement fee.

Jonas and Jan then showed how the sanitary and stormwater charges and water charges are calculated.

Alice asked about the base charge and Lee commented that it seemed like Water's base charge is overhead. Jan said that's not quite right, meter reading is included in the base charge but would not be overhead. Ted asked if it was the case that the impervious area component of the sewer SDC are an average for impervious for residential and the commercial is actual impervious area. Jonas said yes, commercial is easier to measure.

The current target cost recovery rate for most permits, fees, and charges at BES is roughly 75%. Prior to last year's budget process, the cost recovery was closer to 45% but has increased based on council direction. The lower recovery rate in prior years was due to Council direction to limit annual fee increases. The additional permit and fee revenue due to increased cost recovery (from ~45% in FY2015-16 to a target of ~75% in FY2016-17) was estimated at the beginning of the fiscal year to be approximately \$1.5 million. The current estimate based on revenue trends through January 2017 is \$1 million of additional revenue to be received in FY2016-17. The cost recovery for these items isn't full cost because there is a public benefit to newly built infrastructure that results from the development. Kendra asked if these were the fees that council may consider adjusting to make housing development more affordable and Joans said yes. He also said that if those fees are reduced, the lost revenue will be captured somewhere else, e.g. increased rates or higher fees elsewhere.

There was a conversation about sewer SDCs and how the impervious area is calculated. Jonas said he would get more information to the board and sent the following responses:

1. Is there a minimum EDU (equivalent dwelling unit) size used for Sanitary SDCs?
For new single family residential construction, the minimum Sanitary EDU size is 1 (the assumption is that there is a basic minimum number of fixtures in an average single family home). For commercial and multi-family residential construction, fractional EDUs can be applied based on actual fixture units installed or anticipated sanitary discharges. For example, a self-storage facility might have a large impervious area (IA) measurement for the Stormwater SDC calculation but a smaller fractional EDU for the Sanitary SDC calculation due to a limited number of fixtures.
2. How are EDUs calculated for multi-family dwellings?
Generally, new multi-family residential construction Sanitary SDCs are calculated using 0.8 EDUs per unit, Stormwater SDC's are based on measured impervious area.
3. Does the 2400 sq. ft. residential impervious area (IA) average apply both to rates and SDC calculations? How is it applied? When are actual measurements used versus the average?
Yes, the 2400 sq. ft. class average IA for single-family residential applies to the charging of both retail service charges and SDC charges. This class average was established in 1993 via a statistical sample, and recently verified in 2016 at 2,404 square feet based on a randomized sample of 300 residential properties throughout the City. Any residential

building of five or more living units, as well as any commercial or mixed use property, is billed based upon actual measured impervious area.

Jan also explained the Water SDCs. Meredith asked about the average SDC and an explanation for the low income exemption program that applies to these charges. Jonas said that program is runs through the housing bureau; there is a household income level. The reduction for those units is in the rate model.

Jonas wrapped up the presentation saying the calculations in the rate model is the math to calculate revenues to fund total system costs over the forecast period. Allan asked if an outside group reviewed the rate methodology and Jonas said Black and Veatch [reviewed](#) the BES model about 10 years ago. Lee asked if another one was scheduled and Jonas said not until after the strategic planning work is complete but that an update is on the radar. There is currently not funds in the forecast for such work. He also said that as part of the bond issue process there is a review of rate assumptions and provided the 2013 Bond Feasibility [Study](#). Jan added that for wholesale Water customers, there is an audit done every 5 years.

IV. Revisit Bureau Equity Plans

The board continued its discussion with Dawn Uchiyama, Deputy Director BES, and Gabe Solmer, Deputy Director, Water Bureau on the equity plans of both bureaus. Lee observed that he didn't see a baseline in either plan against which to measure improvements. Gabe responded that the template provided by the Office of Equity and Human Rights was somewhat limiting, if you look at year one tasks - those are the targets. The first year is identifying the metrics; an exploratory stage. Dawn added that from BES' perspective, the team struggled to find the metrics and the strategic planning work as well as surveys are going to weave in equity plan into strategic vision for the bureau.

Scott asked to what degree was the community involved in the plan development and both bureaus responded that there wasn't community involvement in these plan developments.

Ted asked if there were plans over the five-year period to work with the community. Dawn responded yes, BES is looking at how we can build better relationships with the community. Director Jordan added that the Portland Harbor community involvement, with 13 different community based organizations – has been a positive, impactful change. Gabe added that the Water Bureau can learn from BES' experiences.

Robert added that he would welcome more engagement from organized labor and the bureaus agreed.

V. Water Quality Update

Gabriel Solmer, Assistant Director, and Michelle Cheek, Engineer, Water Gabe introduced the proposal that would be brought before City Council on March 1 to authorize a contract for a corrosion control treatment pilot. She provided the group with 4 documents: [FAQ](#) on corrosion control, [FAQ](#) on the proposed improvements, the proposed [treatment](#) options, and an [outreach](#) plan.

There was recommendation from PUB members about where this would be posted on the website. There was concern that for most residents ‘corrosion control’ might not be intuitive if they go the website looking for information on lead. Janet also suggested that the bureau include Portland Public Schools (PPS).

Kendra asked why it’s the bureau’s responsibility to control/abate lead versus the responsibility of the homeowner’s. Gabe responded that the Lead and Copper Rule makes it the bureau’s responsibility. Unlike all other areas whether the bureau’s responsibility ends at the back of the meter, with lead, the bureau is responsible to the tap. The bureau will continue to look for opportunities to connect people with resources to remove the infrastructure or fix the problems within their homes. Marie also challenged the board to consider people in rentals and the differing incentives there may be between property owners and renters.

Michelle then walked the PUB through the treatment options, the test will help decide which should be used. There would start with bench or lab testing. Meredith asked if there would be a debate about impact on health and suggested that be included in the FAQ. Scott also recommend that the bureau include more Oregon examples in the list of how other systems treat for corrosion and make it clear which are unfiltered systems like Portland. Alice asked if the bureau would be using new pipes or aged ones in the bench testing and Michelle responded that new materials would be used for the bench and old or phase two testing. Meredith recommended including what the bureau is currently using to treat for corrosion on the FAW and Ted suggested reaching out to Elders in Action for concerns about sodium. Allan said there was a need for a clear communication plan about water quality given all of the issues that are emerging and the impression Portlanders have about Bull Run water quality. The bureau responded to questions about the budget impact – there is funding available in the current budget for this treatment pilot and funding in the CIP for a treatment facility.

VI. The Portland Harbor Superfund Record of Decision

Director Jordan and Annie Von Burg, Senior Program Manager, BES, provided an [overview](#) of the Record of Decision issued by EPA on the Portland Harbor Superfund. The plan includes 13 years of active cleanup and 17 years of monitoring - the total plan spans 30 years. Active construction can be done 4 months per year for 13 years. Annie provided a comparison of the final plan and the one that has been proposed over the summer. She also reiterated the bureau concerns that costs may be underestimated by 50%

The work is now shifting from investigation to implementation. The bureau wants to get remedial design completed as soon as possible and acknowledge that they could do a better job increasing community involvement. There remains a lot of uncertainty around next steps with change in administration regarding the Potentially Responsible Parties (PRPs). There are now two tracks of activity: 1) What are we going to do to clean up the river and the 2) allocation process. There are 150 potentially liable companies, though not all still exist. What will happen to the orphan share of the costs? Superfund regulations give the EPA the authority to allocate total costs to all or any PRPs. The bureau has not yet seen communications from the EPA regarding the allocation process.

There were questions about where the dredge materials will go which is yet unknown and how the cleanup ties to the equity plan both in terms of subsistence fishing, human health, and jobs

for people during the clean-up process. There was also a question about the status of the bureau's involvement with the Lower Willamette group – that relationship is effectively over as the activities switch from investigative to implementation.

VII. Items for next agenda

March 7, 2017, The Portland Building 4PM.

City Budget Office Review of Budget Submissions

Capital Improvement Plan Quarterly Update

Mt. Tabor Preservation Work

~~BES Strategic Plan Update~~ (moved to April)

Anderson lawsuit update

Board Consideration of Comments for Council Budget Work Sessions

There were no public comments.

The meeting adjourned at 6:30 PM.