

# PORTLAND UTILITY BOARD

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Staff Contact:  
Melissa Merrell  
(503) 823-1810  
Melissa.Merrell@portlandoregon.gov  
City Budget Office  
111 SW Columbia St., 5<sup>th</sup> Floor  
Portland, Oregon 97201

To: Mayor Ted Wheeler  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Chloe Eudaly  
Commissioner Dan Saltzman  
Auditor Mary Hull Caballero

Re: Bureau of Environmental Services and Portland Water Bureau  
Requests for the Budget Monitoring Process

Date: October 16, 2017

The Portland Utility Board (PUB) serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau. In that capacity, we have reviewed the bureaus' requested budget adjustments submitted for your approval during the City's Fall Budget Monitoring Process (BMP) and offer you the following input for your consideration.

The bureaus presented a preview of their expected requests at the board's September 5 meeting prior to submittal to the budget office and the board considered the analysis and recommendations of the City Budget Office at its meeting on October 10.

The PUB had a lengthy and deliberative discussion about the role of the annual adjustment process in budget management and was supportive of concerns raised about clarity of guidance for requests for new resources. Specifically, General Fund bureaus are held to a high standard that use of contingency funds should be reserved for needs that are unanticipated or emergency. This acknowledges the inherent trade-offs of funding some programs over others within the General Fund and limitations of that resource. The guidance for non-General Fund bureaus accessing contingency funds is a less stringent bar of reasonable and unforeseen need. The boundaries of reasonable and unforeseen are not well defined. The board members support continued conversations within the city to bring clarity to that guidance. As applied, the PUB felt it was unlikely to result in the bureaus using sufficient constraint in accessing contingency funds.

The PUB supports the bureaus' management as experts in their field, however they recommended the following principles as guides for evaluating changes to bureau requests at this point in the budget process. These principles would add additional scrutiny and sensitivity to rate impact decisions:

- Bureau requests for carryover, program reallocations, true ups to last fiscal year actual numbers, and interagency adjustments all fall within what the board would expect to be part of adjustments at this early point in the fiscal year. Many of the requests this year fall into these categories and the board is supportive of them. In addition, requests for unanticipated and emergency needs such as those required to respond to Council directive would be expected at this time. Some of the requests this year fall into that category and the board is supportive of them.
- Bureau requests for increases to staff should be done as part of the holistic annual budget process and should not be done out of cycle. Including staff requests as part of the annual process allows for consideration of these needs in context of other priorities for bureau resources and a greater level of scrutiny. In addition, the board has stated its expectation that requests for additional staff be coupled with clear workplans and detailed responsibilities in a prior communication to the City Council.
- Bureaus should use their management techniques to assess the priority of new activities and reallocate existing resources to match those priorities. With exceptions for emergencies, bureaus should limit the use of contingency or adding staff out of cycle. Accessing non-General Fund contingency early in the year should be reserved for instances similar to the requirements on the General Fund contingency: unanticipated and emergency needs that are well developed and can't be absorbed by the bureaus.
- Bureaus should refrain from building internal capacity for services that should be provided by other City agencies and should opt for other models including embedded staff instead.
- Approved requests for new resources should be coupled with metrics and communications of outcomes, particularly if the requested action leads to a decision about future activities or spending.

Using these principles as a guide, the board discussed each bureau's request.

The PUB unanimously concurs with the City Budget Office to recommend all of the requests as submitted by the Water Bureau. It was noted in the conversation that while there wasn't agreement on the board over the past year around the hydroelectric power contracts and Mt. Tabor preservation work, members of the board appreciated the bureau's requests related to

those projects. The fund transfer for maintenance needs as they arise for the hydroelectric project was a concern raised during Council consideration. The carryover request for the preservation work at Mt. Tabor, coupled with a plan to spend the full allocation, gives assurance that General Fund resources allocated to the bureau are being used as directed by Council. The PUB further commends the Water Bureau for its commitment to working within its approved budget and making adjustments that reallocate and prioritize existing resources.

The PUB was unable to reach consensus on the City Budget Office's recommendation of the requests submitted by BES. At question were the conversion of two contract positions to permanent FTE positions. Some members were deferential to the bureau's requests but raised concerns about the use of contingency this early in the fiscal year and expressed hope that the bureau would use the above stated principles in future requests. Other members felt, some strongly, that these conversions should be delayed until the annual budget process. As noted, the PUB has previously raised concerns with out-of-cycle staff requests. These requests result in long-term costs for the bureau and should be part of the annual resource prioritization process.

Thank you for considering this feedback. We appreciate the opportunity to review these requests and provide you with our input.