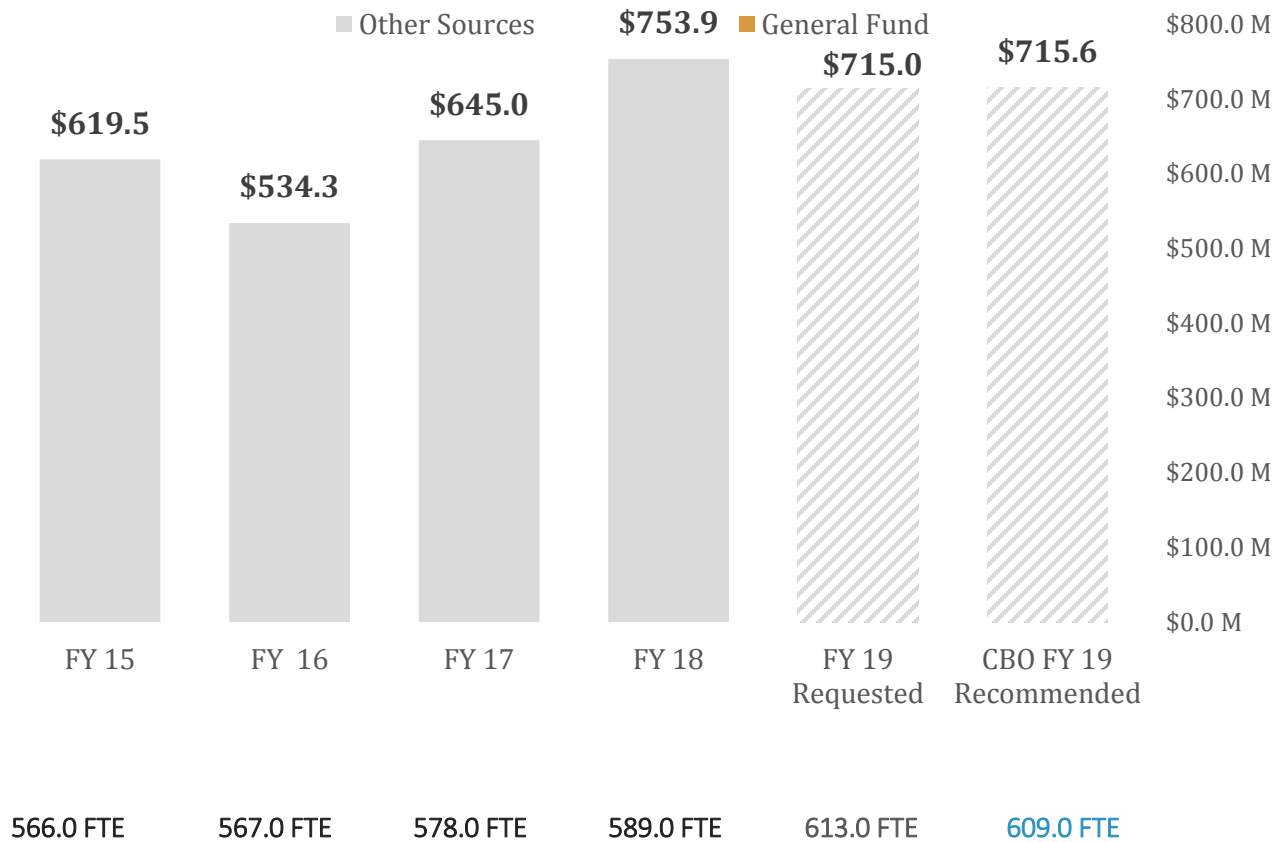




Portland Water Bureau

Analysis by Shannon Fairchild

Adopted Budget Resources: 5-Year Lookback



INTRODUCTION

The Portland Water Bureau (PWB) requested budget includes \$100.8 million in operating and maintenance expenses and \$136.7 million for capital expenses for FY 2018-19 for a total budget request of \$237.5 million. This is a 17% increase from the FY 2017-18 Adopted Budget of \$202.7 million.

There are 9 decision packages that include requests for 21 additional FTEs. CBO recommends 17 positions.

There is one decision package that requests \$1.2 million from the General Fund for preservation work at Mt. Tabor. City Council approved a resolution in 2015 to spend at least \$4.0 million over four years for the project. CBO recommends General Fund capital set aside funding for this request. There is also a request for

\$225,200 in ongoing General Funds for parks maintenance. Finally, Portland Parks & Recreation proposed a reduction of funding for the City’s 19 decorative fountains; however, rather than discontinuing operations of the fountains, CBO recommends that fountains be funded with water rate revenues.

Rate Forecast

The Portland Water Bureau (PWB) has requested, as part of its FY 2018-19 budget, a rate of increase of 8.90% for the typical single-family household. This amounts to a bill increase of approximately \$3.21 per month or \$9.63 per quarter (utility fees are billed on a quarterly basis and only about 12% of customers opt for monthly statements). Combined with the Bureau of Environmental Services’ requested rate of increase of 3.00%, the typical single-family household would experience a 4.97% increase for a total combined monthly bill of \$113.34 or \$340.02 quarterly in FY 2018-19.

PWB’s FY 2018-19 rate of increase is 2.2% higher than the 6.7% rate of increase projected in the bureau’s financial plan submitted during last year’s budget season. The higher retail rate increase is driven primarily by the addition of the filtration project. PWB projects a 7.4% rate of increase over the next four years, as illustrated in the table below.

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<i>FY 2019-23 Plan</i>	8.9%	7.4%	7.4%	7.4%	7.4%
<i>FY 2018-22 Plan</i>	6.7%	6.7%	6.7%	6.7%	

To achieve parity with the rate forecast analysis in BES’s budget review, CBO used the consumer price index (CPI-U) and BES’s KPM “typical household bill as a percentage of median household income” to analyze both the Water Bureau’s portion of the bill and the combined utility bill. The consumer price index (CPI-U) forecasted by the Bureau of Labor Statistics is 2.76% in FY 2018-19 which is approximately 6% less than PWB’s 8.9% rate of increase in FY 2018-19. In the four subsequent years of the forecast, PWB’s rate of increase exceeds the forecasted CPI-U by an average of 4.6%. Together, with BES’s 3.0% rate of increase over the next five years, the combined typical single-family household bill is expected to increase by 26% between FY 2018-19 and FY 2022-23 compared to 14% if the bill increased at the same rate as inflation. This means that the typical single-family household will pay approximately \$140 more for its quarterly combined utility bill (\$560.66 annually) than if the bill increased by the forecasted CPI-U.

The measure – typical household bill as a percent of the median household income – shows increases for PWB’s portion of the bill relative to median household income growth over the last decade. When combined with BES’s portion of the bill, the utility bill is approximately 2.1% of median household income in Portland in FY 2018-19. Compared to white households, communities of color—particularly black households in Portland—devote a higher portion of their household income to the combined utility bill. For example, black households currently spend approximately 4.1% of their household income on their water, wastewater, and stormwater bill compared to white households which spend about 1.85% of their household income. The FY 2018-19 requested rates of increase would increase the portion of income spent on utilities to about 4.2% for black households and 1.88% for white households. The Water Bureau’s requested budget includes additional resources to targeted communities most affected by rate increases which are discussed later in this review.

Rate increases are driven by many factors. As indicated in the table below, filtration, other capital projects in the bureau’s portfolio, and the Portland Building renovation are the biggest rate drivers in the forecast. Further, escalation factors like personnel costs and material and utility costs will increase rates 2.7% in FY 2018-19 and between 2.8% to 3.4% in the other years of the forecast. PWB plans to issue revenue bonds on average every 12 months through FY 2027-28. About \$91.9 million in revenue bonds are next scheduled for sale in December 2018. Proceeds totaling \$489.9 million are to be used to fund capital costs in the five-year period. Debt service for the bonds are primarily financed through rate increases.

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2022-23
Maintain Current Service Level	2.70%	3.40%	2.90%	2.80%
Fund Balances Surplus	-2.10%			
Wholesale & Other Revenues Updates	-0.50%	-0.30%	-0.10%	-0.10%
Operating Budget Adds	1.30%			
Portland Building Renovation			2.90%	
Filtration	2.20%	2.20%	2.20%	2.20%
Capital Program	6.90%	3.20%	0.40%	0.80%
Rate Stabilization Fund (RSA)	-1.60%	-1.10%	-0.90%	1.70%
Rate Increase	8.90%	7.40%	7.40%	7.40%

PWB will contribute to its Rate Stabilization Account (RSA) to smooth rate increases in FY 2018-19 through FY 2022-23. The projected year-end balance in FY 2018-19 of the Rate Stabilization Account is approximately \$40.0 million. PWB plans to increase

the account to approximately \$80.0 million by the end of the forecasted period. The bureau will continue to increase the fund until FY 2025-26 when it begins to draw down funds to mitigate rate increases from the filtration project.

Changes to the Operating Budget

PWB's requested operating budget is forecasted at \$100.8 million which is a \$5.5 million or 5.8 increase compared to the FY 2017-18 Adopted Budget. The requested budget includes nine decision packages, totaling approximately \$3.5 million. Of this, \$2.1 million (21.0 FTE) would be funded by water sales revenue. The remaining increase is due largely to inflationary increases that includes COLA, salary step increases, the new DCTU labor contract, and employee pension and health costs.

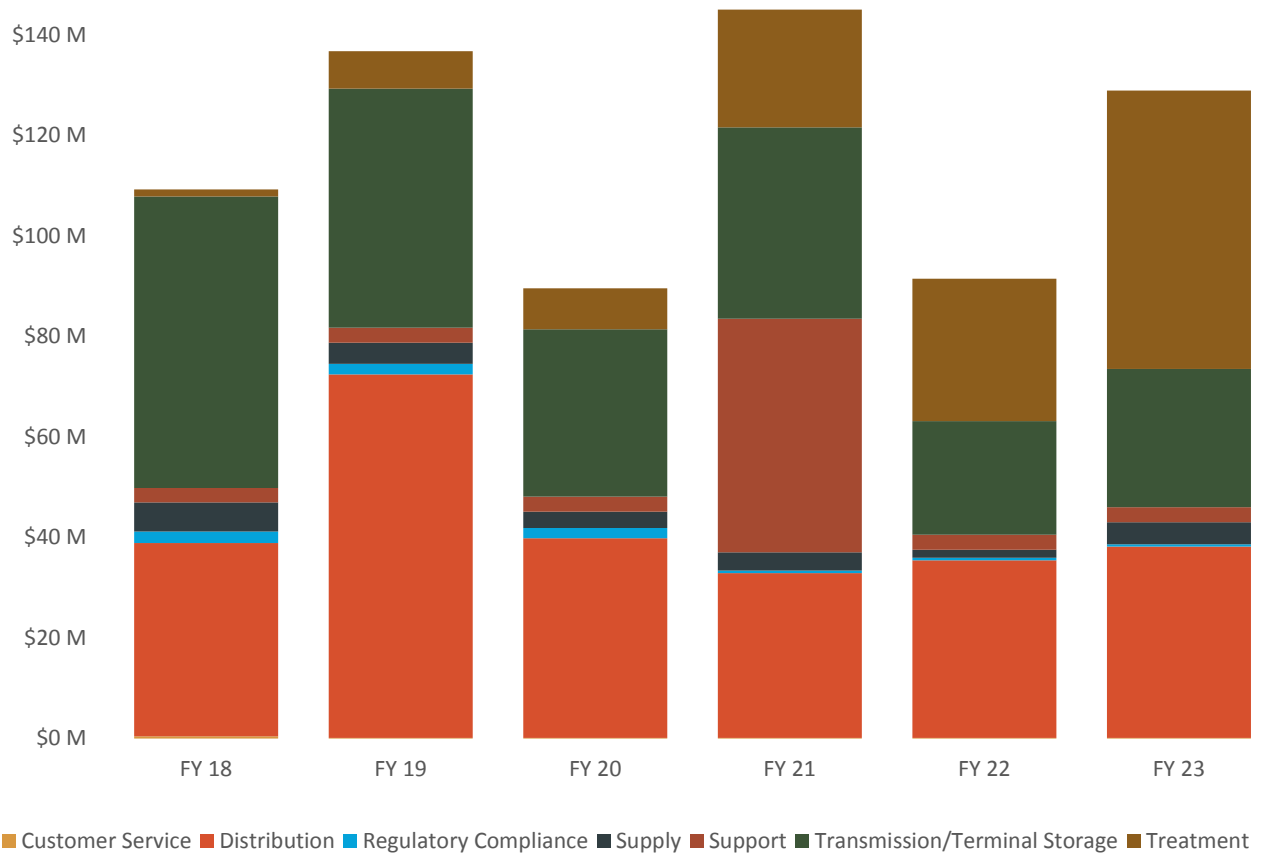
Current Five-Year Capital Improvement Plan (CIP)

The bureau's requested budget includes \$596.6 million in capital expenditures over the next five years. This capital plan includes several large projects driven by federal and state drinking water regulations, improving the resilience of the water system, and replacing assets that are at the end of their useful life.

The largest investment in the capital plan is in the Distribution Program. It makes up 37% or \$218.4 million of the five-year CIP. The Willamette River Pipe Crossing is approximately 21%, or \$46.6 million, of the Distribution Program's five-year budget. Other projects in this program include repair, replacement, and rehabilitation of pump stations, tanks, and distribution mains. The Transmission and Terminal Storage Program represents 28% or \$169.0 million of the bureau's five-year CIP.

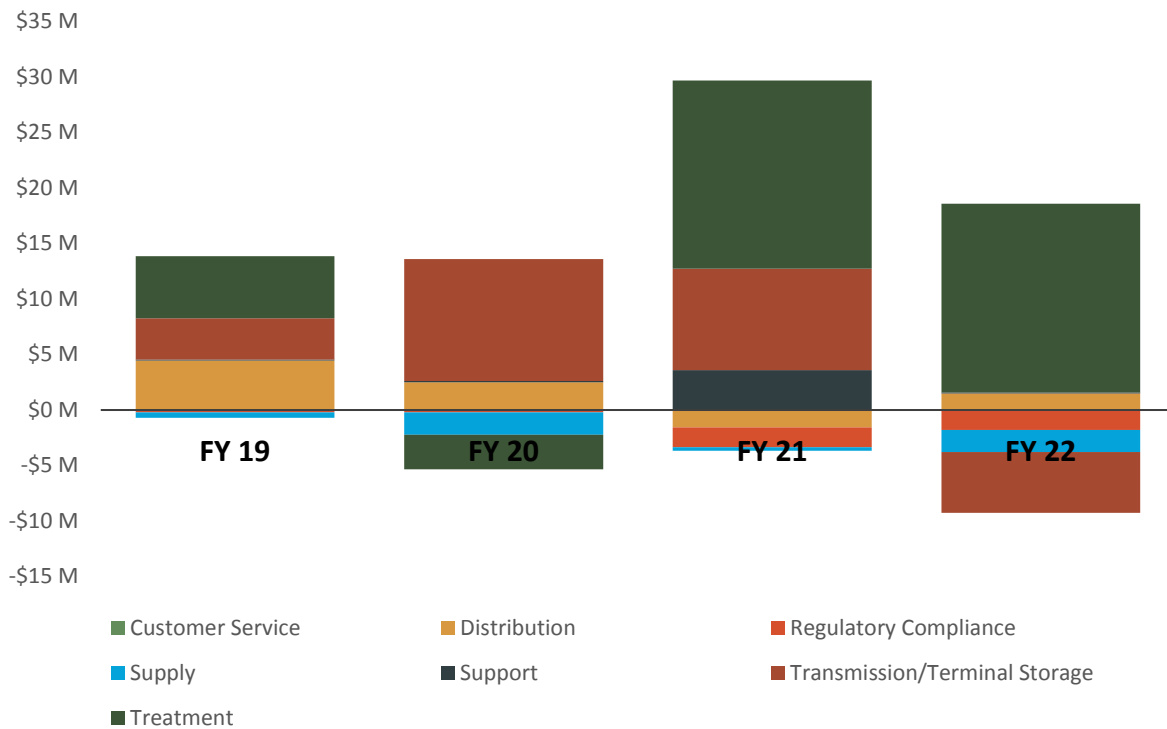
Approximately \$100 million or 59% is for the construction of a seismically resilient water storage reservoir at Washington Park Reservoir 3. Furthermore, the Treatment Program is \$127.6 million or 21% of the five-year total CIP. Of this, \$108 million is for the filtration plant and \$19 million for corrosion control improvements. The combined total for both projects is approximately \$520 million, the majority of which will be reflected in future capital improvement plans.

The Five Year CIP reflects spending for several large capital projects:
 Willamette River Pipe Crossing, Washington Park Reservoir, Corrosion
 Control and Filtration



Compared to last year’s requested CIP, several changes resulted in an increase of \$78 million or a 13% increase. A majority of this increase is the result of filtration. A comparison of the four common years of the CIP shows an almost \$36.5 million increase in spending for the Treatment Program (i.e. filtration), \$18.4 million for Transmission and Storage, and \$6.8 for the Distribution Program. Together there was an approximately \$8 million reduction in the Regulatory Compliance and Supply Programs.

The Filtration Project accounts for biggest change from last year's CIP

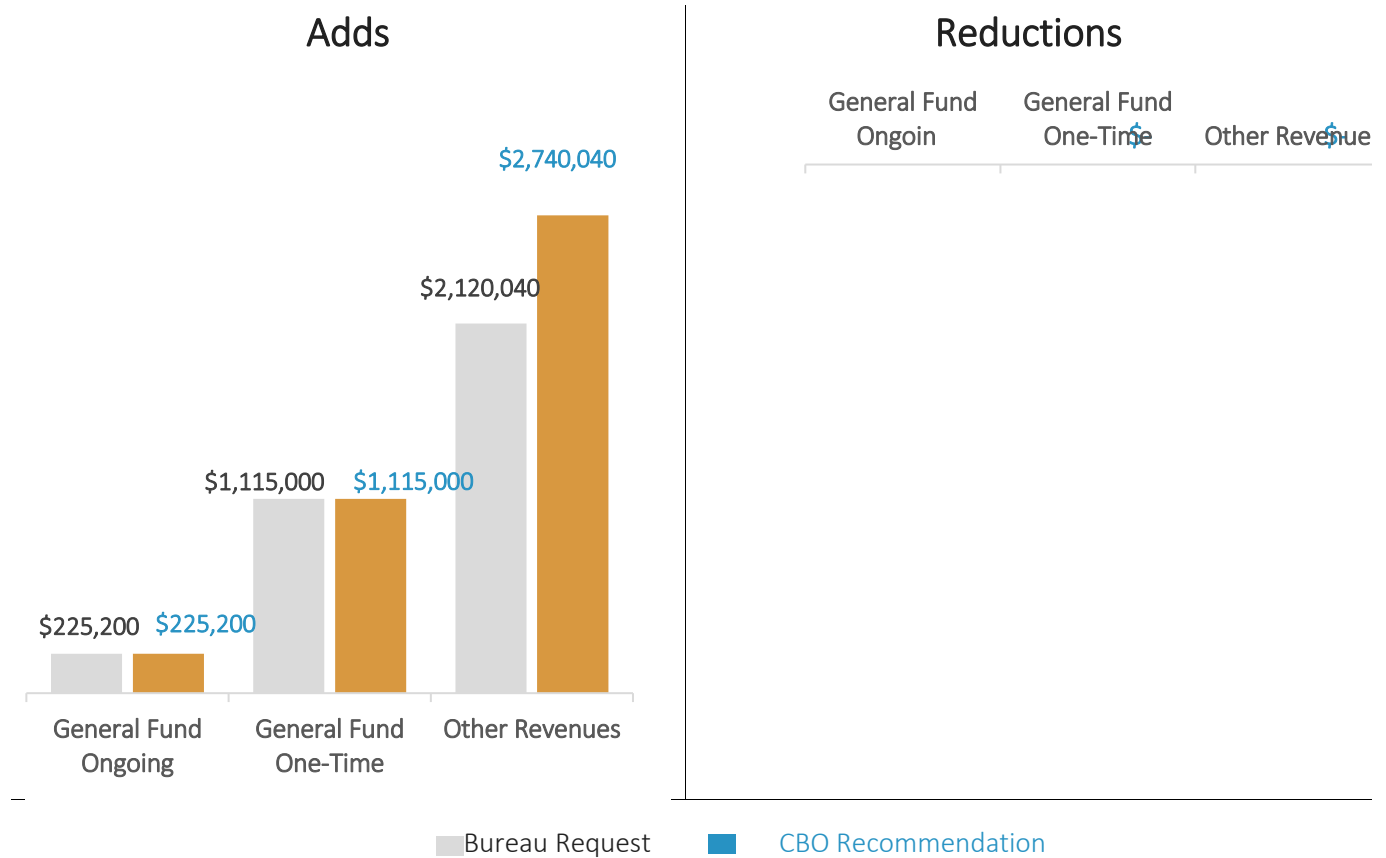


The requested budget includes eight projects that are new to the capital plan with estimated costs of \$132 million over the next five years and more than \$528 million in total new project costs. More than 80% of the costs over the next five years, and almost 95% of the total costs for new projects, are due to filtration. Roughly 20% of the costs for filtration would occur in the next five years. Five new projects totaling \$3.8 million for FY 2018-19 are for improvements in the distribution system. Improvements to the Howell-Bunger valves are estimated to begin in the last year of the five-year plan. Several capital projects included in last year's five-year CIP have been removed. These include the generator improvements and replacement of the chlorine scrubbers at Headworks, improvements to the Sandy River Outfall, and improvements at Vivian Groundwater. In total, those projects were estimated to cost \$3.8 million over fiscal years 2017-22 in the FY 2017-18 Adopted Budget. PWB will reconsider the priority of those projects in future capital plans. Finally, costs for corrosion control are included as a new project in the FY 2018-19 requested CIP but previously included in last year's requested plan in unallocated "treatment" costs.

New Projects by Area in FY 2018-19 Plan

Program	Project	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	5 Year Total	Total Project Cost	Confidence
Distribution	NE 47th & Columbia	89,000	-	-	-	-	89,000	1,400,000	Moderate
Distribution	NE Wheeler Basin Rel	55,000	-	-	-	-	55,000	832,000	High
Distribution	Outer Powell Trans	1,749,000	60,000	-	-	-	1,809,000	1,974,000	Low
Distribution	SCADA System Upgrade	1,136,000	250,000	-	-	-	1,386,000	1,136,000	Low
Distribution	Sunnyside Sewer Rec	790,000	90,000	-	-	-	880,000	1,077,000	Low
Supply	Howell-Bunger Valve	-	-	-	-	273,000	273,000	1,647,000	Low
Treatment	Water Filtration	5,590,000	6,500,000	21,060,000	19,890,000	55,120,000	108,160,000	500,000,000	Low
Treatment	Corrosion Control	1,820,000	1,601,000	7,105,000	8,330,000	150,000	19,006,000	19,961,000	Low
Total		11,229,000	8,501,000	28,165,000	28,220,000	55,543,000	131,658,000	528,027,000	-

DECISION PACKAGE ANALYSIS AND RECOMMENDATIONS



21.0 FTE Requested

17.0 FTE Recommended

0.0 FTE Requested

0.0 FTE Recommended

Water Treatment

WA 01, \$350,688 7.00 FTE

This package requests seven permanent positions to support the planning, design, and construction of a water filtration facility. The additional staff will help the

Water Bureau complete the required work to meet the 2027 deadline imposed by Oregon Health Authority (OHA). Planning and design for the facility is expected to take five years and construction is estimated to take an additional five years.

The estimated FY 2017-18 filtration project expenditure is \$910,000. It includes a combination of portions of eight permanent staff, who are fitting the work into their existing project portfolios, in addition to contract support. The FY 2018-19 project budget increases significantly to approximately \$5.6 million, \$5 million of which is budgeted for external material and services for consulting services, and \$600,000 in personal services. In FY 2018-19, the planning and land use will begin and last for two years. In FY 2019-20, a one-year pilot study will inform the design of the facility. Construction is anticipated to begin in FY 2022-23.

Four of the seven requested FTE (the Principal Engineer, two Engineering Associates, and Program Coordinator) will augment existing staff and consultants on the project team. Both these technical and non-technical positions will support the planning, design, and construction phases of the filtration and corrosion control improvements.

The Management Analyst request adds a position to the Contract Administration Branch of the bureau. PWB asserts that the filtration project will need a full-time position to support the increased number of procurements, reporting, and invoicing. The bureau is already experiencing increases in this work.

Finally, the two operator positions are needed to oversee the day to day operations and maintenance of the treatment plants. Two positions are needed in the near term to augment the existing pool of operators so the bureau is better positioned to support bench and pilot testing for the filtration facility, Corrosion Control optimization, and duties at Headworks and Lusted Hill. Increased corrosion control treatment and the planned facility needs to be operational by 2022 which will include chemicals and technology new to the bureau and will require upfront operational training.

Adequate staff resources are needed given the undertaking the bureau has before it with both filtration and the corrosion control improvements. The design and planning phases of both projects will require increased staffing for a limited time. CBO recommends these positions but encourages the bureau to consider this as a potential area to decrease long-term personnel costs by using contract services where possible.

CBO Recommendation: \$350,688 | 7.00 FTE

UniDirectional Flushing

WA 02, \$443,854 5.00 FTE

This request is for 5.0 FTE to support the bureau's unidirectional flushing team to complete a system wide flush prior to the implementation of the increased

corrosion control improvement. CBO notes that this is the second year the bureau is making a request for FTE to support this work.

UniDirectional flushing (UDF) is a method for cleaning water distribution pipes. Left in the system, sediment, biofilm, and deposits in the pipelines can reduce the effectiveness of disinfection treatment and potentially foster the growth of microbes. UDF can improve water quality by flushing those from the system. This is particularly important for an unfiltered system like Portland's, where spot flushing has been used as a key mitigation strategy when water quality issues are observed. UDF is also used to identify broken valves and improve hydraulic capacity.

The bureau's UDF program is staffed by a Water Quality Supervising Engineer (approximately 20% of time is spent on UDF), a program coordinator (Engineering Tech III), a UDF Field Service Mechanic (Water Operations Mechanic) and a combination of temporary staff assigned to the unit when one is available (i.e. a community services aide (CSA) or other utility worker positions). The flushing is done by a crew of two people--the UDF Field Mechanic and a temporary staff person that is available to help.

The number of miles the bureau's UDF program flushes each year varies by geography and system priorities. Currently, areas identified for flushing are based on water quality needs. The bureau estimates it would take about 10 years to flush the entire system with three two-person teams. CBO notes that this is a rough estimate based on both the bureau's own experience and that of other utilities. To flush the entire system prior to the corrosion control improvements coming online, the bureau plans to augment the team with temporary staff. The bureau also makes a cost-effective argument for flushing, i.e. flushing will result in fewer chemicals used, however, the cost savings are not compelling.

Overall, CBO is supportive of expanding the UDF team. CBO has some concerns that adding five FTE will be a rather big lift for the Supervising Engineer and Program Coordinator to manage this new program. Despite these concerns, CBO recommends the five positions.

CBO Recommendation: \$443,854 | 5.00 FTE

Workforce Management

WA 03, \$176,250 3.00 FTE

This request is for three FTE (2 Public Inspectors and 1 Safety Officer) to address workforce management needs.

- Safety Officer

This position is for a Safety Officer in the Operations group of the bureau. Currently, the bureau depends on the 5-person Safety Team from a different group – the Maintenance and Construction – which is responsible for meeting the risk and safety needs of the 150 FTE across both the Operation and Maintenance and Construction group.

The Operations employees routinely works in high hazard situations that include high voltage electrical, fall hazards, and confined spaces such as elevated tanks. This work is specialized and requires continual training to perform it safely and in compliance with Oregon OSHA workplace safety requirements. PWB states that the Safety Team from the Maintenance and Construction Group do not have the capacity to serve both its own group as well as the unique needs of the Operations Group approximately 120.0 FTE.

This position will be work on the Risk Management Plan, which is currently out of date and is required by state regulations. The bureau states that the Risk Management Plan is especially important at Headworks due to the amount of chlorine stored on site and creating SOPs for activities such as working on dam assets. This position will also conduct an assessment for the trainings staff need to meet state requirements as well as create a process to track those trainings and ensure completion.

Given the importance of maintaining a safe work environment and the short-term and long-term needs for this work, CBO recommends this position.

- Public Works Inspector (2 FTE)

This part of the request is for two Public Works Inspectors to support the construction of CIP project improvements to the distribution system. Currently, the bureau has one Public Works Inspection Manager, five Senior Public Works Inspectors, and two Public Works Inspectors. These positions are within the Engineering Group at the bureau.

During peak work times, the bureau augments its inspectors with contracted inspectors. The bureau points to the number of hours worked by contract inspectors over a four-year period to demonstrate the need for two additional permanent public work inspectors. Based on the number of hours contracted by the bureau compared to a permanent FTE, the data supports the need for a specialty inspector, assuming the need for this type of work continues. Using the same methodology, there is not as clear a need for a general inspector. While there is evidence from the last year that the hours contracted per inspector is increasing, the general inspectors have worked less hours than a typical FTE in the previous three of the four years. Given this, CBO recommends the bureau continue to augment with contract staff to meet its general inspection needs. If the number of contracted hours continues to increase for the general inspector, the bureau should request the position in a future budget request.

CBO recommends the Specialty Public Works Inspector position.

CBO Recommendation: \$176,250| 2.00 FTE

Asset Management

WA 04, \$281,228 2.00 FTE

This request is for two FTE to support PWB's development and implementation of asset management practices.

- Water Loss Program Manager, 1.0 FTE

This request is for a position to develop and implement the bureau's water loss control program. This is the second year the bureau is requesting this position.

In 2016, the bureau completed a Water Audit and Strategic Loss Control Plan. The plan included several recommendations to improve the reliability and confidence in water loss data and to help manage water losses in the water system. The State also requires PWB to submit a Water Management and Conservation Plan every five years. The plan includes reporting requirements on water loss. The updated annual audit estimated the costs of real and apparent water loss was between \$2.7 million in FY 2014-15 and \$2.9 million in FY 2015-16.

Over the past year, the bureau has used existing resources to collect data on water loss. In addition to continuing these efforts, there is a need to conduct analysis on the data to identify and prioritize maintenance activities. CBO appreciates the new emphasis on the analytic aspect of the position so that the data collected informs decision-making. By having a person assigned to this work, findings from analyzing the data and the audit's recommendations are more likely to be implemented. That said, the updated audit identifies investments that can move forward (investing in new equipment for leak detection and metering) regardless of this position being filled. CBO recommends the bureau identify a performance measure to track the effectiveness of the program. CBO recommends this position.

- Reliability Centered Maintenance (RCM) Management Analyst, 1.0 FTE

This request is for a position to implement RCM practices in maintenance operations group at the bureau. RCM is a maintenance strategy that is implemented to optimize the maintenance program. The bureau states that RCM is used in parts of the bureau, with the greatest progress made at pump stations. Relative to other parts of the bureau, RCM at Headworks (supply and treatment) and the Operations group is not as advanced.

To move this work forward at Headworks and the Operations group, the position will track asset condition, field test results, work performed on work orders, and other inputs to identify appropriate maintenance strategies. For example, this

would include when to do predictive maintenance (check oil levels), preventative maintenance (changing the oil), and break down maintenance. The Asset Management Group has worked with the Maintenance and Construction group as well as the Operations group to identify asset failure codes for key assets such as pipes, valves, and pumps; these codes are now required information on repair and maintenance work orders.

There are two places this position could be organized within PWB: the asset management team (ASM) or within the Operations group. Based on discussions with bureau staff, the consensus is the position should sit in Operations. In doing so, the bureau believes that RCM practices will become embedded and sustained at Headworks and other parts of the Operations group. ASM will support this role, however, this position is part of a broader effort to incorporate RCM and the asset management investment framework throughout the bureau and not just the ASM team.

CBO supports this position.

CBO Recommendation: \$281,228 | 2.00 FTE

Communications

WA 05, \$141,650 1.00 FTE

This position request is for a technical writer to design, draft, edit, and finalize significant documents produced by the bureau. Examples include the Habitat Conservation Plan, Long Term 2 Enhanced Surface Water Treatment Rule variance request, Water Management and Conservation Plan (WMCP), bond financing official statements, the annual budget, Capital Improvement Plan documents, and regulatory reports.

Over the last three years, the bureau's technical writer has taken on more non-technical writing roles within the Asset Management Program. More recently, the position's workload has been devoted to managing the Bureau's Strategic Business Plan process. The bureau is using staff throughout the bureau to fill this role as well as contracting services for specific writing projects. The bureau asserts that continuity and quality control has suffered as a result.

In addition to the work products mentioned, the bureau points to the larger and more complex CIP, increased asset management documentation, increased documentation requests from the public and oversight bodies, and a pending document submission deadline for a new WMCP (2020) to demonstrate the need for this position. If this position is included in the budget, the bureau would eliminate approximately \$30,000 in professional service dollars that would be used for technical writing services. If this position is not approved, PWB states that it will continue to use existing staff and contract staff.

CBO is sympathetic to the amount of work it takes to produce significant documents. That said, the bureau shifted its current technical writer to other, presumably higher, priorities at the bureau despite the need for designing, drafting, editing, and finalizing documents. Over the next year, CBO recommends PWB track the number of hours existing staff and contract staff are used for work the technical writer would have otherwise been assigned. This will help to inform the actual need for this position. The bureau can also reallocate an existing vacancy for this work if needed.

CBO does not recommend this position.

CBO Recommendation: \$0 | 0.00 FTE

Equity Manager

WA 06, \$144,370 1.00 FTE

This position request is for a Senior Management Analyst to coordinate the implementation of PWB's Racial Equity Plan. The bureau has adopted a 5-year Racial Equity Plan that lays out the bureau's approach to operationalizing the City's goals and strategies while also articulating goals and strategies unique to the bureau.

Currently the bureau has four staff directly engaged in operationalizing the strategies outlined in the plan: Water Administrative Manager, Training and Development Officer, and two Community Outreach and Information Representatives. The position will augment the existing team to assist with the implementation of the bureau's Racial Equity Plan. Specifically, this position will implement equity impact assessments and review policies, practices and actions from an equity perspective. This position will also serve as a resource to managers to ensure that programs, policies, and decisions are consistent with the equity goals of the Racial Equity Plan. Absent this position, the work will continue at the bureau, however, the work will progress more expeditiously by having a position dedicated to this work full-time.

CBO recommends this position.

CBO Recommendation: \$144,370 | 1.00 FTE

Financial Assistance Expansion

WA 07, \$582,000 2.00 FTE

This decision package includes a suite of expansions to the Water Bureau's low-income services program. The bureau proposes to: 1) create a low-income services team; 2) increase the value of the crisis voucher; 3) adjust income guidelines to

reflect local incomes; 4) provide a new discount for extremely low-income customers; and 5) provide crisis assistance for low income residents in multi-family households. CBO's analysis on each component is below.

1) Create a Low-Income Services Team

The Water Bureau is requesting two FTE to provide customer service for low-income customers. The Customer Service group at the Water Bureau is responsible for collecting payments for water, sewer, stormwater services provided by the Water Bureau and the Bureau of Environmental Services. Altogether, the Customer Services group has approximately 30 FTE authorized for this work. One of these positions is a Low-Income Program Manager who supports the City's various payment assistance options to customers living in single-family homes. Some assistance is for low-income single-family households while other programs are available to customers regardless of income. The bureau is proposing to use the existing Manager position and the two requested FTE (Program Specialists) to create a low-income services team.

In requesting these positions, the bureau states that it could better match the services provided with the needs of the low-income customers. The bureau asserts that because many low-income households require time and sensitivity to overcome obstacles specific to their income level, customers would be better served by two program specialists that are not subject to the same time standards as the other customer service representatives. Currently, Water Bureau's Customer Service Representatives (CSRs) are trained and evaluated based on customer service best practices and key service levels. One of the bureau's KPMs is for the average number of minutes the callers are on hold; the bureau's goal is two minutes or less. The FY 2016-17 reported hold time was 2.26 minutes. The bureau also has a performance measure that 80% of calls are answered within 60 seconds. In FY 2017-18, 51% of calls were answered within 60 seconds. CBO notes that the bureau does not have a performance measures on the quality of calls.

A recent audit on Utility Payment Assistance (October 2017) found that the City does not use customer nonpayment data to develop its payment assistance programs for utility bills. The Auditor found that data analysis on its customers is needed so that the bureau can design, implement, and measure the effectiveness of its changes. For example, of the 4,500 customers that had water service shutoff for non-payment, 40 percent had repeat shutoffs. Approximately 70% of accounts were restored within the same day, but the remainder were without water for longer periods. Eight percent were without water for more than one month.

CBO notes that while the bureau has taken steps to build a database on current low-income customers, it has not yet completed an analysis to better understand its customer's needs. Thus, two Program Specialists assigned to the Low-Income Services Team, may or may not be the most appropriate solution, particularly for those that are not aware that assistance is available. For those that do call, it is not

clear how Customer Service Representatives would identify the low-income customers from the regular service to transfer them to the Low-Income Service Team, who would have a separate number. It is also uncertain how the bureau will address changing workload dynamics as some customers that Customer Service Representatives currently assist would be served by the Low-Income Services Team. While the Low-Income Services Team would provide a different level of service to low-income customers, the Customer Service Representatives will presumably be handling fewer calls as more customers call the Low-Income Service Team directly.

CBO does not recommend these positions. If the bureau's future analysis identifies the need for specialized call center staff, CBO recommends the bureau reallocate vacancies within the Customer Service group to meet this need.

2) Increase Value of the Crisis Voucher

Currently, PWB and BES offer a crises voucher of \$150 for those customers that participate in the Low-Income Discount program. The value of the voucher is applied to unpaid balances on the account and participants can request a voucher once per year. The value voucher is not indexed to inflation, cost of living, or utility rate increases. The bureau would like to increase the voucher to \$500. The bureau noted that an increase to \$300 was about the same amount that utility rates have increased since the voucher was last adjusted. 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. CBO agrees that an increase in the voucher is important. This increase would result in foregone revenue, estimated at \$450,000 annually. CBO recommends the increase up to \$300 tied to the increase in the utility fees. CBO further recommends the bureau include use and need of the vouchers throughout the next year as part of its increased use of data for decision-making.

3) Adjust Income Guidelines

This request would adjust the income guidelines the bureau uses to determine eligibility for the low-income assistance program for households with one to four people. PWB income guidelines are currently based on the state's median family income (MFI), which includes income data from the entire state. PWB asserts that these guidelines do not reflect Portland incomes. With this change to include local income guidelines, the bureau estimates that an additional 1,500 households would be eligible and participate. This estimate is based on the current participation rates for the expanded eligible households. This increase would be paid for with foregone revenue. CBO recommends this adjustment.

4) Provide a new discount for extremely low-income customers

This proposal would increase the low-income discount to 80% of the typical bill or \$7.86 or \$7.87 for households below 30% of the median family income. PWB states that there are currently 3,429 households that would qualify as extremely low income. This discount would be paid for with foregone revenue; the bureau estimates it would cost about \$495k annually. CBO recommends that PWB continue to improve communication and outreach so that more people are aware of these discount opportunities. CBO recommends this request.

5) Provide Multi-Family Low Income Crisis Assistance.

The affordability of utilities for low-income residents is an increasing concern in many communities across the US, including Portland. Currently, Portland's low-income assistance program is available to single family household customers with an account. However, this assistance only reaches a portion of PWB and BES's low-income customers as many individuals and families living in multifamily housing do not have individual water meters and pay for utilities as part of their rent. Together, PWB and BES are proposing a \$600,000 annual transfer to Home Forward's Short-Term Rent Assistance Program to address this inequity (PWB's portion is \$200,000; BES's portion is \$400,000). Home Forward will distribute the funds to 19 community organizations to provide up to \$500 of crisis assistance per household, annually. If approved, the bureau would develop eligibility requirements and measures to track program outcomes.

PWB estimates that the program will serve approximately 1,200 households per year, many of whom are facing eviction. It is unclear whether the \$600,000 will provide additional assistance to these households or whether they will supplant existing funds, allowing Home Forward to redirect their resources towards other programs. Due to Charter requirements, PWB states the utility assistance will be more restricted than Home Forward's other sources of funding. As such, Home Forward expects that funds usually applied to eviction prevention will be used for other types of housing assistance, like moving costs and short-term subsidies. It is anticipated that the bureaus' agreement with Home Forward would address this issue.

Expanding the low-income discount program to residents living in multi-family housing has been a long-standing legal, administrative, and logistical challenge. The utility bureaus have stated that this program complies with legal requirements around the use of ratepayer funds, but they did note that the General Fund may be the most appropriate resource to cover the administrative costs of the program. However, that request for General Fund resources was not included in either bureaus' budgets.

Utility costs are a growing problem for some households in Portland and, as noted elsewhere in this review, affordability is one of the key performance measures for

BES. Designing and developing a low-income discount program that reaches the most vulnerable residents is very challenging. CBO has concerns, however, that the crisis assistance program being proposed is targeted to address broader affordability concerns in Portland rather than affordability of utility costs. According to the Water Research Foundation, some utilities in the U.S. have developed low-income assistance programs that directly provide discounts to their multi-family customers and/or their landlords. In addition, the utilities may be better positioned to explore a more targeted approach now that the Portland Housing Bureau (PHB) is developing and implementing a new rental registration system. In FY 2018-19, PHB will move forward in developing a system to track the estimated 120,000 rental units within Portland. This presents a crucial opportunity to collect data that can be used to inform strategic investments across systems and target utility assistance directly.

Given the lack of clarity around administrative expenses for the program and the potential opportunity for a more targeted approach, CBO recommends that PWB further develop this proposal while exploring more targeted alternatives.

CBO Recommendation: \$200,000 | 0.00 FTE

Mount Tabor Historic Preservation

WA 08, \$1,115,000, 0.00 FTE

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 resolution did not specify the funding source. Because the reservoirs are no longer part of the water system, these funds are being requested from the General Fund and not included as part of the water rate increase.

The Water Bureau requested and received \$750,000 in FY 2016-17 and \$1,020,000 in FY 2017-18 in General Fund resources to fund the first two years of activities to fulfill this obligation.

There are several unresolved issues as to the full scope of the work to be completed at the site and who will be financially responsible for those costs. In FY 2016-17, the Water Bureau updated the budget level cost estimates for the list of project components to account for inflation and to add project design and management costs that were not included in the initial construction estimates in the 2009 Historic Structures Report (HSR). These initial estimates indicate that total preservation costs could amount to more than \$12.0 million if all recommended work in the 2009 HSR were completed. Roughly 80% of those costs are to repair and replace lighting and to replace the lining of two reservoirs. Resolution No. 37146 requires the Council to consider an additional \$1.5 million at

some time in the future for the lighting work. The HSR report included replacement of the linings of the reservoirs, especially Reservoirs 1 and 6 because of leaking but that work was not included in the \$4.0 million offered in the Resolution. Reservoir 1 is in the most need of repair. It has a concrete lining that needs repair and has no underdrain system to monitor how much it leaks. Installing new liners in Reservoir 1 and 6 would cost several million dollars per reservoir. The Water Bureau may consider a plastic liner or other repairs for lower costs.

In addition, the bureau will incur ongoing costs to maintain the facilities. While some of that work will be done in the normal course of draining, cleaning, and filling the reservoirs as agreed to in the land use agreement, other work would require additional costs to the Water Bureau.

Finally, as part of the Mount Tabor land use review that the City Council approved in August 2015, the City is required, within 5 years of approval, to develop an interpretive program related to the Mount Tabor Reservoirs Historic District. The resolution does not include a monetary commitment for these activities and they are not part of the initial \$4.0 million allocation for preservation work.

While Council committed to these historic improvements via Resolution No. 37146 and the Tabor land use approval, CBO notes that there are other, more urgent needs that compete for General Fund resources. Despite these concerns, CBO recommends that the \$1.15 million for historic improvements at the reservoirs should be funded out of General Fund capital set-aside, resulting in other more pressing projects being bumped off the list. As an alternative to this option, the bureau should determine whether water funds can be used for some of these improvements.

CBO Recommendation: \$1,115,000 | 0.00 FTE

Parks Maintenance

WA 09, \$225,200, 0.00 FTE

This decision package is a cost reduction for the bureau and a cost increase to the General Fund. It is in response to the Judge's opinion in the Anderson Case that parks maintenance activities at Dodge Park, Hydro Parks, and Powell Butte should not be funded by PWB. Currently, the General Fund reimburses PWB \$35,000 for non-water activities (\$25,000 for Dodge Park and \$10,000 for Hydro Parks). The \$225,200 request accounts for the remaining maintenance costs that PWB should no longer fund ($\$260,200 - \$35,000 = \$225,200$). The \$225,200 in maintenance costs includes:

- About \$61,700 for Dodge Park maintenance. This amount includes seasonal/causal labor to maintain Dodge Park during the camping season, some advertising and printing of brochures, supplies for the bathroom at Dodge Park used by campers.

- About \$11,500 for Hydro Parks maintenance. This primarily seasonal/causal labor to pick up trash and some maintenance and associated supplies.
- About \$187,000 for Powell Butte maintenance. This amount includes maintaining the interpretative center including the bathroom and the Interagency with Parks Bureau to maintenance the park.

CBO recommends this request.

CBO Recommendation: \$225,200 | 0.00 FTE

Decorative Fountains

WA_10, \$620,000, 0.00 FTE

Portland Parks & Recreation has proposed the reduction of funding for the City's 19 decorative fountains; however, rather than discontinuing operations of the fountains, CBO has recommended that the fountains be funded with water rate revenues. The 2017 ruling by Multnomah County Judge Bushong determined that water rates could be used to fund the costs of these fountains. Between 1988 and 2014, fountains were Portland Water Bureau were operated and maintained by the bureau.

As to which bureau is best positioned to operate and maintain the fountains, it is inconclusive. PWB is more uniquely qualified to maintain critical plumbing infrastructure, and as the asset owners, they developed a long-term asset management plan. The operational decision of which bureau would operate the fountains would need to be made if Council chooses to realign funding from the General Fund to water rates. PWB estimates that there will be a 0.4% increase to rates if this funding change occurs.

CBO Recommendation: \$620,000 | 0.00 FTE

SUMMARY OF REQUESTS AND RECOMMENDATIONS

	Adopted FY 2017-18	Request Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Revised (A+B+C)
Resources					
Budgeted Beginning Fund Balance	\$251,009,336	\$180,618,885	\$ -	\$ -	\$180,618,885
Charges for Services	176,816,927	192,098,970	2,120,040	96,350	194,326,864
Intergovernmental Revenues	526,000	526,000	-	-	526,000
Interagency Revenue	3,347,758	3,466,108	-	-	3,466,108
Fund Transfers - Revenue	218,514,058	237,133,473	1,340,200	-	238,473,673
Bond and Note	98,895,000	91,930,000	-	-	91,930,000
Miscellaneous	4,763,398	5,722,437	-	-	5,722,437
Total Resources	\$753,872,477	\$711,495,873	\$3,460,240	\$96,350	\$715,063,967
Requirements					
Personnel Services	\$ 70,695,856	\$ 73,487,117	\$ 2,488,628	\$ (424,972)	\$ 75,552,277
External Materials and Services	44,906,166	42,423,926	1,474,100	(215,000)	43,693,026
Internal Materials and Services	22,783,614	22,818,244	330,400	620,000	23,768,644
Capital Outlay	78,124,000	97,962,604	(832,888)	116,322	97,246,038
Bond Expenses	60,048,640	62,565,450	-	-	62,565,450
Fund Transfers - Expense	223,400,226	242,856,562	-	-	242,856,562
Contingency	99,626,939	118,527,509	-	-	118,527,509
Unappropriated Fund Balance	154,287,036	50,854,461	-	-	50,854,461
Total Requirements	\$753,872,477	\$711,495,873	\$3,460,240	\$96,350	\$715,063,967

City of Portland
 Decision Package Recommendations
 (Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Portland Water Bureau											
<i>Adds</i>											
WA_01 - Water Treatment	01	7.00	0	0	350,688	350,688	7.00	0	0	350,688	350,688
WA_02 - UniDirectional Flushing	02	5.00	0	0	443,854	443,854	5.00	0	0	443,854	443,854
WA_03 - Workforce Management	03	3.00	0	0	176,250	176,250	2.00	0	0	176,250	176,250
WA_04 - Asset Management	04	2.00	0	0	281,228	281,228	2.00	0	0	281,228	281,228
WA_05 - Communications	05	1.00	0	0	141,650	141,650	0.00	0	0	0	0
WA_06 - Equity Manager	06	1.00	0	0	144,370	144,370	1.00	0	0	144,370	144,370
WA_07 - Financial Assistance Expansion	07	2.00	0	0	582,000	582,000	0.00	0	0	200,000	200,000
WA_08 - Mt Tabor Historic Preservation	08	0.00	0	1,115,000	0	1,115,000	0.00	0	1,115,000	0	1,115,000
WA_09 - Parks Maintenance	09	0.00	225,200	0	0	225,200	0.00	225,200	0	0	225,200
WA_10 - Fountains Interagency with Parks	NA	0.00	0	0	0	0	0.00	0	0	620,000	620,000
<i>Total Adds</i>		<i>21.00</i>	<i>225,200</i>	<i>1,115,000</i>	<i>2,120,040</i>	<i>3,460,240</i>	<i>17.00</i>	<i>225,200</i>	<i>1,115,000</i>	<i>2,216,390</i>	<i>3,556,590</i>
Total Portland Water Bureau		21.00	225,200	1,115,000	2,120,040	3,460,240	17.00	225,200	1,115,000	2,216,390	3,556,590