

From: Colleen Johnson  
To: Portland Utility Board Members  
On: December 13, 2017  
Re: Thoughts about the FY 2018-19 Budget Discussion

Dear PUB members,

I'm sorry to miss the budget discussion, although I'm not sorry to be in Hawaii! I did, however, want to share some thoughts with you as you go about your deliberations.

First, I'd like to reiterate my compliments to both bureaus on the hard work they did in constructing their FY 2018-19 Preliminary Operating Budget and Decision Packages. I think the discussion will be much richer and more thoughtful as a result of that work.

At the end of the last meeting I mentioned some preliminary figures about the increase in the combined utility rates and the rate of inflation over the last ten years. Here are the data:

	2007	2016	% change
Combined Utility Rate	\$60.91	\$99.22	62.9%
CPI-U <sup>1</sup>	208.556	249.426	19.6%
CPI-W <sup>1</sup>	203.009	239.899	18.2%

<sup>1</sup> Bureau of Labor Statistics, Portland-Salem area

I share these data with you because I think they clearly show why it is so important for the PUB to have these discussions and to continue to insist that the bureaus prioritize their decision packages. Clearly everything is important, but with retail rates increasing at roughly 3 times the rate of inflation, not everything is equally critical and choices need to be made. I do understand that the bureaus have made choices already, but given that labor cost increases, inflation, and interagency agreements have not yet been included, it seems obvious to me that more choices will need to be made. It's hard for me to see how the PUB can seriously recommend even preliminary budgets that include 42 FTE, which doesn't include the FTE added during the Fall BMP or limited-term positions.

## WATER BUREAU

I really do appreciate the bureau prioritizing their decision packages, even though I agree with Scott that a 'hard line' prioritization strategy is perhaps not the optimal method. Absent hearing the discussion, I would generally agree that the priority bucket order makes some sense. Given the Council's decision to pursue filtration and the clear regulatory requirement, the first priority should be water treatment. And, given the ongoing problems with we've seen with corrosion control, unidirectional flushing seems a reasonable second priority bucket. I probably also agree that the equity manager should be ranked at number 6 given that we were told the bureau would continue to work towards the goals and strategies of the equity plan, albeit more slowly.

My main concern with the 'hard line' approach is that it's an all or nothing strategy. I wonder if the 7<sup>th</sup> FTE in Water Treatment would yield as much benefit to the bureau as the 1<sup>st</sup> (and only) position in Communications. So should the bureau tradeoff one position in water treatment for 1 technical writer? Or should we consider the tradeoff between 1 position in the unidirectional flushing program for 1 position in asset management?

I agree that the bureau folks are the experts, but it's those kinds of choices and articulated tradeoffs that I think need to be discussed. That's the main reason why I think imposing (artificial) specific constraints (e.g., limit rate increases to 3% or 4% or the number of FTE to 15 etc.) can be helpful. You're forced to weigh the costs and benefits of various choices in light of scarce resource limitations. And since labor is roughly 60% of the budget and the bureau is requesting 21 new FTE, those tradeoffs seem especially critical.

As for the expansion of the low-income program, I agree that until we have a clearer picture of what it will cost and what level of service/outreach it will provide, we should wait to rank it.

Beyond this, I don't have much to say about the non-FTE requests. I simply don't have the expertise and trust the CBO will evaluate those proposals.

## BES

While BES has not yet prioritized their decision packages, they have tied them to their Strategic Plan which I find very helpful. Nonetheless, they are also requesting 21 new

FTE along with a limited term FTE and so I do hope PUB will see a ranking of these requests soon.

As with PWB, my focus here is on the FTE. I simply don't have the expertise to evaluate and/or compare the Neighbor to the River proposal, for example, or the Integrated Planning for Stormwater Priority Areas. I do look forward to CBO's more detailed evaluation and recommendations.

The one comment I would make is various vehicle proposals. In Service Delivery, there are five separate proposals: Fleet Replacements (PBOT); Fleet Replacement-Wastewater Group; Off Cycle Vehicle Replacement-SPCR; New Vehicle-ISW/MIP; and Fleet-Field Vehicle (E&I-Automation) all of which total about \$1.7m.

The packages as they stand now request 8 positions in Service Delivery and 10 positions in CIP Planning and Delivery Improvements. As Director Jordan noted, Service Delivery is the biggest part of what they do. To illustrate the need in this area, there has been a 60% increase in laboratory services since 2001-02 with no additional resources. In addition, the CIP Planning and Delivery Improvements goal is critical to the overall economic health of Portland and, ultimately, the region.

Still, I have the same concerns about the BES preliminary budget as I do about the Water Bureau's: there needs to be a more robust discussion about choices and tradeoffs, in particular with the requested FTE.

Again, I'll note that the bureau staff are the experts, but I do wonder if it makes sense to increase staff by 18 FTE in two areas, and that doesn't even take account of the issue of the feasibility of trying to hire so many FTE in a single year. Would it be better to request fewer positions, hire those individuals, and then reevaluate the need for additional resources next year?

Here are a few questions I have about the FTE:

- Why hire 2 Tech II positions? It would seem that you could hire one, see how the workload changes, and then consider another Tech II position next year.
- What would be the (negative?) service effects of only hiring 3 Pollution Prevention position and 1 Wastewater position in Service Delivery?
- What would be the (negative?) effects of hiring only 3 engineers, 1 watershed position, and 1 wastewater position in CIP Planning and Delivery Improvements?

Lastly, I'll just say that it would be helpful to me if the two bureaus could adopt the same format/framework for presenting their budgets

