

## Portland Utility Board

December 5, 2017, 4:00 – 6:30pm

Room 2500B, 1900 SW 4<sup>th</sup> Avenue

Meeting # 37 Minutes

### Attendees:

*PUB Members:*

- Alice Brawley-Chesworth, ex officio
- Ana Brophy, ex officio
- Allan Warman
- Colleen Johnson
- Hilda Stevens
- Lee Moore
- Micah Meskel
- Mike Weedall
- Robert Martineau
- Scott Robinson
- Ted Labbe

### *Absent:*

- \* Meredith Connelly
- \* Dan Peterson
- \* Van Le, ex officio

\*Notice of absence provided prior to meeting

### *Staff:*

- Mike Jordan (Director, Bureau of Environmental Services)
- Teresa Elliott (Chief Engineer, Portland Water Bureau)
- Cecelia Huynh (Director of Finance and Support Services, Water)
- Gabe Solmer (Communications Director, Water)
- Liam Frost (Management Analyst, Portland Water Bureau)
- Todd Lofgren (Senior Policy Advisor, Commissioner Fish)
- Jeff Winner (Capital Improvement Program Planning Supervisor, Portland Water Bureau)
- Ken Bartocci (Principal Financial Analyst, Bureau of Environmental Services)
- Steven Hansen (Program Manager, Capital Controls, Bureau of Environmental Services)
- Chris Wanner (Operations Group Manager, Portland Water Bureau)
- Dave Peters (Principal Engineer, Portland Water Bureau)
- Megan Callahan (Communications Director, Bureau of Environmental Services)
- Eddie Campbell (Acting Communications Director, Portland Water Bureau)
- Steve Behrndt (Wastewater Operations Group Manager, Bureau of Environmental Services)

Jane Bacchieri (Watershed Services Group Manager, Bureau of Environmental Services)

Marveita Redding (Pollution Prevention Group Manager, Bureau of Environmental Services)

Shannon Fairchild (Financial Analyst, City Budget Office)

Melissa Merrell (Principal Analyst, City Budget Office)

*Public:*

Janice Thompson (Citizen Utility Board)

Carol Cushman (League of Women Voters)

**I. Call to Order, Introduction of Any Audience Members**

Allan called the meeting to order and noted two agenda changes. First, on the draft agenda there was time to revisit our board procedures given the recommendations of our communication subcommittee meeting from last week. At that meeting there were several proposed changes to both the procedures document and the bylaws. Melissa is working with Ben at the City Attorney's office to make sure the proposed changes are correctly incorporated and that draft isn't ready yet. That discussion and vote on proposed changes will take place at a later meeting.

One of the proposals that has been talked about in several meetings is changing when public comment happens. The board will start having public comment earlier in the agenda and for tonight will also check in at the end.

**II. Approval of Prior Meeting Minutes**

Rob moved to approve the November 21, 2017 meeting [minutes](#); Scott seconded. All members voted in favor.

**III. Disclosures of Communications**

Allan and Colleen met with Director Jordan.

**IV. Public Comment:**

There was no public comment.

**V. Board Discussions**

**Updated Milestone Spotlight, Mike Weedall**

Colleen invited Mike to update the board on the conversations regarding his spotlight proposal that was a topic of the Communications Subcommittee meeting on November 28th. Mike said there was general support for pursuing the idea and developing it further. A group of members will be meeting to put more detail together to bring back to the board.

**VI. Operating Budget, Staffing, and Decision Packages, Water Bureau**

Gabe Solmer, Deputy Director and Cecelia Huynh, Director of Finance and Support Services presented draft information about the Water Bureau operating budget, staffing requests, and

decision packages. The bureau provided read-ahead [information](#) for the board and a [presentation](#).

Cecelia gave the members an overview of the bureau's process. They begin in September because they have a detailed process. The city doesn't typically start until November but the bureau wants to be responsive to PUB and that requires them to start before the city process. When they start early, they are doing so without guidance or the City's goals/priorities. Cecelia said they work within the parameters of inflation, rate impact, retail demand, wholesale revenues, and economic outlook. This year there were also new regulatory requirements to incorporate.

The bureau asked the group directors to put together a budget that provides the same level of service and addressed regulatory compliance specific to corrosion and filtration. They gave managers discretion to move their budget around; and use savings from identified efficiencies to minimize additional requests for funding.

The leadership team worked with managers for several weeks; then put together requests, and gave it to Cecelia in what they call the base budget. It includes new requests. The bureau then engages in a week-long budget week when group managers make their case to the rest of the group and present their needs. Cecelia said the bureau heard PUB and are asking their group managers if they explored options other than for new resources. She noted that the assistance and template from Shannon at the Budget Office was very helpful in developing their requests this year. In addition, this year they worked to take a bureau-wide perspective for resource needs that go across the bureau; the equity manager was an example of this.

They packaged the requests by theme and prioritized them.

Guidance from the Mayor and Commissioner Fish came in mid- November.

In December, the bureau is working to fine-tune the decision packages and hope to get feedback from PUB and CUB. January is when document finalization happens for the 5-year CIP; 5-year financial plan; and request documentation.

She provided an overview of the current staffing of the bureau. The FY 2017-18 adopted budget included funding and authorization for 589 FTE, including 2.5 limited term positions. The bureau is requesting 21 additional FTE in FY 2018-19.

Cecelia then directed members to page 5 of the read-ahead packet that includes information on the bureau's operating budget and shows the percent change from FY 2017-18 Adopted Budget to the FY 2018-19 preliminary budget. Colleen asked a clarifying question on how to find the decision package costs in the operating budget table. Cecelia later clarified that while the operating table includes the decision packages, the cross walk is not always evident. The bureau allocates the operating cost portion of staffing based on the type of work being done. For example, the bureau is requesting 7 new FTE categorized as Water Treatment. The operating costs for those positions is not reflected in the Water Treatment line in the operating costs table. The total costs for those positions (\$951,000) is split between operating costs (\$351,000) and capital costs (\$600,000). The capital component of that costs reflects the work those employees will do related to the treatment program and will be found in the treatment line of

the CIP budget. However, the operating costs for those staff are allocated between the bureau support program and the regulatory compliance program because that is the type of work the staff will be doing with that portion of their time.

Cecelia said that overall, the preliminary FY 2018-19 budget request would include a \$1.6 million increase in operating costs compared to the current year. She cautioned that this estimate doesn't include inflation, health benefit costs, or the expected increased costs from interagency agreements. Colleen asked how much interagencies were last year and Cecelia said about \$20 million.

Scott noted that the inflation and health cost increases will likely increase these numbers a lot.

Cecelia also noted that the \$1.6 million total increase includes \$3.5 million in decision packages and \$1.9 million in reductions of one-time costs. More of the reduction amount is the \$1.1 million in General Fund that bureau received for Mt. Tabor last year and a smaller component is one-time costs associated with new FTE that were approved in the prior year.

Cecelia also noted that all program budgets changed as a result of personal services cost associated with labor turnover. That change is the result of different salaries, benefit packages, etc.

Cecelia also noted that the bureau did not anticipate that the need to put together formal reduction packages and didn't ask group bureau directors to do that. To the degree that reductions were obvious; they are in summary.

Gabe continued saying that the draft packages brought to the board have been vetted and the staff has worked to articulated how they evaluated other options to additional funding and what the effect of not funding the requests would be. She said not everything that was brought to budget week made it into the requests. The bureau evaluated timing issue and whether things could be phased or scaled.

Gabe and Cecelia then walked the board through the ranked and unranked decision packages.

**Priority #1: Water Treatment (Total \$951,000)**

The bureau has determined they need 7 new FTE to begin the filtration project and complete required work for corrosion control. The size of the project team will change with the project. The bureau is going to augment bureau staff with consultant services. Some of the costs of this package are included in the capital budget and some are in operating. Mike Weedall asked for clarification and Cecelia said that more the costs would be capitalizable as the filtration project progresses but not yet.

**Priority #2: Unidirectional Flushing (Total \$444,000)**

Before corrosion and filtration, the bureau feels it needs to flush the entire system for those treatment methods to be effective. This FTE request of 5 will be the baseline group. The bureau expects it will need additional staff in subsequent years but tried to give the board an idea of the end state needs.

**Priority #3: Workforce Management (Total \$409,000)**

Safety is important to the bureau and they have done an initial review of the safety program which identified some immediate needs and there may be additional requests for staff in subsequent years. This request is for 1 FTE for safety and 2 FTE for inspectors. The FTE for safety would manage training requirements, incident reports, equipment, and other safety related work. The bureau contracts 3 public works inspectors currently to augment its own staff. Using data from 2013, the bureau believes there is sufficient workload to hire 2 FTE. Cecelia said the bureau believes they'll get better value having the staff in house and will need 2 FTE rather than 3 contracted staff. Some of this total workforce management request is funding in the capital budget.

**Priority #4: Asset Management (Total \$281,000)**

The bureau is requesting 2 FTE for asset management; one for data collection and one for water loss. The data position would analyze failure information and recommend maintenance strategies. The water loss position was requested last year but recommended against until some recommendations of the water audit were implemented.

**Priority #5: Communications (\$142,000)**

This is a request for 1 FTE for a technical writer to put together communication materials that are simple and consistent for non-technical audiences. The bureau has had a technical write since 2006 but most recently that staff has been assigned to other priorities. Cecelia provided the example of the work required to compile these decision packages. If they had a technical writer, it would have been done better and more efficiently. Gabe added that PUB and CUB have a lot of good ideas. The demand for quality materials is high and they want to meet that demand.

**Priority #6: Equity Manager (Total \$144,000)**

Gabe provided the board insight into why this is ranked #6. This will work get done with current staff but not in an optimal way. With a dedicated staff person, they will be more connected to the other equity managers in the city and comparable to other jurisdictions. The bureau can get by without it, but it would be better with a dedicated staff-person.

**Unranked: Financial Assistance Expansion (Total estimate not available)**

Cecelia gave an overview of the related requests. It includes 2 FTE for low-income services team; an increase of the existing \$150 crisis voucher to \$300 or \$500; an adjustment of income guidelines; an increase in the low-income discount for really low-income residents; and assistance to multi-family residences.

Gabe said this package is unranked because they took the board's request to bring unfinished ideas and will be able to rank the package once they have all of the feedback from the board.

Cecelia provided that the foregone revenue for the crises voucher could be between \$450,000-\$1 million. The bureau doesn't have information on how many more recipients would be joining the program by adjusting the income guidelines. She asked for board input on whether to set caps or provide the benefit to everyone who is eligible and have uncertainty as to total revenue impact without baseline data.

**Unranked: Mount Tabor (One-time \$1.115 million General Fund)**

Cecelia said the bureau will be spending most of the general fund resources they received this year and Gabe added that this is unranked by the bureau because of the source – council will need to decide its priority. This request would fund a list of construction projects identified by the bureau and the neighborhood association.

**Unranked: Parks Maintenance (Ongoing \$225,200 General Fund)**

As a result of the Anderson lawsuit, the bureau identified maintenance of park-like amenities on Water Bureau properties and is asking for \$225,000 from the General Fund to support those activities. The bureau would stop those activities if they aren't funded

**Considered But Not Requested:**

- Emergency management personnel. The bureau is considering alternative ways to meet those needs including seasonal staff.
- Advanced metering infrastructure
- additional leak locating crew
- more capital projects

**Requests Reduced:**

- safety personnel. The bureau think sit might be able to use another public inspector
- additional filtration staffing.

**Impact to rates:**

Cecelia noted that the budget is one thing that effects rates but it's not everything. She reminded the board of the rate conventions and the categories of costs that have differing rate impacts to produce a 1% retail rate change. Mike W. asked for clarification on the capital costs convention and Cecelia said that removing \$17 million from the CIP; ongoing requirements for debt service come down.

Mike W. provided general feedback on the low-income income proposal. He has concerns that while the city attorney gave a strong opinion of why the multifamily provisions would be legally permissible, he has a long career is that using public funds and this is the type of activity that could land the bureau in the paper for unwise activities. He doesn't think there is a strong case for the eviction assistance. He urged the bureau to build in a strong evaluation component now to show anticipated positive impacts.

Liam said the bureau is considering it and will update PUB in January about how they are going to track each dollar of the program. He asked Karen if she would feel comfortable litigating the proposal and she said yes.

Colleen noted that it was evident the bureau put a lot of work into the documents and presentation and she noted her appreciation, especially the consequence of not funding something. She asked a clarification question about how the bureau prioritized. If the bureau were advised they could have 15 staff instead of 21 is the bureau position that they would take all 7 of the first priority and work their way down the packages? Gabe said yes. The packages are cohesive. Gabe said that initial request for 7 was higher but the result of the bureau's analysis and prioritization is that they are confident in that first priority.

Alice asked for clarification on the technical writer request (priority #5). As she reads it the bureau used to have a technical writer but they were assigned to higher priority work. Gabe said yes, they could have reclassified her to project manager for strategic plan, but we thought this was more transparent.

Ana asked for more information on the reduced safety request. Gabe said they are planning to wait on some of the safety activities because they haven't completed bureau discussions and decisions. They currently track training on excel and would love to integrate with the City program (City Learner). That program is currently being revised with an RFP going out for replacement. The bureau has decided to wait to see if the replacement would be something they could use and not need to create their own system.

Allan asked about the gap between OEHR and the request for the equity positions. Gabe said the bureau currently has staff assigned to implement the plan and a champion for each piece. However, no one person has the responsibility for that work or bureau wide coordination. They have tried to fill the gap with OEHR support that isn't working well. This equity manager would put Water more in line with other bureaus in the city. They could continue as is but would miss out on iterative improvements and incorporation of best practices.

Colleen said she's not sure if this is a question that can be answered but if the city has an Office of Equity and Human Rights, then why does every bureau need its own equity manager. She wondered why OEHR didn't take charge of equity as a whole. Gabe said this is something the bureau has grappled and she knows BES has as well. She said each bureau is different and much larger than OEHR with 9 FTE.

Ana added that with all items that the bureaus need to do to advance equity, there is no way OEHR could do it. This is going to be a very long transformation change to Portland that will take many years.

Lee said this is likely a policy decision; in some ways, the city is no different than multi-national corporation; our structure creates complications. He hears that the central unit creates the policies for the city; the operational units implement the work. He hopes that overtime those indirect positions would fade.

Scott said he really appreciated the amount of work that went into this material and presentation. He reiterated that the draft budgets at this point doesn't not include PERs, labor contracts, IA increase, PDX building. He thinks it's too early to make definitive decisions on component pieces without the big picture. He asked what's the percent of the budget is personnel. Cecelia said 60% is the personnel.

Scott is interest in knowing more about the additional tradeoffs of the different decision packages. He said some look like FTEs that are temporary; for example, the filtration FTEs. Once the bureau adds a permanent FTE, they don't go away. Is there a mix of contract and permanent staff that would meet the bureau's need?

Gabe said they've done some of that work. For example, for the emergency management work they decided to use contract staff.

Ted asked the bureau to clarify why the low-income package is not rated and Gabe said they wanted PUB's assistance to help refine it. They could rank it after its complete. For example, if the multi-family component is removed, they may rate the package lower than if it were in.

**VII. Operating Budget, Staffing, and Decision Packages, Bureau of Environmental Services**

Mike Jordan, Director and Ken Bartocci, Principle Financial Analyst, presented draft information about the Bureau of Environmental Services [operating budget](#), [staffing requests](#), and [decision packages](#). The bureau provided the preceding information as read-ahead information for the board and provided a [presentation](#) at the meeting.

Mike said BES approached things a little bit differently. He set the context for this budget request. Last year he talked about the trajectory of the bureau and how when he first came to the bureau they didn't know enough about infrastructure needs. They began condition assessment of all the different aspects of the system and found they didn't know the condition of \$2 billion of their assets. They are continuing to close the knowledge gap. Last year's narrative was that they gathered enough data to know the level of investment needed to make to repairs to the system and that story is really unchanged.

Ken then gave the members as overview of the bureau's process. They begin in September because they have a detailed process. The city doesn't typically start until November but the bureau wants to be responsive to PUB and that requires them to start before the city process. When they start early, they are doing so without guidance or the City's goals/priorities. Ken said they work within the parameters of inflation, rate impact, retail demand, wholesale revenues, and economic outlook. This year there were also new regulatory requirements to incorporate.

Ken said they attempted to model off of the Water Bureau's work as much as possible and reviewed the handouts. He said the operating budget handout provides a rough indicative look of where the bureau is with its request today. It includes the impact of DPs but doesn't reflect IAs, inflation, etc. The total net increase from FY 2017 to FY 2018 would be \$4.9 million which includes DPs. The FTEs requested are budgeted at \$115,000 each. That would be refined once the requests are loaded into the system. There is not perfect alignment of the presentation for the DPs, as in the Water presentation. BES is providing this information 4 weeks earlier than last year. The bureau has presented on decision package that reflects adjustments to the base which is different than they were presented last year.

Ken said at this point the bureau expects to request an annual rate of increase of no more than 3%. This includes inflation assumptions. If all the decision packages were to be approved, the rate portion of the annual rate of increase attributed to those packages would be 1.25% if applied to one year but significantly less overtime. The bureau will continue to refine their narratives. He cautioned the board to keep in mind that if there are large increases to IAs or other unanticipated developments, they would impact these estimates. In December, the bureau will work on narrative components of the budget. January is the technical side of the budget input and balancing, etc.

Mike said that in August, he gave guidance to group managers. At that point, they were very nearly complete with the strategic plan and he prioritized requests according to the strategic plan. The exception is the CIP and adjustments to the base. Mike said he would categorize this year's linkage of the budget to strategic plan as clunky but knows it will improve with time.

In October, the management team held a “budget summit” and recognized the need to extend the CIP increase “glide path.” One year ago, the bureau thought they could get there in 5 to 6 years, but have come to the logistical realization that going to be more like 10 years. The bureau needs to make organizational changes; business process changes, and technical changes. One of the challenges is that they don’t have total control over all the business process issues. He said that’s an important recognition for the bureau.

In November, the bureau leadership team met to agree on prioritization and reductions and to refine and finalize development of decision packages. They began with over 40 FTE requested in the first year; 100 over the next five years.

Mike talked about the Commissioner’s target for a combined rate increase and the Mayor’s focus on maintaining infrastructure and investing in maintenance.

Mike then provided an overview of staffing. In FY 2017-18 adopted budget included 572 FTE and 4 FTE were added in Fall BMP. The proposed package includes 21 FTE and 1 LTE.

He said the decision package that includes adjustments to the base is a large group. This is a new approach for the bureau and those adjustments will net to zero by the time they are done

He then said the decision package are grouped thematically around the 6 strategic plan goal areas and one for CIP planning and delivery. He said the bureau is at an inflection point with CIP Prep and the Strategic Plan. His instruction to the groups was to submit requests that are foundational to where the bureau is going and those that will change the nature of how the bureau does business. The packages are not presented in any order of priority.

**Package #1 Service Delivery (Net Total \$2.52 million):**

This includes a request for 8 FTE, 6 in Pollution Prevention. Some of the costs are operating and some are capital. Mike said these requests were driven by the volume of work and the bureau’s responsibility with plan review. Simple, permit load has gone up. The Spill Prevention and Citizen Response position is related to the inspection program. There were 617 new facilities added last year. The request also adds a position to help the one person that is in charge of the two plants, pump stations, and other facilities. Finally, there is a Lab position. The volume of lab testing has increased 60% and they haven’t added staff in 16 years.

Mike said the one-time requests are almost all vehicles. The bureau uses the double costs curves of maintenance costs and vehicle value—where they cross is the optimal time to replace. The request includes a big-ticket item of a \$400,000 crane.

**Package #2 CIP Planning and Delivery Improvement (Net Total \$1.48 million):**

This includes a request for 10 FTE; 7 in engineering; 2 in the watershed group; and 1 in the wastewater group.

Of the engineer positions, 5 would be devoted to the \$150 million needed work at CWTP and another \$100 at Tryon. One of those FTE would be dedicated to pump stations and another devoted to surface water. The other 2 positions in engineering outside of the wastewater plants would work on system and project planning. One of these would be an estimator.

The two watershed positions would be work on the Storm Water System Plan and condition assessment.

The wastewater position would work on condition assessment around the control room and the electric components.

**Package #3 Workforce Development (Net Total \$315,000):**

Mike said consistent input from staff is the need to spend more money on workforce development for current staff job and career development. This package includes 1 limited term position for training in the engineering group. This packages also includes money for space. The bureau did not lease enough space for current staff and not for forecasted increases in staffing. This includes \$150,000 for more lease space.

Lee asked, given the challenges the bureaus has over the next five, why is the training position requested as temporary. Mike responded that the bureaus doesn't have a cohesive program right now and that person would help determine that.

Ted asked if the training was about project management for the engineering group and Mike said project management is one component of this. However, the situation in dynamic Currently the bureaus doesn't manage projects in a way that would be considered best practice. Design and management are in the same person. Most utilities have separate office and let the designers be designers. He expects the bureaus will be requesting a Project Management office in the future. With some project already underway; it is a complicated transition. The training will involve project management and other components of managing contract staff.

**Package #4 Bureau Culture: (Net Total \$10,000)**

This includes no FTE. This request is to support the equity manager position authorized in the FY 2017-18 budget. The funding would be for outreach, conferences, and education.

**Package #5 Responsive Business Systems: (Net Total \$395,000)**

This includes a request for 3 FTE in finance and IT. Two of the FTE would be in business services for a financial analyst and a procurement assistant. The financial analyst would help with the bureau's budget compliance role Currently that role sits within the groups. The bureau needs more bandwidth to do that. The office hasn't added staff for ten years and actually reduced the team by two. The other is a procurement person. The third position in this request is for pollution prevention for data management help.

**Package #6 Community Relationships: (Net Total \$147,200)**

This includes no FTE. It includes a placeholder amount of \$400,000 related to the changes in assistance proposed as part of the Water Bureau's requested budget. It also includes a reduction of \$252,800 related to the Multnomah County Drainage District to accurately reflect the expected annual cost of about \$780,000.

**Package #7 Leadership in City Government: (Net Total \$20,000)**

This includes no FTE. The bureau is proposing trailers to accommodate equipment and supplies to examine buildings in the case of emergency needs. It would allow the bureau to help the city, not just bureau facilities. The request is for 2 this year and working for 6 total citywide.

Allan: asked why wouldn't the emergency management bureau ask for these resources and Mike responded the city is having a conversation if that is a priority and what structure is most effective: one centralized bureau versus having the resources spread out over the city.

Rob said this was like the conversation with equity manager and resiliency requests. When you have a city-wide mandate, each policy bureau has an interest but if the staff/resource report to your bureau, you can hold them accountable rather than having a central bureau bill you for something they may or may not provide.

Mike said that articulated a dilemma that the city is experiencing in multiple areas: HR, IT, purchasing, etc. Put that on top of a government that is very decentralized. There are many times it's unclear who leads the processes. His managers have responsibility, HR has responsibility, it's very unclear as an organization on accountability and authority.

Ana asked questions about the request for interns and Mike said the bureau considered making them technical staff. Cost is an issue but there is also value in having a farm team – it provides exposure both for the bureau and potential future staff. Allan added the limited duration staff also provides that opportunity and Mike responded that CBO has eye on limited duration staff which often transition to FTE requests.

Mike said prioritization would be available by the next meeting. The bureaus has 116 DPs and asked if the board like the way the Water Bureau did its prioritization. Scott recommended priorities and thoughts about hard line versus soft line.

Colleen said she liked what the Water Bureau did in terms of prioritization but hear the points about hard line and soft line; great job on narrative.

Rob suggested looking at the security issue. Many consider this to be a water issue because of the public health component but didn't want the board to overlook BES role as a public health agency as well. He wasn't suggesting a need for additional resources but has questions about how security is done for the remote sites. The Water Bureau has staff dedicated to it. HE suggested the potential damage that could be caused to \$1 million pump station. Mike said the bureaus telemetry system is quite good, but pump stations are vulnerable. The bureau has experienced challenges with homelessness. There are concerns for both the homeless and the personal security of bureau staff. There is currently an assessment being done city-wide. Steve Behrndt added that the bureau has hardened facilities and it's a question of how much risk are you willing to accept. The consequence for us is that some sewage goes into the river, but federally they aren't mandates to mitigate that risk.

Colleen added that overall rate increases since 2007 about 3 times inflation and strongly thinks this is an area of concern and one the board should consider as it evaluates all of the requests to increases in both bureaus.

**VIII. Public Comment**

There was no additional public comment.

--DRAFT--

The meeting adjourned at 6 PM.