

DRAFT Portland Utility Board FY 2016-17 Annual Report

The Portland Utility Board (PUB) began its service to the city on September 1, 2015. Its formation and general structure was recommended by the Portland Utility Oversight Blue Ribbon Commission which, in 2014, evaluated the need for additional oversight of Portland's utility bureaus – the Portland Water Bureau (PWB) and Bureau of Environmental Services (BES). In response to that evaluation, the PUB was created to:

“advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget development and rate setting for the City's water, sewer, stormwater, and watershed services. The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (Portland City Code. (3.123.010)”

To act as effective advocates for the citizens of Portland, board members need a broad understanding of utility management, bureau operations, and the city budget process. The PUB's second year saw an intensive examination of these areas, education of members, and development both of mechanisms and structures for engagement with the bureaus, City Council, and the public.

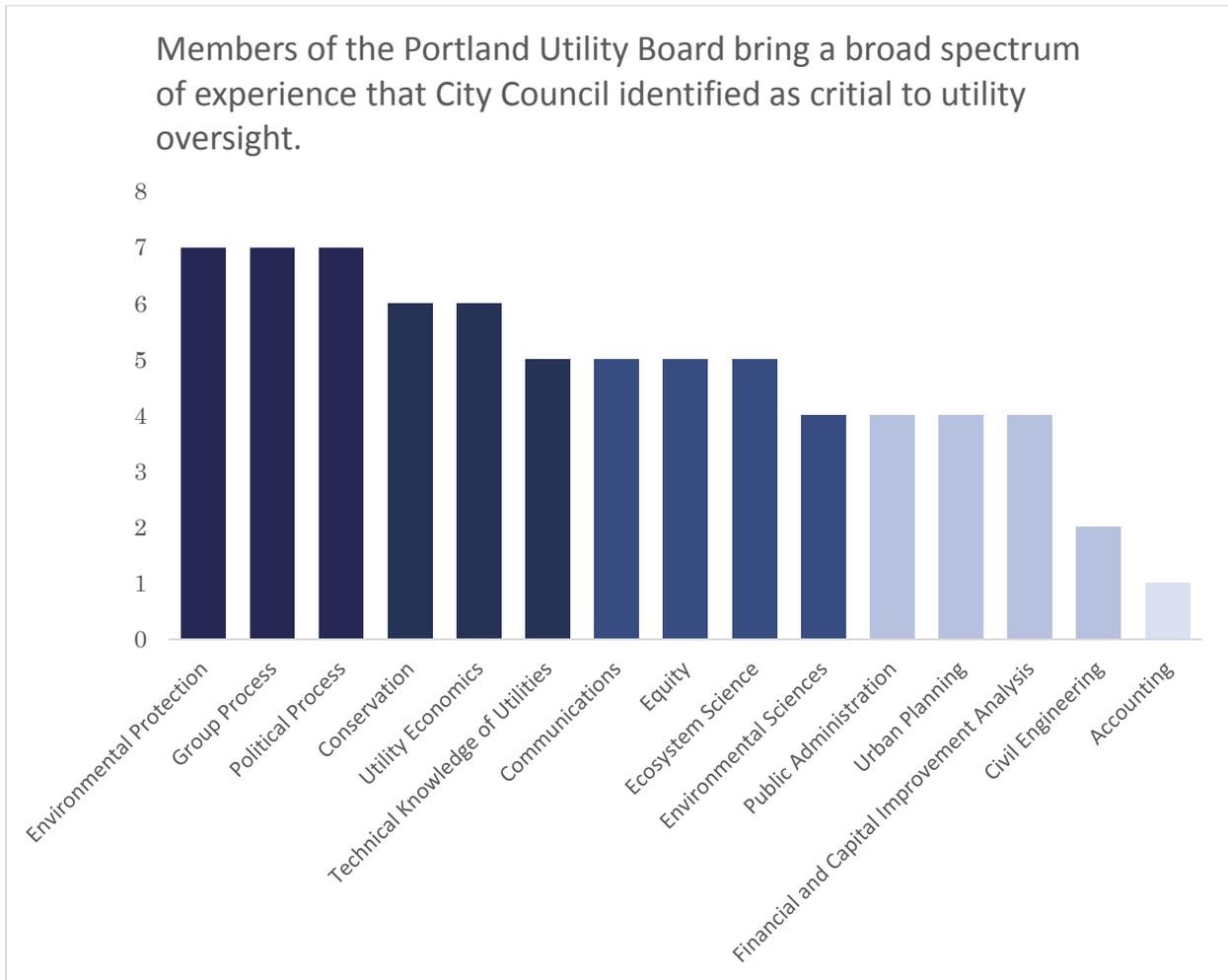
The following sections detail the investments made by both board members and bureau staff to increase the knowledge foundation of members, the opportunities provided for public engagement in budget and policy discussions, communications to the City Council, and the refinements made to better integrate PUB oversight into the bureaus and the City's budget processes.

Member Compositions and Education

The PUB has 11 voting members and three ex-officio members. In September 2016, City Council approved two amendments to city code for the board; expanding voting members from nine members to 11 members and clarifying that ex-officio members serve year-round. Through FY2016-2017, the board filled the newly authorized positions as well as filled vacancies, some created by members who ended their service early and others from natural expiration of appointment terms.

The ordinance governing the PUB identifies the following skills that will serve the Board well: technical knowledge of water, stormwater, and sewer utility operation and issues, accounting,

civil engineering, conservation, environmental sciences, health sciences, public administration, urban planning, or utility economics, financial and capital improvement analysis, ecosystem science, environmental protection, political process, group process, and communications. The board worked this past year to increase the number of members with equity, communications, and environmental experience. The skill mix of current members is illustrated in the graph below.



As part of the recruitment process this fiscal year, PUB staff created an onboarding curriculum to educate new members on city budget processes, ethics requirements, and introductory information for both BES and Water to jump start their participation in the board activities. This educational component will continue to evolve and staff is currently working with the bureaus to create the next level of educational components focused on the bureau budgets.

Member Service and Board Meetings

Through June 30, 2017, the members of the PUB dedicated more than 450 hours of service in formal meetings plus additional hours preparing for meetings. The PUB held fourteen Board meetings (Table 1). Summaries of all meetings can be found on the PUB website.

Table 1: FY 2016-2017 PUB Board Meetings

July 12, 2016	January 10, 2017
Stormwater System Plan	Budget Update
Clean River Rewards	Customer Service Survey
Portland Harbor Update	Equity
Water Bureau Key Service Levels	Recommendation of New Members
August 2, 2016	February 7, 2017
Summer Supply Plan	Rate Methodology
Groundwater	Water Quality Update
Introduction to Watershed Services	Portland Harbor Update
Terminal 1 North	
Prior Year Review, Annual Report, Work Plan	
August 8, 2016	March 7, 2017
Terminal 1 North	Anderson Lawsuit Update
	City Budget Office Bureau Budget Reviews
	CIP Quarterly Update
	Mt. Tabor Preservation Work
September 6, 2016	April 4, 2017
BES CIP Development	Regulatory Environment of Water and BES
Water CIP Development	BES Strategic Plan
Annual Workplan	BES Resiliency and Climate
	BES Public Awareness Focus Groups
October 4, 2016	May 2, 2017
BES Strategic Plan	Budget Update BES FTEs
BES 5 Year Financial Plan	Rate Ordinance Previews
Water 5 Year Financial Plan	Strategic Direction of the Bureaus
Sewer 101 and CSO System Operations	Recommendation of Co-chair
Amendment of Board Bylaws	
November 1, 2016	May 31, 2017
Introduction to Pollution Prevention	Water Quality
Forecast Model and Assumptions	
Budget Developments	
Onsite Visit to Pollution Control Lab	
December 6, 2016	June 6, 2017
Budget Update	Recommendation of New Members
Staffing Decisions	Biogas Project at BES
	Water Quality Update
	Strategic Direction of the Board

The board’s FY 2016-2017 work plan identified five major areas of review for the PUB: Financial Planning and Budgeting, Rate Setting and Debt Service, Strategic and Resiliency Planning, Bureau Performance, and Bureau Engagement and Oversight (Table 2). Each PUB meeting was



PUB members Scott Robinson, Alice Chesworth-Brawley, Julia Person, and Ted Labbe at a board meeting.

designed to further the members’ understanding of the challenges and opportunities facing each bureau within these areas of review. In between meetings, there were substantial reading materials to help members fully understand the depth and breadth of the services of each utility.

Table 2: FY 2016-2017 Topics Reviewed by Workplan Category

Financial Planning and Budgeting	
Bureau 5 Year Financial Plans	Capital Improvement Plans
Forecast Model and Assumptions	2017 Budget Development Updates
Staffing Decisions	CBO Budget Analysis and Reviews
Rate Setting and Debt Service	
Rate Methodology	Rate Ordinance Previews
Strategic and Resiliency Planning	
BES Strategic Plan	BES CIP Process Review
BES Resiliency and Climate	Strategic Direction of the Bureaus
Bureau Performance	
Water Bureau Key Service Levels	Water Bureau Customer Service Survey
Bureau Engagement and Oversight	
Anderson Lawsuit Update	Pollution Prevention
Biogas	Portland Harbor Superfund
Corrosion Control	Sewer 101 and CSO System Operations
<i>Cryptosporidium</i>	Stormwater System Plan
Equity	Summer Supply Plan
Groundwater	Terminal 1North
Hydroelectric Power Contracts	Watershed Services
Board Administration	
Amendment of Bylaws	Prior Year Review, Annual Report, and Workplan
Recommendation of New Members and Chair	

PUB members also participated in a total of 8 subcommittee meetings for the low-income discount program (3 meetings) and budget review (5 meetings), (Table 3). Members also visited the Bull Run Watershed, the Portland Water Pollution Control Lab, and the Columbia Boulevard Wastewater Treatment Plant.



PUB members visit Columbia Boulevard Wastewater Treatment Plant with BES staff.

Table 3: FY 2016-17 PUB Subcommittee Meetings and Participation in ARC Meetings

Low Income Discount Subcommittee	Administrative Review Committee Meetings with the Bureaus
October 26, 2017	August 2, 2016
January 4, 2017	October 4, 2016
February 22, 2017	November 1, 2016
	January 3, 2017
	February 7, 2016
	March 7, 2017
	April 4, 2017
	May 2, 2017
	May 5, 2017
	May 31, 2017
	June 6, 2017

Communications to Council

The PUB was created to have multiple opportunities to communicate to the City Council on budget and other issues relating to the two utilities. (See Appendix for written communications.)

FY 2017-18 Budget Process

The PUB spent last Fall reviewing various components of the FY2017-18 budget requests that the bureaus were crafting and, as part of its role as the Budget Advisory Committee for both

bureaus, submitted its initial observations with those requests. Following the budget submissions, the PUB considered the final decision packages and the CBO review of those items. The PUB concurred with most of those recommendations and co-chairs communicated that to the City Council as part of the utility worksession in March.

As part of the Mayor's budget process, BES requested two additional FTEs and Mayor Wheeler requested PUB provide input on the additional requests. During the May board meeting, Director Jordan presented justification for the positions and answered members' questions. Members of the PUB approved a communication to the Mayor and City Council supporting the positions but including several member concerns about positions being approved outside of the annual budget process, the need for a City-wide conversation regarding equity positions, and a request that the work related to the Portland Harbor be funded from a dedicated environmental fund within the bureau.

The final component of the annual budget process for the utility bureaus is the annual rate hearing and council approval of the rates and fees for the next year. The co-chairs participated in the rate hearing and reiterated to the City Council many of the affordability concerns that were included in its letter from January. The board remains concerned about the ongoing annual rates of increase for customers.

Board and bureau staff are working with the co-chairs to refine information flow and feedback mechanisms to improve the board's engagement in the FY2018-19 process.

Budget Monitoring Process

Twice a year, the city has a process for bureaus to adjust their current year budgets. Last year, this was identified as an area where there had not yet been developed a process for the board to review these requested changes. In the Spring, the board held budget subcommittee meetings where members heard from the bureaus and the City Budget Office and had the opportunity to ask questions. For the next year, time will be allocated during regular board meetings for all members to participate.

Policy Considerations

Outside of the formal city budget process, other items come before the City Council that affect the utility bureaus. During FY2016-17, these items include Terminal 1N and *cryptosporidium*. For each of these issues, the board held one or more special meetings, invited bureau experts

and Portland residents to provide information and input, and submitted written feedback to the City Council for consideration.

Public Engagement

To be effective advocates for the public, there needs to be open and transparent communication. The PUB has an established website (<http://www.portlandoregon.gov/cbo/68272>) to help facilitate the sharing of information with the public and among members. All meeting notices, agendas, minutes, bureau presentations, and other meeting materials are posted on the website for public access. In addition, the PUB bylaws reflect a strong commitment to public engagement with time set aside for public comment during each meeting and before all votes. Meetings where water treatment topics were discussed had more public members providing comment than other PUB meetings.

In addition to regular board meetings, five PUB members also participated in 11 administrative review committee (ARC) hearings for the bureaus (Table 3). These hearings are bureau mechanisms for members of the public to request a review of decisions, determinations, or orders of the BES and PWB for which there is an Administrative Review provision in Code and Rule. The process ensures the public can exercise their right to be heard and receive fair treatment. Having PUB members who are not city employees participate in the process helps keep the process fair and equitable.

Challenges and Opportunities Encountered

- **Budget Review and Input.** For both bureaus, the operating budget and the five-year capital improvement plan are products of previously developed programs, plans, and studies that guide the management of bureau infrastructure. PUB has spent the year working with the bureaus as they are, or are beginning to, update their strategic planning processes to allow for PUB input earlier in the planning and design phases. The recently approved filtration treatment for the Water Bureau can serve as a model for how the PUB and the bureaus can improve public outreach and education about large scale projects.
- **Meeting Format and Reflection.** Several PUB members have requested more time to reflect on and discuss the information it receives from the bureaus. To address this issue, the members have agreed to second monthly meeting times that are reserved primarily for board discussion and deliberation time. In addition, staff have institutionalized a process for members to submit questions and the bureaus to provide answers in writing prior to the next meeting.

- **Communication with City Council.** The PUB welcomes the opportunity to work with Council to ensure proper public process and vetting occurs when utility projects or projects impacting the utilities are proposed outside normal procedures or the budget process. The Blue Ribbon Commission recommended the formation of the PUB to proactively address such issues. With the additional requested BES positions and the *cryptosporidium*, and water quality issue this year, the board saw improvement over the last year in the opportunity for PUB input in the City's deliberation but will continue to work with the bureaus and the council to refine that process.

Reflection on Blue Ribbon Commission Recommendations

The Portland Utility Oversight Blue Ribbon Commission reported to City Council on November 13, 2014 their recommendations for the formation and execution of the PUB. They highlighted the following Goals and Key Considerations:

1. Build on efforts to date
2. Recognize that rates are driven by multiple factors, some outside the City's control
3. Start anew but avoid creating new bureaucracy
4. Honor the commitment and dedication of staff and volunteers
5. Address real and perceived issues of public concern and trust
6. Improve transparency, communications, and education
7. Adopt new standards of practice
8. Ensure the PUB has strong public standing and accountability
9. Provide for strong and consistent public involvement in decision-making
10. Recognize that innovation requires risk and failure which should not be a deterrent
11. Recognize the relationship of balance of authority to bond ratings

In PUB's first year, the PUB and City Council met many of the expectations outlined in the report, including:

- Streamlining three advisory groups to one, and having the PUB adequately staffed and operating year round
- Offering ample context to PUB members to ensure they understood the influences on rates
- Honoring the involvement and perspectives of staff and public through the PUB makeup and administration
- Providing the PUB with strong public standing and accountability
- Institutionalizing and expanding the City Utility Rate Review public hearing to foster dialogue

- The PWB and BES bring all projects over \$500,000 to the City Council as regular agenda items and not on as consent agenda items.

In the second year, the PUB began working with the Council and the bureaus to address a number of the more complex recommendations, such as:

- Working more closely with the bureaus to have them proactively utilize the PUB to vet their policy and budget matters, before they enter formal public process with City Council
- Addressing real and perceived issues of public concern and trust.
- Improving transparency, communications and education.
- Working with City Council to adopt new standards of practice regarding utility oversight, and providing for strong and consistent public involvement in decision-making. Viewing the bureaus activities with an eye towards innovation.
- Thoughtful consideration of the investment requirements and policies that may be appropriate and necessary to retain high bond ratings for both bureaus.

Each of these items will require coordinated efforts of the PUB, the bureaus, and the City Council and will continue to be areas of focus for the board in the next year.

Proposed 2017-18 Workplan

The proposed 2017-18 workplan is designed to help the bureaus integrate the PUB into their work flow, especially for activities like strategic planning, capital improvement budgeting, and operational budget decisions (Table 4).

Conclusion

The PUB appreciates the opportunity to serve the City and utility customers. We look forward to a productive year ahead and continued engagement with City Council regarding issues impacting the bureaus.

We extend thanks to many members of the bureau staff who prepared information and presentations for the PUB as well as the Citizen’s Utility Board and the League of Women Voters, who regularly attend and offer us perspective in our discussions. We appreciate their time and investment in the PUB. In addition, the PUB appreciates the dedication of the members of the board who completed their service this year including, Gwynn Johnson, Julia Person, Janet Hawkins, Cindy Dietz, and Marie Walkiewicz. A special note of thanks to Kendra Smith who participated in the Blue Ribbon Commission and served as one of the first two co-chairs of the board.



Commissioner Nick Fish thanks PUB member Janet Hawkins for her service.

Table 4: FY 2017-2018 Draft Work Plan (to be finalized when approved)

July	January
August	February
September	March
October	April

November

May

December

June
