



CITY OF PORTLAND ENVIRONMENTAL SERVICES



1120 SW Fifth Avenue, Room 1000, Portland, Oregon 97204 ■ Nick Fish, Commissioner ■ Michael Jordan, Director

Date September 11, 2017

TO: Andrew Scott, Director
City Budget Office

FROM: Michael Jordan, Director
Bureau of Environmental Services

SUBJECT: FY 2017-18 Fall Budget Monitoring Report

Attached please find the Bureau of Environmental Services Budget Monitoring Report for the Fall of FY 2017-18. A high-level summary of changes is included below.

Overall changes to the Bureau's operating programs require a reduction in contingency of \$4,765,392 with 82% (\$3,901,827) related to carryover of funds from the prior year. \$3,254,669 (83%) of the carryover is related to fleet vehicles that were not delivered on the expected timelines.

Major uses of funds drawn from contingency include additional services related to the Portland Building Reconstruction temporary move, operational needs related to the wastewater system, contracts related to organizational and process improvements and Council-directed work related to the Eastbank Crescent. The request includes one new FTE positions (Engineer Technician II in the Wastewater Group) that was included in the FY2017-18 Requested Budget but recommended by CBO to be delayed. Additionally, the BMP adjustments propose converting 2 contract employees in Engineering Services to regular, permanent FTEs. A final FTE request (Sr Business Systems Analyst in Business Services) re-appropriates a position that was previously approved in FY2015-16 (as a Principal BSA) but was never filled due to classification negotiations with the Bureau of Human Resources.

Net revenues have been increased by \$15,334,787, predominantly from the sale of Terminal 1 (\$11.1 million), which closed in August 2017 and recognition of higher than expected SDC revenues (\$3 million).

Finally, a number of technical adjustments are made to correct minor inadvertent errors in the Adopted FY2017-18 Budget and to more appropriately align budgeted resources to program/operational requirements, as described further in the attachments.

Please don't hesitate to contact me or BES Financial Planning staff with questions.

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_001 - Internal Budget Adjustments - No Council Action

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	0	0	0
External Materials and Services	0	0	0
Internal Materials and Services	0	0	0
TOTAL EXPENDITURES	0	0	0
REVENUES			
Charges for Services	0	0	0
TOTAL REVENUES	0	0	0

Bureau Description:

The following adjustments have been included in the Fall BMP but are only technical shifts of budget that needs no Council action.

Pollution Prevention:

\$98,064 reflects an error in the budget load for various overtime and premium pay amount that were included in the Group's base budget. This adjustments adds that appropriation back into the various programs and is balanced by a reduction in personal services reflecting vacancy savings.

\$38,000 moves appropriation from one cost center to another to more accurately reflect where the expenditures will occur.

Engineering Services:

\$15,000 moves appropriation from office supplies to operating supplies to partially cover costs of chair replacement for increased staff from recent budget cycles.

Moves \$8,000 in revenues and \$6,000 in expenses from Engineering to Watershed as a result of reassignment of Manufactured Stormwater Treatment Technology program.

\$160,425 reflects an allocation of cell phone appropriation across groups as a result of OMF BTS decision to allocate all to one cost center for the bureau.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_002 - New Requests

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	1,128,867	0	1,128,867
Internal Materials and Services	99,574	0	99,574
Capital Outlay	303,000	0	303,000
Contingency	(1,524,441)	0	(1,524,441)
TOTAL EXPENDITURES	7,000	0	7,000
REVENUES			
Interagency Revenue	7,000	0	7,000
TOTAL REVENUES	7,000	0	7,000

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_002 - New Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

Bureau Description:

Business Services:

\$20,000 – Additional costs related to the replacement of a server and corresponding licenses. The server is being replaced in coordination with the Citywide Data Center move. Total costs of the server and 25-month licensing is \$55K, of which \$35K is already budgeted in FY 2017-18.

\$11,567 - Additional costs to align BES contract payment dates with the PBOT contract start date. Does not increase the amount being paid, but merely aligns the payment date to coincide with PBOT. As a result a small additional payment will be made this FY and less in FY 2018-19.

(\$56,746) - This reduction to the PBOT IA will partially off-set expenses for parking closer to temporary location during Portland Building reconstruction.

\$64,800 - Parking spaces for 30 vehicles at \$240/mo. for 10 months (City Center Parking) = \$72K. \$7,200 budgeted in PBOT IA; remainder to be budgeted as misc. svcs. Costs are on-going during 400 Bldg. occupancy during Portland Building reconstruction. Parking costs upon completion of Portland Building reconstruction are not currently known.

\$2,500 - Storage room/bike parking at 400 Bldg. during Portland Building reconstruction. Costs are split with PWB 50/50. Costs to BES are \$250/mo. X 10 mo. = \$2,500. Costs are on-going during 400 Bldg. occupancy

\$10,000 - Space outfitting for occupancy in Pioneer Tower by Systems Development Group to accommodate space limitations driven by Portland Building reconstruction and temporary move.

\$156,320 - Additional move costs not anticipated for replacement and addition of workstations at 400 SW 6th Avenue per IA agreement entered into between BES and OMF executed on April 20, 2017.

Engineering:

\$7,000 - Revenue - BES Engineering staff to do planning work in support of developing a draft environmental impact statement for PBOT's SW Corridor Transit Project.

\$50,000 - To cover contract work by Delaris to complete CIP-PREP project during FY 2017-18. The Bureau used existing resources to pay for the initial contract that began in FY 2016-17. This requested increase covers the remaining scope of the project.

\$25,000 - Increase to cover total of 41 new chairs (replacements + net new) @\$1,000 each. Amount is net after reduction to existing appropriation for office supplies by \$15K.

Watershed:

(\$200,000) - Reduced Private Property Retrofit Program work in the Combined system area.

\$55,000 - Neighborhood to the River (N2R) implements collection system projects, in support of capital projects, that provide both watershed health and sewer system improvements through innovation, collaboration and integration of efforts in the right-of-way and on private property. This request is for funding for vegetation and tree planting efforts within the N2R program. The primary goal of this work is to improve vegetation conditions within N2R basins to increase interception and absorption of stormwater, thereby reducing stormwater input to pipes in the combined sewer or stormwater system. Secondary goals include habitat enhancement, increased biodiversity, carbon sequestering, traffic calming, and livability. To meet these goals, N2R focuses on 1) enhancing the composition of vegetation communities through native and pollinator plant establishment and 2) increasing tree canopy in areas of known system need. The N2R Program is working in three project areas: Expanded Alder, Columbia Corridor, and Boise-Eliot.

\$300,000 - Mitigation design; Funding request for design of Eastbank Crescent (see description below).

\$225,000 - Mitigation design; Funding request for acquisition costs for Eastbank Crescent (see description below).

\$100,000 - Mitigation design; Lower Willamette River mitigation banking market analysis (see description below).

The Eastbank Crescent Plan is an outcome of the Central City 2035 plan that looked at co-locating swimming, recreation, and habitat restoration in a single location. Last year the Mayor's budget included GF and TIF money to BPS, Prosper Portland and BES to develop a conceptual plan. That plan was presented to Council in June and adopted with direction to pursue the habitat

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_002 - New Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

Bureau Description:

forward option. BES is including the costs for 30% design, acquisition and a Lower Willamette River-wide market analysis in its Fall BMP to pursue the habitat forward option as a mitigation bank. The concept of mitigation banks is contemplated and supported in our MS4 permit. We anticipate future regulatory requirements coming from the FEMA BiOp and Temperature BiOp that have stormwater focused solutions. BES is proposing to use this to help us meet current and future regulatory requirements. Development of the mitigation bank now will give us additional tools to respond to those regulatory requirements.

Wastewater:

\$300,000 - This Fueling Station project - a component of the larger RCNG/biogas efforts at CBWTP - was previously included in the CIP. As the Fueling Station construction and operating agreement has been developed, it has become apparent that this project component is not capitalizable and is therefore being moved from the CIP to the operating budget. This will remain an ongoing annual expense until the term of the contract with NW Natural (10 years) is completed.

\$122,000 - Based on additional safety, good-neighbor, and air-quality permit analyses and best practices assessment, additional work is required to properly capture and flare methane gas produced in the digesters during the outage for this work. This requires additional scope to be added to the contract to install temporary piping with supports from each digester to a mobile flare set up to safely discharge the gas into the atmosphere as well as system operational changes. It is estimated that this will add approximately \$122,000 in order to complete the Digester Gas Piping Condition Assessment. Without doing this additional work the condition assessment can not be completed.

\$108,000 - \$50,000 one-time funding was approved in FY 2017-18 for replacement of the capacitors for the two dry weather pumps at SICSO PS. Based on additional detailed assessment, it was discovered that the variable frequency drives controls are obsolete and they need to also be upgraded to improve reliability, spare parts availability, and diagnostics/troubleshooting. These are critical pumps to our CSO system and are required to effectively control overflows to the Willamette River to meet our ASFO permit requirements.

\$58,000 - We currently have \$1,030,000 in the FY 2017-18 Adopted Budget for capital equipment. \$300,000 (\$150k each) of this is for two pump station vehicle replacements. \$542,000 of the total budget is not specified for particular vehicles (due to an inadvertent error in the FY 2017-18 Adopted Budget). This request assigns that funding, plus an additional \$58,000, toward replacement of four more pump station vehicles totaling \$600,000. These are some of WG's most critical vehicles and extensive downtime has been a major issue. Moving the replacement date for these four vehicles up from FY 2018-19 to this FY 2017-18 will more quickly address the reliability (downtime) issue since it takes approximately 18 months to receive a vehicle of this type. It will also allow for administrative efficiencies because one specification development and purchase order can cover all six vehicles at once. Additionally, CityFleet has recently informed us that buying multiple vehicles at one time may lead to cost savings by reducing unit cost for each vehicle. All six vehicles will be standardized, which will be beneficial for O&M staff using the vehicles and for CityFleet who maintains the vehicles.

\$30,000 - This is to purchase and install window film on the CBWTP Columbia Building to mitigate bird strikes. Research began approximately 3 years ago and a study was conducted to gather data and identify the lowest-cost and best-outcome solution. This increase will fund application of the specifically identified solution.

Director's Office:

\$50,000 - This request will fund a consultant to provide facilitation and organizational development services to support change within the Engineering Services Group.

\$100,000 - As Phase I of the Bureauwide CIP-PREP concludes, it is apparent that specialized professional assistance will be critical to ensuring successful implementation of potential Phase II recommendations. Phase II recommendations will be developed by January 2018. This Fall BMP request will allow the Bureau to secure a consultant contract that avoids detrimental delays in implementation of Phase II initiatives.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_003 - New Vehicles

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Capital Outlay	175,000	0	175,000
Contingency	(175,000)	0	(175,000)
TOTAL EXPENDITURES	0	0	0

Bureau Description:

Engineering:

\$70,000 - 2 new construction inspector positions were approved in the FY 2017-18 budget. It was an oversight that new vehicles needed by these positions were not requested at the same time. Both new positions have been filled. When other vacancies in Inspection are filled this fall, there will be a shortage of vehicles for inspectors.

\$70,000 - In the past two years, 3 new construction technician positions have been approved in the budget and are now filled. The net effect of these 3 new positions plus the changing nature of work for some existing techs and construction managers (more trips to the field) is that existing vehicles are over-subscribed. This will become a more urgent need when current CM and Supervising Engineer vacancies in Construction are filled.

\$35,000 - 1 new Materials Technician II position was approved in the FY17 budget and hired. It was an oversight that a vehicle needed by this position was not requested in the regular budget cycle. The MTL is currently leasing a truck to fill the urgent need for a vehicle.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_004 - Staffing Requests / Changes

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	214,358	0	214,358
External Materials and Services	453	0	453
Contingency	(214,811)	0	(214,811)
TOTAL EXPENDITURES	0	0	0
FTE			
Full-Time Positions	2.42	0.00	2.42
TOTAL FTE	2.42	0.00	2.42

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_004 - Staffing Requests / Changes

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

Bureau Description:

Business Services:

\$40,000 - 1-2 year limited duration either part-time employee or contracted services to support expanded recruitment efforts to enhance both the volume and diversity of potential candidates for targeted Bureau positions during the remainder of FY 2017-18. The Bureau is currently developing a formal Recruitment Plan which will identify strategies and potential resources for FY 2018-19 and beyond.

\$60,000 - 1-2 year limited duration (likely professional services). to support expanded recruitment efforts to enhance both the volume and diversity of potential candidates for targeted Bureau positions. The Bureau is currently developing a formal Recruitment Plan which will identify strategies and potential resources for FY 2018-19 and beyond.

\$126,000 - A Principal Business Systems Analyst position was included in the FY 2016-17 Adopted Budget to implement a bureau-wide data management strategy, however, a position number was never assigned pending discussions with BHR. It has since been determined by BHR that the position should be classified as a Senior Business Systems Analyst. A position number has now been assigned under the new classification and this request formally adds the position to the budget in place of the previously approved position.

Engineering:

\$112,000 - New Engineering Technician II. Work is currently performed by a contract employee (charging to professional services, rather than casual employee budget below). Initial Heron (e-builder) implementation is phasing in to a need for ongoing increased technical support for users across the bureau, system administration (adding and managing accounts), support for project managers in scheduling and budgeting projects (which in turn supports more robust CIP budget planning). Technical support for Heron implementation has emerged as a priority of the Phase I CIP-PREP exercise. CIP Program Controls team is currently understaffed to provide support needed. Casual or temp employee support is not desirable due to the learning curve and insituational knowledge needed.

(\$60,000) - This was added in our 5-Year Financial Plan FY 2017-18 Decision Package for a temporary/casual staff for Heron (e-builder) software implementation support. This was seen at the time as a short-term need and unclear the best way to fill it. We are proposing converting this to funding for a permanent FTE (above).

\$112,000 - *CIP-FUNDED* - Part of ongoing conversion of temporary contractor work to permanent City positions in Engineering Services when appropriate. Design Services Division has utilized 1-4 temporary contractor(s) to fill technician work for design and project management support since 2013. The division has only 1 permanent engineering technician position currently, compared to 4 current contract engineering technicians (supporting projects of 36 permanent engineer positions).

Wastewater:

\$112,000 - This new FTE was included in the FY 2017-18 Requested Budget but was not recommended by CBO or approved by City Council pending further evaluation once the Condition Assessment (CA) Program Manager was hired. It is being requested again at this time because the CA Program Manager was hired on May 18, 2017 and has evaluated the existing CA practices and program work required. Large gaps and areas for improvement have been identified justifying a critical need for this new position to effectively implement the CA Program. The systematic CA program will create and enable tools for data collection and reporting from the field by O&M staff. There are approximately 15,500 treatment plant and pump station assets tracked in Synergen, the work and asset management system. This does not include additional assets that need to be inventoried and also placed in the CA queue such as pipes, valves, CSO system gates, etc. This position and its specific skill set is vital to completing the asset inventory, performing data analysis and research, implementing PTE contracts for specialized condition assessments, performing technical analysis for advanced condition assessments, and assisting in preparing technical memos/scopes to transition CA results/needs into capital projects. If this position is not approved for this FY Fall BMP, this will immediately affect the ability of the program to deliver the \$250,000 in specialized PTE contract condition assessments this fiscal year, complete the asset inventory (this requires extensive technical as-built research), develop databases required to support the work, perform technical/engineering analyses on specific assets, prepare technical memorandums summarizing condition assessment information required to justify Capital Project Requests, and scope and estimate projects for the RR&M program as these activities require the engineering/technical skills that this position will provide.

\$39,634 - This reflects the net difference of moving a vacant Program Coordinator position from the Watershed group to the Director's office and reclassifying as a Principal Management Analyst for Equity Plan implementation. It also reflects moving half of a vacant Sr Management Analyst position (approved in the FY 2017-18 Adopted Budget) to the Environmental Remediation Fund and reclassifying the full position as a Sr. Community Outreach position for outreach related to the Portland Harbor superfund effort.

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_004 - Staffing Requests / Changes

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_005 - Carryover Requests

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	502,158	0	502,158
Internal Materials and Services	145,000	0	145,000
Capital Outlay	3,254,669	0	3,254,669
Contingency	(3,901,827)	0	(3,901,827)
TOTAL EXPENDITURES	0	0	0

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_005 - Carryover Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

Bureau Description:

Business Services:

\$57,570 - Space planning for temporary space at 400 Building.

\$89,220 - Fleet carryover Business Services

Pollution Prevention:

\$9,572 - Grease Trap Coupons / OMF MicroGrant carryover / project continuation.

\$145,000 - Contract lab costs for the Columbia Slough Sediment & Fish Project were established in FY17 to cover sediment work. The project schedule was extended into FY18. This adjustment will move unspent budgeted funds from FY17 to FY18 to cover incurred analytical costs for this project.

\$260,109 - Fleet Carryover Pollution Prevention

Engineering:

\$140,000 - Fleet carryover - Engineering

Watershed:

\$145,000 - Outside lab analysis on mandated Slough sediment program not completed in FY17. This reflects the allocation to Watershed of the same carryover request by Pollution Prevention.

\$63,999 - Fleet carryover - Watershed

\$2,709 - Innovation Grant for Cystal Springs digital tour; work continued into fall.

Wastewater:

\$14,500 - FY 2016-17 Adopted Budget = \$50,000 (\$30k for CB and \$20k for TC). It took 6 months in Procurement Services to get a final contract to proceed with the work. Bathymetric survey got completed in FY 2016-17 but now the inspection and diffuser repair needs to happen. Work expected to be completed by September 30, 2017.

\$15,900 - FY16/17 Adopted Budget = \$50,000 (\$30k for CB and \$20k for TC). Took 6 months in Procurement Services to get a final contract to proceed with the work. Bathymetric survey got completed in FY17 but now the inspection and diffuser repair needs to happen. Work expected to be completed by September 30, 2017.

\$134,600 - FY 2016-17 Adopted Budget = \$135,000. Some budget spent in FY 2016-17 on Industrial Hygienist to complete safety analysis. Valves are ordered but due to lead time will not all be received until November 1, 2017. Contract needed for purging the lines, installing the valves and performing the inspection is currently in Procurement Services going through the bid process.

\$2,701,341 - Fleet carryover for WWG and PBOT MO.

\$4,037 - FY 2016-17 Budget = \$6k in 521000 + \$9k in 529000, totaling \$15k. DEQ has not yet approved ending the groundwater contamination monitoring being conducted on the Larsen property (property the bureau owns that is located across Portland Rd from CBWTP). PPS (Jon O'Donovan) is managing this work. They had predicted this would get completed last FY, but without DEQ final approval further monitoring will be necessary this FY. This request is to carryover remaining budget from last FY to continue with this effort.

\$3,270 - FY 2016-17 Budget = \$6k in 521000 + \$9k in 529000, totaling \$15k. DEQ has not yet approved ending the groundwater contamination monitoring being conducted on the Larsen property (property the bureau owns that is located across Portland Rd from CBWTP). PPS (Jon O'Donovan) is managing this work. They had predicted this would get completed last FY, but without DEQ final approval further monitoring will be necessary this FY. This request is to carryover remaining budget from last FY to continue with this effort.

\$115,000 - FY 2014-15 Adopted Budget contained \$50,000 for facilities related condition assessment. This funding was carried over to FY15/16 and in addition \$65,000 was reallocated from the biosolids program (ESSS-5, 529000) to the facilities program

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_005 - Carryover Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
--------------------------------------	------------------------------------	----------------------------------

Bureau Description: totaling \$115,000. This amount was identified after receiving estimates from OMF BIBS Facilities on what it was costing them to complete such assessments. Our intention for completing this work was to use an existing City contract that OMF BIBS Facilities was using. After they received their condition assessment reports we met with them to discuss lessons learned on their process and return on investment. We concluded that it was not a good investment to follow suit. We will need to contract this work ourselves. Additionally, the WG Facilities Manager, who was assigned to oversee this work, retired and the new incumbent has been in transition over the past year. We are requesting that this prior approved budget be carried over again into this FY so this important condition assessment work can be completed.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_006 - Operating Program Adjustments

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	30,000	0	30,000
External Materials and Services	90,000	0	90,000
Internal Materials and Services	(125,000)	0	(125,000)
Contingency	5,000	0	5,000
TOTAL EXPENDITURES	0	0	0

Bureau Description:

Watershed:

(\$125,000) - Discontinue partnership with Parks on Protect The Best program.

\$75,000 - Consultant services evaluating and updating the Invasive Species Strategy, to help craft a new 10 year workplan and goals, and to assist in implementing a new Invasive Species Strategy. BES will coordinate the effort, involving other City bureaus in both development and implementation of the strategy.

\$10,000 - Support invasive plant removal through the Backyard Habitat Certification Program.

\$30,000 - Seasonal staff supporting Wetland Inventory Project.

\$5,000 - Salmon Sanctuary grant through Crystal Springs Partnership.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_007 - Base Budget Error Correction

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	146,400	0	146,400
Contingency	(146,400)	0	(146,400)
TOTAL EXPENDITURES	0	0	0

Bureau Description:

Pollution Prevention:

\$146,400 - This adjustment corrects an error in FY 2017-18 Adopted Budget BRASS entry. A \$73,200 increase which was offset by a separate reduction was entered in error as a negative number and should have been positive. This restores the original intent to pay for additional DEQ cleanup oversight for Downtown Reach and Portland Harbor. It includes additional utility locates, flagging, and drilling services.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_008 - Other - Fund Level

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	1,995,363	0	1,995,363
Capital Outlay	(1,053,000)	0	(1,053,000)
Fund Transfers - Expense	13,182,637	0	13,182,637
Contingency	1,182,637	0	1,182,637
TOTAL EXPENDITURES	15,307,637	0	15,307,637
REVENUES			
Budgeted Beginning Fund Balance	(12,000,000)	0	(12,000,000)
Charges for Services	3,000,000	0	3,000,000
Fund Transfers - Revenue	13,182,637	0	13,182,637
Miscellaneous	11,125,000	0	11,125,000
TOTAL REVENUES	15,307,637	0	15,307,637

Bureau Description:

Business Services:

\$10,182,637 - Net Terminal 1 sale proceeds. Reflects sale of \$11,125,000, \$625K deposited to escrow for future repairs, and closing costs. Funds will be transferred to the Construction fund and deposited into contingency.

\$3,000,000 - Additional SDC revenues expected from residential and commercial customers. The funds will increase the transfer from the SDC Fund to the Debt Service Fund and will result in a reduction to the debt service transfer needed from the operating fund which results in an increase transfer to the Rate Stabilization Fund and related contingency.

(\$12,000,000) - True-up of beginning fund balance in the Rate Stabilization Fund to match expected audited results.

\$0 - Moves \$1,053,000 of ODOT money held by the Bureau for joint Portland Harbor Natural Resource Damage Assessment (NRDA) restoration projects. This action corrects the cost center from Funds Mgmt to Portland Harbor, the functional area from Finance to NRDA, and the account from 563300 Capital Purchase to 525000 Non-capital Improvements, because any work will be performed on non-bureau assets. Also, if the full amount is not spent, this change in accounts allows immediate refund to ODOT without having to wait 4-8 months for another BMP action.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_009 - Grant Adjustments

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	10,700	0	10,700
Internal Materials and Services	0	0	0
Contingency	9,450	0	9,450
TOTAL EXPENDITURES	20,150	0	20,150
REVENUES			
Intergovernmental Revenues	20,150	0	20,150
TOTAL REVENUES	20,150	0	20,150

Bureau Description:

Grants:

\$20,150 - PBOT's Milwaukie Light Rail (TR000094); BES charges directly to this PBOT grant from TriMet for design and construction of the Portland-Milwaukie Light Rain project (E09163). BES activities on this grant are nearing completion during the project's close-out phase. Budget is required for personal services and overhead.

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
600 - Sewer System Operating Fund			
EXPENDITURES			
Unappropriated Fund Balance	180,000	0	0.00
Personnel Services	66,735,051	63,868,793	95.71
External Materials and Services	58,012,845	54,970,229	94.76
Internal Materials and Services	42,737,344	37,950,976	88.80
Capital Outlay	73,866,331	56,018,995	75.84
Bond Expenses	3,261,971	3,195,000	97.95
Fund Transfers - Expense	252,117,332	252,071,480	99.98
Contingency	71,429,010	0	0.00
TOTAL EXPENDITURES	568,339,884	468,075,473	82.36
REVENUES			
Budgeted Beginning Fund Balance	69,180,000	0	0.00
Licenses & Permits	2,295,000	2,248,625	97.98
Charges for Services	371,835,000	365,102,907	98.19
Intergovernmental Revenues	140,755	209,077	148.54
Interagency Revenue	2,047,621	1,388,249	67.80
Fund Transfers - Revenue	121,436,508	98,752,841	81.32
Miscellaneous	1,405,000	1,724,433	122.74
TOTAL REVENUES	568,339,884	469,426,133	82.60

Prior Year Fund Reconciliation Report

FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
---------------------------------	-----------------------------------	-------------------------------------

Fund Reconciliation Narrative

Expenses were generally on plan, with the exception of Internal Materials and Services and Capital Outlay.

Internal Materials and Services were 89% of Revised Budget, due in large part to the \$2.6 million under-expended (88%) in the interagency with PBOT Bureau of Maintenance, mostly in Inspection and Cleaning services, as winter storms diverted BOM staff to other priorities. Also, only half of the \$2.1 million budgeted for Survey Services for CIP projects was expended as a result of CIP project delays. All other internal services came in at 95% of budget.

Capital Outlay expenditures were only 76% of Revised Budget, also due to delays in CIP projects, as the Bureau spent only 80% of its total CIP budget. The following projects account for the majority of under-spending of the CIP budget:

- E10031 – Phase 2 Rehab (under budget \$9.0 million): this primary project includes various projects behind due to slower than anticipated construction start dates;
- E10663 – Slabtown Sewer Replacement: project under plan by about \$7.3 million attributable to delays in the comment review and procurement phases, resulting in a delayed construction start;
- E10038 – Alder Basin Maintenance and Reliability: under budget by \$2.1 million due to pending issues with utility protection and implementation of new PBOT street restoration requirements;
- E04891 – Rehabilitation, Repair and Modification (RR&M) Program: this primary project includes multiple projects delayed in the procurement and bid/award phase, resulting in numerous schedule delays and coming in under budget by \$2.0 million.
- E10359 – Alder Pump Station Update: delays in the procurement and bid/award phase resulted in this project coming in under budget by \$1.5 million.

Contingency (which is ending fund balance) is estimated to be 93% of Revised Budget, as a result of the actual revenues and expenses. The actual Contingency figure was not available at the time of submission, as the CAFR is as of yet uncompleted.

On the Revenues side, Beginning Fund Balance was 94%, or -\$4 million, while Intergovernmental Revenues were 149% (+\$68,000) of Revised Budget due mostly to reimbursements from the Port of Portland for shared costs of the NPDES Stormwater permit.

Interagency Revenues, payment for work performed for other City bureaus, was 68% of Revised Budget for FY 2016-17. Services provided by the bureau include (but not limited to) brownfield remediation, engineering services, construction material testing, and revegetation services. Specifically, services from BES Engineering staff were over-budgeted by Parks and Transportation (2% and 37% of budget, respectively) and accounted for nearly half of the 32% variance.

Fund Transfer Revenues were 81% of Revised Budget because of reduced reimbursement from the Construction Fund, reflecting the percentage of CIP expenditures spent, as noted above.

Finally, Miscellaneous Revenues were 123% of Revised Budget, due to higher sales of surplus Capital Equipment (+\$253,000, or 461%) and higher than planned Interest on Investments (+\$105,000, or 114%) due to higher balances and an increase in interest rates over the prior year

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
608 - Environmental Remediation Fund			
EXPENDITURES			
Personnel Services	609,898	400,782	65.71
External Materials and Services	2,639,346	897,586	34.01
Internal Materials and Services	1,427,325	1,018,016	71.32
Capital Outlay	1,030,000	0	0.00
Bond Expenses	1,432	1,402	97.89
Fund Transfers - Expense	117,686	117,686	100.00
Contingency	1,866,813	0	0.00
TOTAL EXPENDITURES	7,692,500	2,435,471	31.66
REVENUES			
Budgeted Beginning Fund Balance	3,250,000	0	0.00
Charges for Services	3,860,000	4,107,321	106.41
Intergovernmental Revenues	100,000	100,000	100.00
Interagency Revenue	452,500	424,814	93.88
Miscellaneous	30,000	69,083	230.28
TOTAL REVENUES	7,692,500	4,701,218	61.11

Fund Reconciliation Narrative

Expenditures were below budget for generally all categories as the Portland Harbor Superfund moved out of the Remedial Feasibility and Investigation phase following the EPA's release of their Record of Decision. The next phase will be determination of all liable parties and early remediation work, which will also take many years. This fund also includes costs for management of the Guilds Lake site, the former site of a municipal incinerator which was purchased and remediated in the 1990's.

Personnel Services were only 66% of Revised Budget due to two positions moved to the Directors Group.

External Materials and Services were only 34% of Revised Budget, primarily related to no payments made to the Lower Willamette Group (-\$1.1 million) and Portland Harbor consulting costs less than half of planned amounts (-\$688,000.)

Internal Materials and Services were only 71% of Revised Budget mostly resulting from reduced Guilds Lake property management costs related to window replacements that didn't occur until the current fiscal year.

Capital Outlay had \$1.03 million budgeted for potential joint City/ODOT remediation projects within the Portland Harbor Superfund area. But no potential joint projects were found, and the funds were re-budgeted in the current fiscal year.

Contingency (or ending fund balance), is estimated to be 320% of plan due to the lower rate of expenditures discussed above. ("Estimated" because actual figures were not available at the time of this submission.)

Beginning Fund Balance was 114% (+\$457,000) of the Revised Budget. All other revenues were within the reporting levels except for Miscellaneous Revenues that were +\$39,000, or 230% of budget due to higher interest earnings and public information request fees charged for records generation.

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
609 - Sewer System Debt Redemption Fund			
EXPENDITURES			
Unappropriated Fund Balance	76,308,934	0	0.00
Bond Expenses	168,960,284	542,815,295	321.27
Fund Transfers - Expense	0	0	0.00
TOTAL EXPENDITURES	245,269,218	542,815,295	221.31
REVENUES			
Budgeted Beginning Fund Balance	61,825,000	0	0.00
Fund Transfers - Revenue	168,494,218	168,138,783	99.79
Bond and Note	14,300,000	374,011,153	2,615.46
Miscellaneous	650,000	687,998	105.85
TOTAL REVENUES	245,269,218	542,837,934	221.32

Fund Reconciliation Narrative

Bond Expenses were 321% of Revised Budget, but these expenses include \$374.0 million to refund prior debt included in "budget-exempt" line items which require no budget adjustment. Excluding these budget-exempt expenses, debt service expenses are 99.9% of the Revised Budget.

Unappropriated (Ending) Fund Balance (equivalent to Contingency in non-debt funds) represents the amount of cash reserves required by various bond issues, and ended the year at 80%, or -\$14.4 million, of the Revised Budget due to the delay of a planned new money bond sale into FY 2017-18 which potentially would have increased the cash reserves.

Similarly, Bond and Note Revenues includes the \$374.0 million of bond proceeds to refund the prior debt, compared to the Revised Budget of \$14.3 million which was intended to be the new amount of required cash reserves on a new money issue.

Miscellaneous revenue was 6% over plan due to higher than estimated interest earnings rates.

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
614 - Sewer System Construction Fund			
EXPENDITURES			
Bond Expenses	0	1,212,648	0.00
Fund Transfers - Expense	110,303,000	97,619,333	88.50
Contingency	20,647,000	0	0.00
TOTAL EXPENDITURES	130,950,000	98,831,981	75.47
REVENUES			
Budgeted Beginning Fund Balance	85,000,000	0	0.00
Charges for Services	650,000	881,169	135.56
Fund Transfers - Revenue	44,300,000	45,809,583	103.41
Bond and Note	0	1,217,280	0.00
Miscellaneous	1,000,000	530,171	53.02
TOTAL REVENUES	130,950,000	48,438,203	36.99

Fund Reconciliation Narrative

Bond Expenses of \$1.2 million were all for the budget-exempt issuance costs related to the refunding of the 2008A and 2008B bond issues.

Fund Transfers - Expense was only 89% of budget due to lower CIP expenditures requiring reimbursement.

Contingency (or ending fund balance) is estimated to be 184% of plan, or +\$17.3 million. ("Estimated" because actual figures were not available at the time of this submission.)

Budgeted Beginning Fund Balance was 103% (+\$3.3 million) of the Revised Budget due to lower CIP reimbursements in the prior fiscal year.

Charges for Services Revenues were 136% of budget due to higher Line and Branch revenues (charges for new connections to the City's sewer system) due in large part to an unusually large number of residential accounts paying in June (52% of total residential revenues) before the rates increased in the new fiscal year.

Bond and Note Revenues of \$1.2 million to fund the budget-exempt issuance costs of the refunding bonds are also not required to have budget appropriation.

Miscellaneous Revenues were 53% of budget due to lower interest earnings after the new money bond issue expected was delayed into FY 2017-18.

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
617 - Sewer System Rate Stabilization Fund			
EXPENDITURES			
Fund Transfers - Expense	10,000,000	0	0.00
Contingency	96,825,000	0	0.00
TOTAL EXPENDITURES	106,825,000	0	0.00
REVENUES			
Budgeted Beginning Fund Balance	73,500,000	0	0.00
Fund Transfers - Revenue	32,700,000	31,500,000	96.33
Miscellaneous	625,000	801,733	128.28
TOTAL REVENUES	106,825,000	32,301,733	30.24

Fund Reconciliation Narrative

Fund Transfers – Expense was 0% of Revised Budget as no transfer to the Sewer Operating Fund was required to meet debt service coverage ratios. As a result, Contingency (or ending fund balance) is estimated to be 112% of plan, or +\$11.1 million. (“Estimated” because actual figures were not available at the time of this submission.)

Beginning Fund Balance was 103% (+\$2.2 million) of the Revised Budget, and Miscellaneous Revenues being 128% of plan (+\$177,000) because of higher interest earnings on higher interest rates and cash balances within the fund.

Bureau of Environmental Services

Performance Measures

Performance Measure	Type	FY 2014-15 Year-End Actuals	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget
ES_0001 - Maintain the bureau's first lien debt service coverage ratio at 1.5 or greater	EFFECTIVE	2.22	2.29	2.41	2.51	2.50
ES_0002 - Amount of time loss, in hours per employee, due to injury	EFFICIENCY	1.40	3.20	3.10	2.80	3.00
ES_0005 - Construction management costs as a percentage of total construction costs	EFFICIENCY	10%	14%	10%	9%	10%
ES_0010 - Number of lab analyses performed each year	WORKLOAD	56,597	59,210	54,000	61,243	62,000
ES_0011 - Percentage of industrial enforcement tests in full compliance	EFFECTIVE	99.6%	99.5%	99.8%	99.4%	99.5%
ES_0012 - Average resources spent in site investigations and cleanup, per site investigated or remediated	EFFICIENCY	\$12,047	\$12,123	\$12,500	\$9,386	\$10,000
ES_0013 - Amount of wastewater processed annually (in million gallons)	WORKLOAD	27,597	32,973	28,500	36,242	28,800
ES_0014 - Percentage of biochemical oxygen demand removed	EFFECTIVE	95.8%	96.0%	85.0%	95.9%	85.0%
ES_0021 - Maintain bureau's combined first and second lien debt service coverage ratio at 1.3 or greater	EFFECTIVE	1.31	1.30	1.30	1.43	1.30
ES_0022 - Cost to operate and maintain the treatment plants per million gallons treated	EFFICIENCY	\$681	\$603	\$715	\$529	\$720
ES_0024 - Number of trees planted	WORKLOAD	36,418	15,514	31,200	10,483	9,250
ES_0027 - Feet of streambank restored (not cumulative)	WORKLOAD	22,443	9,935	25,000	20,274	19,900
ES_0028 - Number of sanitary sewer overflows	KPM	161	134	120	180	128
ES_0029 - Number of stormwater flooding events due to system capacity	EFFECTIVE	45	132	100	111	100
ES_0030 - Watershed Health Index for water quality	KPM	5.90	5.90	5.90	5.90	5.90
ES_0031 - Number of combined sewer overflow events	KPM	4	5	4	7	4
ES_0032 - Average single family household bill as a percent of median income	KPM	1.45%	1.48%	1.50%	1.48%	1.49%
ES_0033 - Percentage of urgent public health and safety related service requests responded to within two-hour timeframe	KPM	94%	88%	90%	94%	90%
ES_0035 - Number of participants in community events, workshops, stewardship, and restoration events	WORKLOAD	24,000	23,941	10,000	12,595	10,000
ES_0036 - Number of bureau education programs delivered	WORKLOAD	384	382	0	508	400
ES_0037 - Linear feet of sanitary and combined sewer pipe repaired or replaced to improve condition and capacity	EFFECTIVE	0	70,081	0	109,745	80,000

Bureau of Environmental Services

Performance Measures

Performance Measure	Type	FY 2014-15 Year-End Actuals	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget
---------------------	------	-----------------------------------	-----------------------------------	---------------------------------	-----------------------------------	---------------------------------

Performance Measure Variance Descriptions

1. Average single family household bill as a percent of median income.

The FY 2016-17 Actual percentage is less than the FY 2016-17 Adopted percentage. The percentage decreased because the estimate of median household income increased while the amount of the average single family household bill remained the same.

2. Watershed Health Index for Water Quality.

The Bureau continued to meet the watershed health index goal for water quality.

3. Number of sanitary sewer overflows.

The FY 2016-17 Actual number of sanitary sewer overflows exceeded the FY 2016-17 Adopted number. The target number of 120 sanitary sewer overflows per year is a best practice the Bureau has set internally as a measurable goal. As a result of a proactive system maintenance program, sanitary overflow events have been decreasing every year. The rainfall in the City was 50% higher than average during FY 2016-17, which resulted in higher than usual overflows. Going forward, we expect overflow events to continue the historical downward trend toward the goal of 120 events per year.

4. Number of combined sewer overflows.

The FY 2016-17 Actual number of combined sewer overflows exceeded the FY 2016-17 Adopted number. The rainfall in the City was 50% higher than average during FY 2016-17, which resulted in higher than usual overflows.

5. Percentage of urgent public requests responded to within a two-hour timeframe.

As a result of the Bureau's continued commitment to the community, the FY 2016-17 Actual percentage was higher than the FY 2016-17 Adopted percentage.

Capital Program Status Report

Environmental Services

CIP Program	FY 2016-17 Adopted Budget	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Variance \$	Variance %	FY 2017-18 Adopted Budget	Fall BMP Revised Budget	FY 2017-18 Year to Date Actuals	Variance \$	Variance %
	\$0	\$0	\$37,202	\$37,202		\$0	\$0	\$0	\$0	
Buildings	\$0	\$0	\$35,860	\$35,860		\$0	\$0	\$1,181	\$0	
Maintenance and Reliability	\$72,084,000	\$72,070,847	\$54,447,177	(\$17,623,670)	(24%)	\$66,450,000	\$66,450,000	(\$1,548,240)	\$0	0%
Sewage Treatment Systems	\$17,336,000	\$17,336,000	\$13,894,153	(\$3,441,847)	(20%)	\$33,876,000	\$33,876,000	\$124,019	\$0	0%
Support	\$0	\$0	\$446,726	\$446,726		\$0	\$0	\$34,881	\$0	
Surface Water Management	\$13,628,000	\$13,579,300	\$10,728,404	(\$2,850,896)	(21%)	\$10,685,000	\$10,685,000	(\$564,022)	\$0	0%
Systems Development	\$6,095,000	\$6,140,600	\$8,946,849	\$2,806,249	46%	\$3,350,000	\$3,360,700	(\$732,123)	\$10,700	0%
Total	\$109,143,000	\$109,126,747	\$88,536,371	(\$20,590,376)	(19%)	\$114,361,000	\$114,371,700	(\$2,684,305)	\$10,700	0%

* Prior Year variances compare Year-End Actuals to Revised Budget

** Current Year variances compare Revised Budget to Adopted Budget

Prior Year Variance Description

Main drivers of variance include:

Maintenance and Reliability:

E10663—Slabtown Sewer Replacement - Delays in the review comment phase and procurement (\$7M)

E10031—Phase 2 Pipe Rehab—Several projects are behind schedule and have had slower than anticipated construction start dates (\$9.4M)

E10038 - Alder Basin - Pending issues with utility protection and implementation of new PBOT restoration requirements have been more difficult than anticipated (\$2.1M)

Sewage Treatment Systems:

E10359—Alder Pumpstation Update—Schedule delays in procurement and bid/award phases (\$1.5M)

E04891 - RRM (Rehab/Repair/Modification Program) - Multiple projects delayed in procurement and behind schedule (\$2M)

Surface Water Management:

Various - Several projects under budget and behind schedule

Systems Development:

E10413 - Southwest Terwilliger - Variances are as a result of additional work, primarily in the form of ground improvements.

Current Year Variance Description

The CIP Programs have no budget variances over/under 10%. We expect to have a better idea in the Spring.