

# Water Bureau

The Portland Water Bureau submitted seven requests for budget adjustments in the Fall 2017-18 BMP. Nearly all of these requests are technical adjustments, including a cash transfer from the Portland Hydroelectric Power Renewal & Replacement Fund to the Portland Hydroelectric Power Operating Fund. The cash transfer reflects the Hydroelectric Power Division’s portion of the expected balance under the expired power purchase agreement with Portland General Electric (PGE).

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$251,009,336	\$ 7,117,876		\$258,127,212
Taxes				
Licenses & Permits				
Charges for Services	176,816,927			176,816,927
Intergovernmental Revenues	526,000			526,000
Interagency Revenue	3,347,758	7,000		3,354,758
Fund Transfers - Revenue	218,514,058	1,600,000		220,114,058
Bond and Note	98,895,000			98,895,000
Miscellaneous	4,763,398			4,763,398
General Fund Discretionary				
General Fund Overhead				
<b>Total Resources</b>	<b>\$753,872,477</b>	<b>\$8,724,876</b>	<b>\$0</b>	<b>\$762,597,353</b>
<b>Requirements</b>				
Personnel Services	\$ 70,695,856			\$ 70,695,856
External Materials and Services	44,906,166	2,125,518		\$ 47,031,684
Internal Materials and Services	22,783,614	73,185		\$ 22,856,799
Capital Outlay	78,124,000	(65,000)		\$ 78,059,000
Bond Expenses	60,048,640			\$ 60,048,640
Fund Transfers - Expense	223,400,226	1,576,739		\$224,976,965
Contingency	99,626,939	4,897,007		\$104,523,946
Unappropriated Fund Balance	154,287,036	117,427		\$154,404,463
<b>Total Requirements</b>	<b>\$753,872,477</b>	<b>\$8,724,876</b>	<b>\$0</b>	<b>\$762,597,353</b>

## Key Decisions

- Increase beginning fund balance due to prior year underspending and exceeded revenue targets (Recommended).
- Increase external materials and service expenses and decrease contingency to carryover funds for a solar power feasibility study at the Groundwater Pump Station

and maintenance and repair work for the Mount Tabor Preservation Project (Recommended).

- Transfer funds from Portland Hydroelectric Power Renewal & Replacement Fund to the Portland Hydroelectric Power Operating Fund for potential operational, repair or replacement costs (Recommended).
- Process technical changes related to cash transfers and interagency adjustments (Recommended).

## Discussion

The Portland Water Bureau submitted seven requests for budget adjustments in the Fall 2017-18 BMP. Nearly all of these requests are technical adjustments and include updates to interagency agreements, adjustments to beginning fund balances, and cash transfers. Requests for fund carryovers are also included. CBO recommends all the bureau's requests. A discussion on the requested items is provided below.

### *WA\_001 Carryover of Funds*

- Solar at Groundwater Pump Station

The bureau is requesting \$88,000 in carryover to install solar at the Groundwater Pump Station. As part of the 2016-17 Adopted Budget, \$335,000 in one-time General Fund resources was included to support solar installations at three City facilities owned by the Parks Bureau, Water Bureau, and the Fire Bureau. Designing and installing solar panels at the Water Bureau's Ground Water Pump Station is estimated to cost \$93,000 and generate 45,000 kilowatt hours of electricity per year.

To date, \$15,000 has been spent on the feasibility study, \$5,000 of which was incurred in FY 2016-17. The bureau anticipates the study will conclude in mid-October 2017. Findings from the study will help the bureau determine the viability of solar installation at the pump station, including the estimated cost. CBO looks forward to reviewing the study's results and more broadly, how the bureau considers ways to incorporate alternative energy sources to offset energy costs, particularly those associated with its supply program and other capital improvement projects over the next decade. CBO recommends this request.

- Mount Tabor Historic Preservation Project

On July 15, 2015, City Council approved resolution No. 37146 making financial obligations and other commitments for work at Mount Tabor. The resolution included a provision that the City shall allocate at least \$4 million over the next four years to the maintenance, repair, and preservation work identified in the 2009 Mount Tabor Reservoirs Historic Structures Report (the Report). Because the reservoirs are no longer part of the water system, these funds are from the General Fund and not the Water Fund.

In the FY 2016-17 budget, the Water Bureau received \$750,000 from the General Fund to begin some of the maintenance and repair work identified in the 2009 Report. Of that, \$308,297 was spent, most of which covered costs for the preservationist to update the 2009 Report to reflect

current preservation needs and costs, historic preservation consultant services, internal costs, and any other requirements. The bureau is requesting to carryover the \$441,703 balance in FY 2017-18. CBO recommends the request, but notes concern about the bureau's ability to spend down both the carryover and the additional \$1.02 million allocated in the FY 2017-18 Adopted Budget.

#### *WA\_002 Cash Transfers*

This request includes cash transfers for the Green Street program, Dodge Park, and Willamette Park Concerts. The Green Street program of the Bureau of Environmental Services' Grey to Green Initiative requires that the Water Bureau contribute 1% of the actual qualified expenditures incurred in the bureau's prior year capital program. Each year the bureau includes an estimated amount in their budget and must true-up the actual amount to be transferred to the Sewer Operating Fund. This request decreases the budget by \$47,857 to adjust the Water Bureau's contribution to the Green Street Initiative fund for the actual costs of \$102,143.

The Dodge Park request transfers \$21,596 to the General Fund for revenues collected from park permits and fees in FY 2016-17. The total revenue collected in FY 2016-17 was \$34,388 (\$12,792 was previously transferred to the General Fund.) This request follows Council's FY 2015-16 Spring BMP appropriation of \$35,000 for the bureau's operations and maintenance of Dodge Park. The FY 2017-18 Adopted Budget made this an ongoing versus a one-time allocation from the General Fund.

Further, the request includes a \$3,000 transfer to Portland Parks and Recreation for Willamette Park Concerts. This transfer follows an agreement with Parks to sponsor one concert per summer for two years due to the construction from the Hannah Mason Pump Station Project. This is the final transfer for the Willamette Park Concert. CBO recommends these requests.

#### *WA\_003 Beginning Fund Balance*

This request increases the Bureau's budgeted beginning fund balance of its FY 2017-18 operating fund. This balance is driven by \$5.61 million in higher than planned revenues from water sales and other charges for services in FY 2016-17 as well as prior year operational underspending in personal services, external materials and services, and capital outlay. In total, the bureau's beginning fund balance will increase by approximately \$7.2 million. According to the bureau, these funds may be used to cash finance greater portions of capital projects, lessen the expected rate of increase in future budgets, or for other needs. CBO notes that this is the third year in which the bureau has underspent its operating budget and revenues exceeded targets by considerable amounts. CBO recommends this request.

#### *WA\_006 Hydro Cash Transfer*

This request transfers \$1.6 million from the Hydroelectric Power Renewal & Replacement Fund to the Hydroelectric Power Operating Fund; this represents the bureau's estimated share of the expected balance under the previous PGE contract that expired August 31, 2017. The bureau plans to use this

transfer to help cover expenses in FY 2017-18 and in future budget years if it does not generate enough revenue from power sales to cover its costs.

In the FY 2017-18 Adopted Budget, there is \$2.8 million in total planned expenses from the Hydro Operating fund; of this, the bureau has approximately \$2.5 million in operating expenses and \$0.3 million in fund level expenses, including contingency. About \$1.9 million in operating expenses is budgeted for external material and services costs for the new power generation contracts and consultant expenses. This includes the costs of the SCADA system upgrade to replace the current system that controls both powerhouse turbines from PGE's control facility in Estacada, OR. With the new Power Purchase Agreement, the City must develop its own SCADA network to remotely run the powerhouses, move the generated energy to the transmission grid, and sell the power to PGE. Through its IGA with Energy NW, the company will develop and test a new SCADA system that will enable the scheduler and dispatch operator (EWEB) to connect to the bureau's system and move the generated energy into the transmission grid for sale to PGE. The bureau anticipates that it will be able to take over SCADA operations from PGE by the beginning of November 2017.

On the revenue side, the bureau has \$2.8 million in total planned revenue in FY 2017-18; of this, \$2.2 million is budgeted from power sales in addition to \$0.4 million in beginning fund balance and \$0.2 million in interfund cash transfer and interagency revenues. If the bureau meets or exceeds its budget for power sales and its estimated expenses do not exceed the budgeted amounts, the bureau should be positioned to use the \$1.6 million cash transfer for future budget needs. CBO recommends this request.

### *Other Adjustments*

Besides the other revenue and budget adjustments, the Water Bureau also requests to:

- Increase interagency revenue from Portland Bureau of Transportation for the Southwest Corridor Transit Project by \$7,000. The bureau is participating in the development of the project's Draft Environmental Impact Statement and discussions about jurisdictional transfer of Highway 99.
- Increase the facilities interagency by \$2,185 for a parking space at the 1900 building for the bureau's development services staff located at the building.
- Increase interagency with facilities for \$6,000 for a new vehicle for the Hydroelectric Power Division. The cost of the vehicle is \$26,000. The bureau will use \$20,000 from reserves toward the vehicle with the remaining coming from reallocating resources from internal materials and services.
- Establish an interagency with the City's Grants Office to support the first installment of the 1% dedicated funding (approximately \$1.1 million over 3 years) for the Washington Park Reservoirs Improvement Project to support the Community Benefits Plan. \$65,000 will cover a portion of the costs for a position in the City's Grants Office to provide Citywide coordination of the Community Benefits Plan.

CBO recommends these requests.