PUB Questions
12-19-17

1. Often when proposed reduction targets are posed, it is typical that programs as a whole get prioritized. Another approach is to pose a scenario where all program areas and categories get a slight budget decrease. Given Rob's point today about setting a target for a rate increase equal to inflation or CPI, please explain why a 3% rate cap for each Bureau could not be spread across all programs, cost centers, etc., so the resulting reduction would occur more on the margins versus cutting programs whole cloth or making dramatic reductions in a few programs? For example, perhaps a few vehicles, travel, or such might absorb such a 3% cap leaving the program or other activity largely intact.

Answer: A more detailed review of this question was provided in the December 19 letter from the bureaus to PUB. At the outset, it is important to understand that a 3% cap would require a combined $10.3 million reduction in ongoing operating expenses by Water and BES. The Water Bureau would have to reduce its annual Operating budget by $3.4 million if the reduction is split 1/3 Water and 2/3 BES as is proportional with a typical bill. Water's annual operating budget is about $89.7 million. The reduction needed to achieve a combined 3% rate increase would represent about 4% of Water's annual Operating budget. This cannot be accomplished without significant cutting – eliminating a few vehicles or travel would not achieve this level of reduction.

Water's Operating budget of $89.7 million includes $53.4 million (60%) for Personal Services, $19.2 million (21%) for External Materials & Services, and $17.1 million (19%) for Interagencies. External Materials & Services are purchased materials and services that include utilities ($3.1 million), pipes, parts, tools and supplies ($5.5 million), bank fees, lab services ($5.3 million), professional and other maintenance services ($4.4 million), etc. Interagencies are services from other city bureaus for fleet services, facilities, communications, printing and distributions, risk, etc. Much of these services and costs are not at the bureau's discretion to reduce.

Unfortunately, because much of the operating budget includes costs that cannot be adjusted, a 4% reduction would require position cuts. In such a scenario, External Materials & Services and Interagencies reductions would be marginal. For example, there would be fewer phones, computers, fleet needed with fewer staff. With less staff, less work would be accomplished needing less parts and supplies. The impact of these position cuts would be reductions in programs and service levels.

At PUB's January 3 budget subcommittee, PUB members asked for a nuanced program breakdown and how limited cuts to each of them would impact operating reductions and service levels. The bureau is preparing this response for the January 9 PUB meeting.

2. For each bureau, assume the requested FTEs are reduced by 50%. How would each of the remaining FTEs be allocated among Bureau programs and activities? What reductions would be

made to programs/activities in 2018/19 for those programs that don't receive the new FTEs? Which activities might still be continued using temporary contract labor instead of adding city FTE?

Answer: PWB is requesting a total of 21 new positions. If PWB was authorized to include 11 positions, the positions would be allocated in the order of the priority ranking of the decision packages – 7 positions in the Water Treatment package and 4 positions in the Unidirectional Flushing package. The impact of the 10 positions that the bureau does not receive funding or approval on are as described in the decision packages. The Public Works Inspectors would continue to be contracted. Some contracted services will also continue to provide technical writing assistance but likely not all technical writing needs will be contracted or met.

The positions cannot be 'stretched' because the filtration regulatory environment requires work to proceed on a nine-year, nine-month schedule. Authorizing the positions now is necessary to direct planning and decision-making to meet that schedule. If any of the FTEs are cut, it means work in other areas beyond filtration would be cut, delayed or shifted elsewhere.

Likewise, the flushing positions are necessary to achieve the benefits of the corrosion and filtration treatment in the distribution system.

These two programs are driven by new regulatory compliance requirements beyond the control of the bureau. Fulfilling these requirements does not eliminate the need for the other requested decision packages.

3. The capital plan presented to the board included a long-term plan to incorporate the seismic resiliency work over 30 years instead of the state deadline of 50 years. Please explain why the bureau would chose to accelerate this work and how the funding requirements and rate impacts would differ between the 30-year and 50-year plans. What are the trade-offs between the two timelines?

Answer: The proposed seismic resiliency improvements are pre-disaster mitigation to reduce the risk to the population and speed recovery in the event of a hazard event. A more assured water supply will maintain regional viability following the disaster. Currently, the area served by PWB annually generates over $50 billion in Gross Regional Product, and FEMA estimates the value of water service at over $103/person per day. The water supply is a critical component of the infrastructure that needs to be in place to maintain economic activity. Hydraulic analysis of the backbone system shows that the existing system is unable to meet the service goals following a Mw 9.0 CSZ earthquake, and could potentially drain within minutes following the earthquake, due to the large number of predicted repairs to the system. The risk of stretching the seismic program out to 50 years is that the earthquake could occur before the work is complete.

The attached CIP presentation (slide 22) illustrates the percent difference between completing at a 30 or 50-year rate. The slide shows that the work will only be about 40% complete in 30 years at the 50-year rate. If the improvements are developed over a 50-year horizon the benefits of the mitigation will not be realized until nearly all the improvements are complete. For the 30-year completion, the average spending is $33.3 million a year between 2023 and completion in 2046, while the 50-year plan averages about $18.2 million a year between FY 2023 and 2065. The rate difference is roughly 0.5% to 1% each year.

4. The capital plan also included two paths related to the failure rate of the distribution mains and the bureau's investment in replacement. Please provide an updated analysis of the impact on failure and sustainability of the system if the increased investment in the program were to be delayed until 2030.

Answer: Because of need to comply with the new filtration treatment requirements, the current proposal does **not** significantly increase footage of main repair. There are approximately 140 additional breaks per year in 2030 expected by keeping the rate of replacement constant. This results an additional $232,000 per year O&M increase above what would be forecast if the pipe replacement rate was doubled. This is depicted with the difference in height of the blue bars in 2030 (slide 18), about 40 additional breaks per year between the two replacement rates.

By not increasing the rate replacement sooner, more than double the current replacement will be required between years 2030 and 2040 to begin to stabilize the number of expected annual break repairs.

Staff Requests/Decision Packages

5. Please provide job descriptions as available for the newly requested positions.

Answers: See attached.

Financial Assistance Expansion

General Comments and Questions:

• We still need a clearer picture of what it will cost, total rate impact, and what level of service/outreach it will provide.

6. The audit raised several questions about the connection between customer data and assistance provided. How did data about customers inform this request? How does this package address the equity concerns raised in the audit that using an across the board assistance amount (currently $150) regardless of the size of the bill or household, provides inequitable assistance? Has the bureau considered a percent of bill discount instead? Has the bureau done an analysis as to how this would change the assistance provided to individual customers and the effect on foregone revenue?

Answer: The audit recommended the bureau analyze existing data to inform any decision on potential modifications to the existing or expanding program. Although PWB already analyzes its data, the focus has been on the type of account as opposed to the individuals making up that category. For example, the bureau would consider how many accounts went to shut off in a particular category such as single family, multifamily or commercial accounts. PWB is pleased that the number of overall shut offs are trending down. With the additional proposed staff the bureau anticipates the capacity to do a deeper analysis of not only the broader category of a type of account that is being shut off but also the makeup of that account. For example, is this a first-time shut off or has the account been shut off multiple times; if the customer participates in the low-income program what is their level of income, etc. The focus will be trying to identify what the hurdles are to avoiding shutoff and what, if anything, PWB can do to lower them.

In the past, the bureau has considered a percent discount based on individual consumption versus a discount based on typical consumption. The bureau concluded at the time that a percent discount does not support the bureau's commitment to encouraging conservation. The bureau has not done an analysis on how this would affect foregone revenue as this was not the direction the bureau chose to take. By creating a dedicated low-income team, staff will be able to take a new look at many low-income program alternatives.

7. The audit also recommended that the bureau take steps to ensure that general information about payment assistance is easy to find and understandable. How are those concerns being addressed?

Answer: Although there are several locations online to find information on the bureau's financial assistance program, the audit specifically recommended that the bureau provide the link on its main page. This was completed upon release of the audit. The bureau has asked BTS to make changes to the city's general sites as well. The bureau is also creating an online application process. The application has been revised to make it easier to read and understand, as well as translated it into multiple languages spoken within the Portland community. The bureau has increased community outreach, mailers, and staff training. The requested positions will be tasked with reviewing data on how customers access programs to best invest in further outreach methods.

8. For the items that included estimates of cost provided at the subcommittee meeting, were those total costs or only costs to the Water Bureau? If the costs were the Water Bureau portion, what is the BES cost for each item?

Answer:

		Water			BES		
		FY17 Actual Discounts	Cost	FY19 Discounts Funded by Other Customers	FY17 Actual Discounts	Cost	FY19 Discounts Funded by Other Customers
A	Service Team		$182,000				
B.	Crisis Voucher Increase (3,000 customers)	$179,400		$120,000	$179,400		$420,000
C.	Income Guidelines at Local levels	$1,319,061		$324,900	$2,363,892		$588,000
D.	New Discount for Extremely Low Income	$0	$200,000	$457,000	$0		$825,000
E	Multi-Family Rent Assistance	$0	$200,000		$0	$400,000	
	Total LINC & Crisis Vouchers	$1,511,596		$901,900 (+60%)	$2,543,292		$1,833,000 (+72%)

A) Low Income Service Teams

9. What is the current call load of the customer service staff?

Answer: The Call Center averages 1,000 calls per day for 190,000 accounts (representing 640,000 customers). The expectation is that Call Center staff can answer any question posed of them or know where to direct callers. The Call Center performs other duties as well such as work return mail and answering mail and email inquiries.

10. What is the estimate of the percent of those calls that would be transferred to the low-income service team?

Answer: There are too many variables to be able to answer this question succinctly. Customers typically do not call for just one reason within a single phone call. A typical call could start out with "why is my bill so high", transition to "I need a payment arrangement" and ultimately resolve as a low-income qualification conversation. That single call could be correctly classified as a billing question call, a payment arrangement call or a LINC call. The current system does not specifically distinguish between the varying elements of each call and capture that data.

In addition, if the only change that took place was transferring existing low-income customers with no program enhancement to two other employees the percentage would be very small. The goal of the changes to the Low-Income program is to increase the level of participation which would increase the low-income related call volume. The importance of these positions is not the handling of the initial inbound calls, but rather the level of service the bureau can provide once staff have identified an eligible customer.

11. What is the basis for recommending two new FTE rather than dedicating existing staff?

Answer: There will be a different level of expectation for the two new positions. While existing staff is required to know a certain level of information about a wide variety of Water Bureau topics, the new staff will have significantly specialized knowledge of the bureau's low income services and function as a decided resource to customers. In hiring, the bureau will look for candidates with expertise and experience working with underserved populations, seniors, and low-income populations.

This design is analogous to Customer Service staff answering basic questions about water quality issues but transferring customers to the bureau's dedicated water quality water line if they request more substantial or in-depth information. In addition to providing low-income customer support, the two new FTE will be responsible for working with community partners, performing data analysis, and other responsibilities.

12. If 2 new staff are approved, why would the exiting number of customer service-staff need to remain the same with decreased work-load?

Answer: The Water Bureau has 190,000 accounts. The LINC Program has fewer than 10,000 participants. To transfer these calls from the Call Center to a LINC group is not a question of volume but rather a question of quality time available to solve more complicated and time-consuming issues.

13. Please provide the framework for the database mentioned during the Low- Income Subcommittee meeting. How will this information specifically be used to refine assistance programs?

Answer: The current iteration of the database includes all the fields completed by low-income discount applicants. These include source of income, income level, and household size. The bureau also can overlay other data from Cayenta such as consumption and shut-off records. In its current form, the spreadsheet provides a point-in-time snapshot of low-income customers, but upon the launch of the online application, the bureau will merge this data with the incoming data from the new application process, which will include race and ethnicity. How the bureau further refines the existing program will be determined by the incoming data trends.

B) Crises Voucher Increase

14. The submitted proposal in the decision package is to increase the crises voucher from $150 to $300. In the Low-Income subcommittee, Liam provided data that the increase to $300 roughly corresponded to increases in fees since the voucher was last raised. An alternative proposal was to increase the crises voucher to $500. This proposal didn't appear to be connected to customer use data or demonstration of need. Please provide that information or how the $500 proposal was created.

Answer: The state, through the Oregon Energy Assistance Program (OEAP), offers up to $500 in crisis assistance for low-income households that have accrued energy debt. This assistance is offered by the bureau's service providers. In meetings with service providers/community organizations, bureau staff heard that aligning the value of the City's voucher with OEAP's would provide the flexibility service providers need to serve their clients that owe more than $150 to PWB and BES. It is important to remember that the voucher can only cover debt, and does not provide a credit.

15. Concerns were raised in the subcommittee meeting that raising this across the board without a connection to need or bill amount also seems in contrast to the audit recommendations to use individual customer data to refine assistance. How does the proposal address these concerns?

Answer: Customers are not entitled to $150, but up to $150, depending on the crisis and the amount that the customers owes. In this sense, the crisis voucher is not only connected, but restricted to individual need. Raising the value of the crisis voucher to $300 is based on combined rate increases relative to customers who are mainly on fixed incomes. Applying the combined rate increase to the crisis voucher from 2006-2017, the value would be raised $150 to approximately $290. In meetings with service providers/community organizations, bureau staff heard that to fully address the needs of different communities the value of the crisis voucher should be increased. Additionally, while shut-offs overall have significantly decreased over the past five years, the proportion of shut-offs that are low-income customers remains the same. The data suggests that when low-income customers are faced with a water shut-off, they do not have the means to pay their debt. Increasing the voucher is one component in reducing the shut-off rate for low-income customers. The bureau recommends raising the voucher to $300 and analyzing the data on an on-going basis.

16. The information provided to the subcommittee assumed 3,000 people would participate. How was that number determined?

Answer: Historically, PWB has budgeted for a 5,000 crisis vouchers annually, while currently serving under half of that number. Considering that the number of recipients has trended downwards, it is appropriate to budget for lower participation. However, with more targeted outreach, stronger relationships with community organizations, a higher income-qualification threshold and greater visibility, the bureau will need to budget for current participation trends, as well as acknowledging the likely increase in participation.

C) Income Guidelines to Reflect Local Incomes

17. There is currently no estimate of how changing this guideline would affect participation or foregone revenue. Please provide those estimates.

Answer: Expansion of the income guidelines only impacts households of 1-4 people. Based on the "INCOME IN THE PAST 12 MONTHS (IN 2016 INFLATION-ADJUSTED DOLLARS) 2016 American Community Survey 1-Year Estimates" report on the U.S. Census website, the bureau determined that approximately 1,500 additional households would participate. This assumption is based on current participation rates for the expanded eligible households. The bureau currently plans for 10,000 low income participants annually, so a revision to 8,000 participants (6,600 currently + expansion), would result in a $433,200 decrease to foregone revenue.

D) New Discount for Extremely Low-Income Customers

18. There is currently no estimate of how this new discount would affect participation or foregone revenue. Please provide those estimates.

Answer: There are currently 3,515 households that would qualify as extremely low income. Expanding their discount from 50% to 80%, assuming a typical bill, would result in a $456,936 increase to foregone revenue.

The impact of revising budgeted participation rate and revising income guidelines results is a nominal increase (approximately $24,000) to foregone revenue.

19. By how much does the bureau think this will reduce annual shutoffs? Has the bureau analyzed what portion of shutoffs currently are for customer in this very low-income band?

Answer: Just under ten percent of all shutoffs are estimated to occur in the extremely low-income bracket. This proposal is based on providing equitable service to all customers. The current affordability standard established by the EPA is based on the average cost of water and sewer services as related to the median household income (MHI). The EPA sets the affordability threshold at 4.5 percent of household income. The combined utility rate compared with Portland's MHI is 2 percent. However, when this metric is applied to the lowest-income customers the result is 8 percent. An 80 percent discount for the lowest-income customers would adjust the ratio to approximately 1.7 percent of their incomes.

E) Multifamily Rent Assistance

20. Please provide more information on how the multi-family crisis assistance program passes the 'Anderson test.'

Answer: Deputy City Attorney Karen Moynahan has provided this response:

The program is consistent with the Judge's decision in the *Anderson v. City of Portland* lawsuit because the payments from the ratepayer fund will be used to occasionally relieve City water consumers from a portion of their water bill. Because the water funds will be used to help multifamily dwellers pay for their water (albeit indirectly), the use of ratepayer funds is authorized by the Portland City Charter.

In the ratepayer lawsuit, the Court ruled that, to be authorized by the Portland City Charter, the use of ratepayer funds must be reasonably related to the provision of water and sewer services. The Judge's ruling on SDC waivers is directly analogous to the proposed Multifamily Rent Assistance program. In 1999, to encourage the construction of affordable housing, Council agreed to waive the water SDCs that it would otherwise charge to developers who were connecting to the City's water system. Subsequently, Council decided to also waive SDCs for the construction of accessory dwelling units. In the *Anderson* litigation, Plaintiffs argued that the SDC waivers violated the City Charter restrictions on expenditures from the water fund because they were made with the goal of increasing affordable housing. Thus, Plaintiffs argued, the "expenditures" were not related to the provision of water services. The City's position was that the SDC waivers were not "expenditures," so the Charter limitations on Council's authority to spend ratepayer funds did not apply; and that even if SDC waivers were treated as expenditures, the waivers are reasonably related to the provision of water services.

The Court disagreed with Plaintiffs' contention, concluding that "[e]ven if the Charter limitations on expenditures from the water fund apply to the SDC waivers—an issue the court does not decide—the Council's decision to waive those fees is related to the city's water's services because the charges would otherwise be imposed to connect the structures to the water system." The court further concluded that the "fact that the decision to waive SDC charges for certain developments was designed to serve an additional public policy goal—encourage the construction of more affordable housing—does not make it unrelated to water services."

Applying the court's ruling on SDC waivers to the instant matter, the Water Bureau's proposal to provide water and sewer bill reimbursements to tenants in multi-family buildings is authorized under the City Charter. The Water Bureau is proposing to reimburse qualified tenants out of the water fund, which may or may not be considered an "expenditure" of ratepayer funds. Viewed conservatively as an expenditure for the purposes of this analysis, the reimbursed funds are related to the provision of water services because they are being disbursed to assist tenants in paying their water and sewer bills, which they pay indirectly through their rent. In fact, if these same qualified utility consumers resided in single-family dwelling, they would be entitled to water and sewer bill credit because they would receive a bill from the City under its bill relief program. Therefore, the proposed program passes the Anderson test because the use of ratepayer funds to assist tenants with their rent, in an amount that is calculated to relate to a certain average water use, is reasonably related to the provision of water services.

21. If asked, can you track the $500 assistance backwards to water bills or forward from Home Forward to community organizations to renters.

Answer: Determining low-income assistance based on the consumption of a specific building is not feasible due to the inherent administrative costs. Instead, the assistance amount (up to $500 annually), is based on the average annual water and sewer consumption in a multi-family unit in the City of Portland. The bureau's current low-income discount is based on the median single-family household consumption, and not actual consumption.

22. The estimate of the multifamily households that would receive assistance is 1,200. This is the same number currently served by Home Forward as presented at the subcommittee meeting. Would this proposal increase the number of people receiving eviction assistance or would it increase the amount of assistance received by the same people? If it increases the amount of assistance for the same number of people, what data do you have that supports the need for an increase in the amount of assistance provided?

Answer: Considering that each rent assistance case is unique with multiple factors, some cases will be supplemented by utility assistance, and some will only require bureau funds. While the amount of bureau funding for each case will vary, no case will receive more than $500 of bureau utility assistance in one year. PWB will track and analyze this data, as well as other data, and make appropriate adjustments upon review with Home Forward at the end of the first year of implementation.

23. Several members have raised concerns about how the costs for this assistance which would benefit a small number of residents would increase the cost burden on the low-income residents who do not receive assistance. How has the bureau addressed this concern?

Answer: The additional cost of funding multi-family assistance would be spread across the entire customer base, and not exclusively to multi-family buildings. The additional combined cost of this proposal is $600,000.

24. Members also raised concerns about setting performance metrics for accountability. How are those suggestions being incorporated?

Answer: The Customer Services Director and the new Low-Income Services Program Manager will establish performance metrics for the effectiveness of low-income services improvements overall (not exclusively multi-family assistance). Accountability for multi-family crisis assistance is woven into the existing agreement between Home Forward and the City and County. The bureau is currently developing its own IGA with Home Forward based on these requirements. The bureau is currently identifying *Anderson*-related requirements, e.g. requiring bureau funding only be used in the bureau's service areas; ensuring that the assistance is used solely for rent; and requiring that a client's lease enumerates that utility costs are included in the client's lease with their landlord.

25. Will there be money provided to Home forward for administration of the assistance? How much will that be, how is the amount determined, and what will the source of the funds be?

Answer: The bureau is currently working with Home Forward to determine the need for administrative funding. Any funding dedicated to administration costs will not be ratepayer funded.