

Portland Utility Board
March 6, 2018 4pm – 6:30pm
World Trade Center Training Room
Meeting # 41 Minutes

Attendees:

PUB Members: Alice Brawley-Chesworth, ex officio
Ana Brophy, ex officio
Allan Warman
Colleen Johnson
Dan Peterson
Lee Moore
Micah Meskel
Mike Weedall
Robert Martineau
Ted Labbe
Van Le, ex officio
Meredith Connolly

Absent:

* Hilda Stevens
* Scott Robinson

*Notice of absence provided prior to meeting

Staff: Dawn Uchiyama (Deputy Director, Bureau of Environmental Services)
Gabe Solmer (Communications Director, Water)
Cecelia Huynh (Director of Finance and Support Services, Water)
Jonas Biery (Business Services Manager, BES)
Jeff Winner (Capital Improvement Program Planning Supervisor, Portland Water Bureau)
Ken Bartocci (Principal Financial Analyst, Bureau of Environmental Services)
Todd Lofgren (Senior Policy Advisor, Commissioner Fish)
Megan Callahan (Communications Director, Bureau of Environmental Services)
Liam Frost (Management Analyst, Portland Water Bureau)

Shannon Fairchild (Financial Analyst, City Budget Office)
Melissa Merrell (Principal Analyst, City Budget Office)

Public: Carol Cushman, League of Women Voters of Portland

I. Call to Order

Allan called the meeting to order. He reminded everyone that the meeting was of citizen volunteers tasked to advise City Council on items related to the Water Bureau and the Bureau of Environmental Services. He gave an overview of the agenda.

II. Prior Meeting Minutes

Members considered the meeting minutes from the February 6 board meeting. Allan pointed members' attention to two changes from last week on pages 2 and 4. No other members had suggested changes and the minutes were accepted as revised.

III. Disclosure of Communications

Rob met with both directors about workforce items. Ted had meetings with BES staff in the course of his work and meetings with the Water bureau staff about water efficiency. Meredith had meetings with BES. Ana joined the on-site visit to Washington Park.

IV. Public Comment

Allan opened public comment.

Carol Cushman, League of Women Voters of Portland. Carol said she had read through the minutes from the last full board meeting. She provided public comment at the Communications Subcommittee meeting and suggests that minutes from subcommittee meetings should be circulated to the full board sooner. She said when reading the minutes, she got stronger feedback to her letter than she had heard from others. She said things were implied that she didn't intend. She said that the letter pointed out that she felt the board wasn't calling on Melissa enough or in the right way. The position was put in place to support the board. She said the League wrote the letter because she didn't think the board was providing opinions soon enough. She thought some board members had formed opinions early and wished the board could have come to consensus on points earlier.

There were no other public comments.

V. Portland Harbor Quarterly Update

Allan directed members to the written [report](#) about the Portland Harbor Superfund site that was circulated and included in their packets. This is a topic that will likely have large impacts on the city and BES but is moving somewhat slowly at this point. The report structure was chosen to give members regular updates until there was a reason for a meeting agenda item. Members should send any questions to Melissa for bureau response.

Micah said he had two questions.

First, does the early action at River Mile 11 include a community involvement plan? The community involvement plan for the overall superfund project is still being created but not yet implementable. Micah is interested in ensuring that there is a public process to engage community members in the early action items. The city is playing a dual role as a potential responsible party and also a community advocate. He'd like more information on how they are advocating for community involvement.

Second, he has questions about the fish advisory outreach plan. He would like to know what type of outreach will be done instead of or in addition to more signs, which may not be very useful or effective. He hopes the city plan includes meeting with community groups and doing outreach through those or directly to the communities themselves.

Lee said he attended a work session a while back with communities of color that was specifically about the Portland Harbor Superfund projects. He said there was an impression at the meeting that there would be some involvement of that coalition in providing feedback on the city's efforts. He would like to know more about how the city is following up on that commitment. In this meeting Mike Jordan responded to questions and concerns. Lee is interested in knowing how the involvement of communities of color will be reflected in the City's efforts. There was discussion between Lee and Micah of whether the meeting including a potential community benefits agreement for the superfund project.

Micah motioned for the board to accept the report. The motion was seconded and all members voted in favor. There were no votes opposing or abstaining.

Melissa will follow up with the bureau on the board member questions. Board members were asked to send any additional questions to Melissa.

VI. **Recruitment Plan**, Melissa Merrell, PUB Analyst

Melissa reminded members that they have a role in making recommendations to Mayor for new members. In the past 2 cycles, the co-chairs and Rob played a significant role in the membership subcommittee. Their terms are expiring so other members will need to be active in the recommendation process.

Melissa referred to the recruitment [plan](#) included in the meeting materials and asked members for feedback and outreach ideas. The goal is to open applications March 12 and work through process to get on Council's calendar by June.

Allan asked when applications would close and Melissa suggested keeping them open for a month. The last two weeks in April would be for the subcommittee to review applications and meet with candidates. The subcommittee could provide its recommendation to the full board in May.

Alice asked about the plan is for outreach and Melissa provided an overview of the current process.

There was a discussion with Lee about roles such as Rob representing labor and Melissa reminded the members that they don't fill particular roles but the council laid out several skill areas that the members as a group should possess.

Rob's position will require input from the board, the unions, and the bureaus because it is a voting, represented, staff position.

All of members with expiring terms are at the end of their first term and are eligible to reapply for a second term.

Rob asked if any of the members who were initially appointed with one-year terms (to stagger the group) had continued. He said at a previous meeting that he thought if members with expiring terms wanted to continue they should be allowed to do so. Melissa replied that last year the members with expiring terms had opted not to continue. Melissa said it was her recommendation that the board make a practice of completing the recruitment process from a good government perspective.

Mike W. said from his perspective it would be great if all three want to continue; however, opening recruitment makes sense. He doesn't want to limit the potential of the board.

Melissa added that the perception of the board is very important and how the independent board recommends new members is a key piece of that.

Lee emphasized the importance of diversity and having a cross section of the public involved.

Allan asked if there was a motion to accept the plan and if there was any public comment.

Carol Cushman from the League of Women Voters said perception matters and encouraged the board to do an open process that reaches out to the community.

Dan made a motion to accept the report. Van seconded and all members voted in favor. There were no votes opposing or abstaining.

VII. **CBO Budget Review, Water Bureau**, Shannon Fairchild, Analyst, City Budget Office
Shannon thanked bureau staff for assistance in understanding requests.

Shannon said she would provide information from her [review](#), including an overview of the budget request, significant issues, requests she didn't recommend, and then address any others that board members wanted to discuss.

PWB total budget request is \$237.5 million including \$100.8 million for operating and \$136.7 million for capital projects. The total request is 17% higher than the FY 2017-18 Adopted Budget.

They requested 9 decision packages with 21 FTE and CBO recommends 17 of those.

The requested rate of increase would result in the typical single-family household bill being \$3.21 higher and the quarterly bill being \$9.63 higher than this year. When combined with BES, the rate of increase is 4.97% (\$113 monthly or \$340.20 quarterly). The largest driver for PWB is the filtration project.

Shannon looked at this increase in comparison to CPI-U and key performance measures. The FY 2018-19 requested rate of increase exceeds CPI-U by about 6% and in the subsequent 4 years of the forecast, the requested rate of increase exceeds CPI-U by an average of 4.6%.

Combined with BES' requested rate of increase, typical single-family bills would increase about 26% over 5 years versus a 14% forecasted increase in the CPI-U.

Shannon also looked at the bills in light of the percent of median household income. Over all, Portland households pay about 2.1% of income on water, sewer, and wastewater services. Black households contribute 4.1% percent compared to 1.85% for white households. Other communities of color pay a portion between those two groups.

Shannon pointed to the table on page 3 of the CBO review that shows the composition of the rate of increase and the uses of the Rate Stabilization Account. The table shows other drivers.

The capital plan includes \$596.6 million in capital projects over the next five years. The capital plan includes several large projects including Pipe Crossing, Washington Park, Corrosion Control, Filtration and many costs for filtration will be outside the current 5-year window.

Lee said that one metric to consider when thinking about cost impact on families is average family size – a consumption figure – average family size vs the rate of use. The demographics he’s looked at from social economic point of view suggests larger family sizes for communities of color. Adding a consumption factor could show that the disproportionate impact is even greater for diverse communities when considering different rates of use.

Shannon then discussed the decision packages with requests that she didn’t recommend. She started with the workforce package that included 3 FTE – 2 public inspectors and 1 safety officer. She recommends the safety office but thinks there should also be a performance metric for training. For the safety inspectors, the bureau is using contract staff to augment city staff over time of peak workload. The bureau provided use information and presented a compelling argument for the specialty inspector. The data for the general contractor needs did not show an ongoing need for the other inspector and she did not recommend it.

Rob asked how much more is a contract inspector costs. He thinks it’s between 15% or 20% more. Shannon said she didn’t do a cost compare but looked at demonstrated need. The upward trend for the general inspector was not demonstrated over several years. Shannon said a CBO colleague had done a review of the cost escalations for FTE and the costs are higher in first 10 years when accounting for PERS and step increases.

Lee said the Mayor had given some guidance during the budget process and he asked Shannon what metrics did she use for evaluating the requests. Shannon said there wasn’t one factor but she considered workload, business case, what happens without the funding, costs, what are they doing now to address the need, among others. For the inspectors, PWB had and provided hours of contracted services used for this work. That information isn’t always available for all requests.

She then talked about the Communications request for a Technical Writer. This was the 5th priority for the bureau to have someone design, draft, and finalize documents. The bureau had a technical writer but has shifted that position to working on other projects. While the bureau stated the need to address continuing workload, they shifted the employee resources to a higher need and shifted to work existing staff. She suggested the bureau could fill the temporary need with the technical writer worked on the strategic plan and/or use contract services until the strategic plan is over.

Colleen said that at the Communication Subcommittee the Water Bureau said they had communications functions embedded in the programs where they have technical expertise and use the communications group to make things more accessible. She said it makes sense for someone to coordinate outward facing documents to public but technical writing belongs with technical folks.

Shannon then talked about decision package #7 - Financial Assistance Expansion which is a suite of changes to Low-Income Assistance Programs.

1. Low Income Services Team. The bureau requested 2 FTE to create a low-income services team to better match of need to service. CBO does not recommend these positions for two primary reasons. The City doesn't use customer non-payment to craft its programs and more data is needed. They might need two program staff but the bureau should first utilize the database they've created and start doing analysis on the customers to identify the most appropriate changes based on the need. Second, the logic model is fuzzy. They would be shifting customers away from existing customer service providers and also workload shift from call center to program specialists. If they want to take this route, they could use vacancies within customer service to realign resources to create the team.
2. Increase Voucher from \$150 to \$500. Shannon recommended increasing the voucher to \$300 which is what the bureau pointed to as utility fee increases. The bureau used a state program to justify the increase to \$500 but didn't make a connection as to why that would be appropriate for a water assistance program.
 - a. Micah said the connection to rate inflation was good if the starting figure was the right amount. He asked if there was any data that suggested \$150 was the right number to begin with and Shannon didn't consider that component. She felt the tie to inflation was more compelling than increasing to the state program level.
 - b. Meredith said that at the subcommittee this was presented on a sliding scale - that the amount would be up to \$500 like the current \$150. Liam confirm that was the case.
3. Changing income guideline. The bureau posits that the state income guidelines for assistance don't reflect income in Portland. Shannon recommended this adjustment.
4. New discount for extremely low-income households. This would provide an 80% discount for approximately 3,400 of the lowest income household in Portland. Shannon recommend this with more outreach.
5. Crises Assistance for Multifamily Households. Currently, the assistance program is only for single family households with individual meters. Multifamily units with shared meters aren't eligible. This creates inequity in access to assistance. The bureau proposes a \$600,000 transfer to Homeforward to provide up to \$500 to multifamily households for eviction prevention. The bureau is working on tracking eligibility and other factors.

Shannon said expanding the program has been longstanding administrative issue here and nationally. Requests for general funds for admin costs were not included though the narrative proposed utility license fee revenue that would increase due to inflation.

Shannon noted several concerns including logic model – the number of people served - around 1,200 people is the same number currently served by the HomeForward program. It's unclear whether this would serve new people or the same people with water funds. More broadly, the proposal is more about general city affordability and not utility costs. There are some programs nationwide that have low income assistance programs targeted specifically to residents in multi-family units and their landlords. There are some questions about administrative costs and scalability issue but those programs provide a direct link that this program doesn't.

Shannon also pointed out that Portland Housing Bureau is working on a landlord database which would provide information the city doesn't currently have which could be a possible path forward for a different type of program.

- a. Micah asked about the other programs and information on the likelihood that the benefits were reaching the tenants. Shannon said there were mixed reviews on the programs but the Water Bureau could learn from the successful programs. She pointed to a publication of the Water Research Foundation.
- b. Micah asked another question about how this complied with legal requirements. He asked if Shannon talked with the Attorneys Office. Shannon said Karen Moynihan had talked with the PUB subcommittee and has advised that she thinks its defensible. Shannon said she had a little heartburn around tying affordability to eviction prevention to utilities. She said it was unclear how it would be determined that the eviction proceedings are due to utility or other drivers? For the legal question she deferred to city attorney.
- c. Lee asked if this was perhaps an example of the bureau being out over its skis? Shannon said the bureau still needs to do analysis around current customers and continue to see if landlord database provides more direct avenue. She suggested they take a closer look at programs in other cities to craft a better intervention.
- d. Ted asked if Shannon was aware of Karen Moynihan's recommendation. He said he heard Shannon say they need more data; looking at non-payment data. He asked she had thought that developing the relationship with HomeForward with create new datastreams for the Water Bureau to evaluate new data? Did she see value in starting now? Shannon said she didn't think data collection and analysis was the skill set with the non-profit. There is a lot of value paring with local groups for connections to the community but that's different. She hasn't seen any evidence that they have the data or mechanism for those data streams or administrative burden. She also cautioned that programs once started are hard to stop.
- e. Ted asked if she had suggestions for monitoring and data collection? Shannon said that was beyond the scope of the review but she has had several conversations along this line with Liam.
- f. Lee echoed Shannon's concerns about data analytics not necessarily being HomeForward's skill area. He suggested finding some understanding of what data would help evaluate assistance programs. Shannon suggested the logic model first and uncertain tie to rising cost of utilities and intervention of eviction prevention, and the uncertainty about who would be helped. Lee added that in Clackamas it was an issue of equity on both sides. Single family households are in a better position to receive assistance because they have a bureau account. In multifamily units, how do

you guarantee the benefit reaches tenants? Equity between type of renter and equity about whether landlord forwards benefit.

- g. Mike W. lauded Shannon for raising questions that reflect concerns the board has raised as well. While the City Attorney has said it passes legal tests, the risk goes beyond legal and to perception to not seeing connections. He reiterated suggestions that an evaluation mechanism be included up front in the process.
- h. Van asked about the \$200,000 cayneta upgrades for programming costs for item number 4 to change the billing system to accommodate the new discount. The total cost will be the foregone revenue and the programming.

Shannon then talked about interagency agreement with Parks for fountains. This is a new package that was added during City Budget Office general fund balancing. The Anderson decision including a decision that water rates can be used for fountains. Park currently pays these costs but included this as a cut in their requested budget. The budget office is recommending rather than cutting all city service to the fountains that the costs be paid for by Water. Which bureau is better suited to do the maintenance wasn't part of the discussion. It was mostly about realigning general funds. Parks does maintenance for a cost of about \$620,000. The Water Bureau estimates the rate impact will be .4% though they might be able to do it for less. It has been a number of years since the Water Bureau had responsibility for the fountains.

Van asked if there was a separate document that included the rate impact of decision packages? Shannon said no.

Meredith asked a similar question of whether Shannon has calculated the change in rate impact with her recommendations and Shannon said no, she has to defer to Cecelia. In two months the bureau will run model again to calculate rates again that includes change to the overhead model and all the interagency agreements. Those costs could offset the reduction from the recommendations.

Colleen asked questions about CBO recommendation for the bureau's top two priorities - treatment and unidirectional flushing. The requests include adding 12 FTE. In both of those discussion CBO also noted hesitations but still recommended them. For example, in the Water Treatment package, CBO encourages the bureau to consider this as a place to reduce long term costs. Colleen asked why not recommend getting started with fewer staff and reassessing need later? She noted the same concerns for unidirectional flushing. CBO noted that adding 5FTE would be big lift. Colleen asked if she had concerns why were they recommended? Shannon said she didn't have enough information or the mechanism for exploring the impact of which could be delayed but the bureau does have those mechanisms and she encourage them to do so. She said this was one slice of a bigger picture.

Rob said they should revisit the history of the group. PUB has raised concerns with adding staff in BMPs.

Lee said he hasn't seen reference to the American Water Works standards and how Portland measure against that standard for water quality. How well are they purging the system? Why isn't it using AWWA measure as benchmark and how will the positions help the bureau meet or not meet the standard? Rob said its being used but wouldn't put it in the budget document.

Standard can be used as a benchmark. Shannon said the bureau talks about the spirit of standard. They don't have enough data yet to determine how much closer they would get with the added staff.

Ted said given the amount of airtime the PUB has given the financial assistance program expansion he thinks it's important to talk about the Mt. Tabor preservation funds. There is no other body talking about this. He thanked Shannon for her work on the analysis. In the narrative Ted said Shannon raised flags about leaking reservoirs, ongoing costs for maintenance, and the interpretive program. None of those are budgeted. The recommendation is to fund the preservation work with general fund money. Shannon said the recommendation strategy is similar to last year although last year the recommendation was not to fund because of other citywide needs. The Council funded it anyway. This year the recommendation is from capital set-aside fund which highlights the tradeoffs of using city funds for this instead of higher ranked needs. Council did commit to four years of this funding. This review raises the consequences as it shows how it takes money away from investing in roads and parks. She used the recommendation as an education platform to make sure Council and the public are aware of the ongoing concerns.

VIII. CBO Budget Review, Bureau of Environmental Services, Shannon Fairchild, Analyst, City Budget Office

Shannon said she would provide information from her [review](#), including an overview of the budget request, significant issues, requests she didn't recommend, and then address any others that board members wanted to discuss.

BES' total budget request is \$290.3 million including \$156.9 million for operating and \$133.4 for capital projects. The total request is 6.9% higher than the FY 2017-18 Adopted Budget.

They requested 7 decision packages with 22 FTE and CBO recommends 19 of those.

The requested rate of increase would result in the typical single-family household bill being \$2.16 higher and the quarterly bill being \$6.47 higher than this year. When combined with PWB, the rate of increase is 4.97% (\$113 monthly or \$340.20 quarterly). She said many of the rate drivers were similar to PWB - increasing debt service for the capital program. The financial plan also includes an increase rate revenue requirement over the forecast period of \$42 million, mostly for debt service but also personnel costs and Internal Materials and Services and External Materials and Service costs.

Shannon's comparisons to CPI-U and key performance measures were similar to PWB..

Shannon highlighted the Rate Stabilization Fund which the bureau projects will have a fund balance of \$176 million next year compared to low balance of \$4.9 million in FY 2012-13. The bureau expects a \$25 million net transfer to the rate stabilization fund this year on strong construction climate resulting in additional SDCs. Shannon notes that the bureau is projecting SDC growth will decline. The RSF will reach \$200 million and stay there for 8 years before they plan to begin significantly drawing down in FY 2029. The bureau's long-term goal is to maintain a balance of \$150 million. Shannon noted that growth due to SDCs, robust retail revenue higher

than they budgeted, plus conservative expenses budgeting. Also, an indirect factor is underspending in the capital fund. Lower spending reduces the need to issue debt and unspent debt service funds can go to several areas.

Shannon noted that the bureau is in unique place to lower rates and/or increase capital financed with cash which would lower future debt service funds. She recommends the bureau reconsider its planned rate of increase and lower it in the short term.

The capital plan includes \$743.3 million in capital projects over the next five years. It includes several changes when compared to last year. For example, there is a \$34 million increase in sewerage treatment and a \$20.5 million decrease in maintenance and reliability projects.

The bureau has presented its decision packages related to its strategic plan and CIP PREP. There were three major findings from the Phase 1 CIP PREP. The first was implement task oriented changes and the other two were process improvement and reorganization. There is a goal to double capital throughput in the next 10 years (slowed from 5 years as presented last year). While the bureau is taking steps to make the changes, the 5-year CIP still assumes rapid 5-year growth and is still forecasting a big increase next year.

The review raised other questions about realignment of staff and a mismatch in capital planning. There is an accumulation of backlog project. BES thinks they need more engineering positions than they requested. CIP built on having a greater number of staff. This could have budget implications and continued misalignment of budgeted capital resources and dedicated staffing.

Colleen asked if with the FY 2018-19 CIP, without those 11 positions, is the inference that they won't be able to deliver the capital projects and they would be further behind? Shannon said yes.

Shannon then turned to the decision packages. For the first one – Service Delivery – she is recommending 7 of 8 requested positions. She does not recommend a position in Pollution Prevention for the Plan Review team. Last year the bureau asked for one and was approved. The current work is driven by expansion in economic development. The bureau has performance measures around turn around time and are meeting about 65% of time goals. They have taken steps to identify process improvements and efficiencies, some of which were just implemented in December. Shannon recommends only one of the positions.

- a. Micah asked if she taken into consideration the Central City Plan or future work. Shannon said no, those didn't come up in conversations with the bureau and their stated need was one of current work and not future plan needs.
- b. Ted asked if BDS has a related measure and Shannon said yes that was part of the considerations. Bureau performance has declined since FY 2013-14. Some of the decline is related to the administrative review process.

Shannon then talked about Decision Package #2 – Capital Improvement Planning - which include a request for 10 FTE and CBO is recommending 8.

She talked first about the Condition Assessment Field Technical which would be added to the current wastewater condition assessment team. BES received 2 FTE in FY 2016-17 and those were hired in the spring. They received another position in the Fall which hasn't yet been hired. Shannon thinks it would be helpful to see the progress on condition assessment plan and report out outcomes to justify the needs of this position given other needs in the bureau. As they can report outcomes they can request additional staff as the need justifies the request.

She also talked about the Construction Manager request in Construction Services and talked about current staffing and vacancies. She also pointed to current and future needs. She was hesitant to recommend this given changes likely to occur in project management model. They can use contract staff to meet current need until reorganizational structure is determined.

Shannon then noted that she did not recommend BES's portion of the Low-Income Service costs that related to the packages discussed during the Water Bureau portion.

She then asked PUB members what questioned they had.

Mike W. went back to discussion about the rate stabilization fund and the goal to keep it at \$150 million. He asked since the model was built on very conservative assumptions, could one option be to take the expected bump in rate stabilization fund to help control rate increases? Shannon said she thought so, at least in the short term. They have enough padding to correct for any short-term budgeting error. She is recommending they explore alternatives for the short-term increase.

Colleen said one of the issues that occurs with the RSF is there is an issue of intergenerational equity. They are continuing to build the fund to keep rates lower in the future but the people benefiting then may not be those that are paying now. She thinks there is an imbalance in the current consideration of residents now and future residents.

Ted said at the last meeting Jonas said the bureau had received a credit rating increase. Jonas said that there isn't a qualifiable benefit to that increase. He said all these things are critical to rating analysis and all contribute to positive rate change.

Lee asked if the bureau has yet assessed the impact of the recommendation on bonding. Jonas said no but they will be looking at it. He said that changing how the RSF is used will provide relief now but increases rates later. He said the point was to stabilize rates over a long trajectory. Shannon noted that the bureau has more than required coverage for both the first and second liens ratios. Jonas said yes and they are exploring other options.

Mike W. said to Jonas he doesn't know what the credit rating agencies will do but wants to know why getting some benefit today will get cost more later and what does that benefit trade off look like?

Lee thanked Shannon for excellent work that was very professional.

Alice asked Melissa to check the tracker for alignment with the BES titles.

Van asked if the board wanted Melissa to present her FTE analysis. Melissa gave the members and overview of the summaries and structure and members agreed it was a companion document for the discussions over the next month.

Rob asked if Colleen had gotten a response to her PTE question and Melissa responded yes.

He also asked if the intent was to go through each FTE and make recommendations and the members agreed.

IX. Discuss next Meeting Agendas and other items

March 15, 2018:

Location: Pettygrove, City Hall, 11am Board Meeting

Agenda Items:

Bureau Additional Information on Requests
Board Conversation

March 22, 2018

Location: 8th Floor Conference Room

4pm: Board Meeting

Agenda Items:

Board Conversation
Board Recommendations

The meeting adjourned at 6:30 pm.