

Portland Utility Board
March 15, 2018 11am – 1pm
Pettygrove Room, City Hall
Meeting #42

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

Absent:

* Meredith Connolly
* Van Le, ex officio
* Hilda Stevens
Scott Robinson

*Notice of absence provided prior to meeting

Staff: 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)
Chris Wanner (Operations Group Manager, 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)

Sarah Diffenderfer (Executive Assistant, City Budget Office)
Melissa Merrell (Principal Analyst, City Budget Office)

Public: Carol Cushman, League of Women Voters of Portland
Janice Thompson, Citizens Utility Board of Oregon

I. Call to Order

Mike W. 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 March 6 board meeting. Members did not have changes; the minutes were accepted as submitted.

III. Disclosure of Communications

Ted had usual discussions with BES staff; unrelated to PUB.

IV. Public Comment

Mike W. opened public comment. One public [comment](#) was submitted by Kristin Bowling to Melissa before the meeting and distributed during the meeting. There were no other public comments.

V. Bureau Additional Information on Requests

Cecelia Huynh, Director of Finance and Support Services, Portland Water Bureau

Lee asked whether the bureau [responses](#) to PUB questions were made available to the public. Melissa said that they were posted last night on the PUB website.

Cecelia thanked CBO for the review and Shannon for helping with decision packages. Cecelia said she would address those that were not recommended by CBO.

She first talked about the Public Works inspectors. The bureau requested two and CBO recommended one. She agreed with the analysis of past years use of contract inspectors doesn't support the ongoing need for two inspectors. However, there are future developments in the works for which the bureau thinks there will be ongoing need. If the second position isn't approved this year, the bureau would likely request the position next year.

Then she talked about the Communications decision package for a technical writer. Water is looking for someone who can take the staff writing and come up with a more consistent document. Water will probably take CBO's recommendation to wait for vacancies that can be realigned or request the position again next year.

Cecelia then talked about the decorative fountains. The fountains were transferred to the Water Bureau in 1988. In FY 2013-14, in response to fountains being one of the challenged expenses of the Anderson lawsuit, the city transferred the operations and maintenance responsibility and cost to the Parks Bureau. Subsequently, the judge in the Anderson case decided that expenses was in line with the city charter and could be a use of rate funds.

This year, the Parks Bureau put the fountains up for a cut for Council to consider not funding the O & M for the decorative fountains. The CBO recommendation is that those costs be added to the Water Bureau budget.

Cecelia said the fountains are not a priority of the bureau. If Water were to put it into the ranking it would get a low rank. It is not included in the bureau's current rate forecast so adding it would result in a 0.4% increase in rates.

Lee asked about the status of the fountains and Cecelia said that they are currently maintained by Parks. Whether the Water Bureau would end up managing them is still to be discussed.

Micah asked if Water would suggest the costs remain in the General Fund and Cecelia said yes.

Micah asked how Water would prioritize this and the General Fund request for Mount Tabor Reservoirs. Gabe said this is why the PUB is an oversight body. She suggested it was a false choice to say which of the two because the General Fund has so many other items against which both must compete.

Ted asked about Water's response to the CBO analysis regarding Mt. Tabor. He said the responses to PUB questions weren't clear. There was a question about how the work affects staff and Water said that the work is contracted. Ted asked if contract employees up there are driving Water Bureau vehicles. Cecelia said no. There may be other Water Bureau staff at Mount Tabor doing other work, not the preservation work.

Kathy Koch and Liam Frost addressed the PUB on the financial assistance programs. Kathy first talked about the request for 2 FTE. She said there is currently a team of one, which is manageable at the level the program exists. She said that the auditor suggested mining data and doing targeted outreach, that's what the 2 FTE would do. They would be a real financial assistance team, not just the discount team. Kathy said there are no vacancies currently and even if there were, she would have had to go through a P4 process to change the positions. There was a question about transferring the work load from the call center to the new group. Kathy said they would like to build a team that has its own phone number that would reach an expert – similar to the Water Line. The call center would still need to provide the same level of service but the new team would do more.

Alice said it seems to her that the Water bureau seems willing to try something new even while making mistakes. She asked how the bureau plans to address these mistakes. Kathy said the new program won't be magic. They are looking for a skill set and depth of knowledge in the manager. They are looking for a very specific skill set for the two additional FTE. Kathy said she serves on a number of national committees and she knows that PWB is in the top group of utilities offering assistance. But she knows they need people with experience to do this work.

Mike W. asked how long the training might take to get the folks up to speed. He said that since it's going to take a while to get through the City's hiring process, why wouldn't PWB get a contractor on board that can do some of the work while they get things up and running. Kathy said the person that is going to take over the program should be hired within a couple of months. PWB has done a little bit of data collection. They run into problems mining Cayenta data (the bureau collection system). She thought it was possible they could hire a contractor to give them generic demographic data but that wouldn't address the question of how to avoid shutoffs.

Liam said that at the beginning of his project they tasked people with building a spreadsheet of existing LINC customer information and now that the application is online, there will be more data. The problem is they need people to aggregate disparate data. They've got a good foundation built up over the past couple of years but have a lot more to do.

Kathy expects the program manager will be able to work with the data.

Ana said it sounds like the bureau is looking for staff with people skills and connections with the community.

Ted said he didn't think it's the board's role to be Monday morning football coaches. It's the Water Bureau's job to figure this out. PWB has said that not receiving these two positions means that the Auditor's recommendation cannot be implemented. Council was briefed. Ted asked what came from that. Liam said they did a work session on Feb 13th. No decisions are made at work sessions.

Liam echoed Cecelia's gratitude to Shannon. He said he had points of contention with the review on the Multifamily component and he provided additional information. First, CBO pointed out that there are some nationally bodies providing direct assistance to multifamily units. He said he looked at the report as well. New York provides assistance through New York Affordable Housing program. Each unit has a utility allowance that is provided by HUD. He said that model wouldn't work for Portland. He said the model in Columbus was direct to landlords. Landlords sign up with utilities and each of their tenants. He said that program was contingent on landlord and tenant both participating. He said Seattle utilities have one program where they provide a direct discount and another where they provide vouchers to help tenants pay their rent. Liam said these models present problems with the city Charter restrictions, administrative capacity, and EPA decision regarding the Big Pipe. (For any utilities that received funding for a big pipe projects, discounts have to go directly to the end user). Liam also said that he's been in conversations with Home Forward and they expect this money to supplant other funding. This money would be used first, freeing up other funds the organization received to be used for other programs.

Liam said another point made in the CBO review was administrative fees for Home Forward to get the money out of the door. He emphasized that it will be covered by General Fund and not ratepayer dollars. Liam said also this proposed program will only address utility costs. The mechanism by which it gets to the ratepayer is through rental assistance but it is targeted. Finally, Liam addressed the recommendation from CBO that a rental database being built by the Housing Bureau could be used. Liam said that bureau has no intention to collect data on income. Additionally, a rental registration is not a way to get dollars out of the door.

Liam then addressed the concerns of performance metrics and accountability. He said the city currently has contracts with Home Forward for similar services. They conduct regular audits of their non-profit partners. PWB would ask that they provide the names and addresses of all recipients. He said PWB would develop an evaluation as they go along.

Ana asked about data and recommendations and Liam said the bureau would put that into an internal report at the end of the year but would share it with PUB.

Colleen asked about the administrative fee and Liam said it would be for invoice processing, intake for the caseworker, and service provision.

Colleen said if the 2 FTE requested by PWB would be doing administrative work for the assistance programs why wouldn't their cost be covered by the General Fund as well. Liam said in this case the city would be paying Home Forward for the work. Kathy said it's a lot like their contract with the county for the low-income discount program.

Colleen said if they have people who are directly managing this program, doing contracting etc., why wouldn't the general fund pay for the administration of this program so that the Water funds could go directly and only to the end user. Kathy said the two staff are for the deeper level of service that PWB doesn't provide now. They want to get to people in need that they are not currently reaching.

Ted said they obsess about the shutoff data set but there are also people struggling that never had a shutoff. He said the bureau needs the positions to get the relationships with those customers. Liam said hopefully the Home Forward data will blend with PWB data. He noted that on the Arts Tax there is a box to indicate if you make a certain income or less. He said if they could get those addresses and overlay with home forward data it would be great.

Lee said some of that information is proprietary by federal statute and Home Forward can't share it.

Liam said only a few jurisdictions have a program similar to what they are proposing.

There were no addition questions from PUB members.

Jonas Biery, Business Services Manager, Bureau of Environmental Services

Jonas said that much of the BES staff are in Seattle but he wanted to spend time walking through the questions from PUB and the bureau [responses](#).

Jonas said the one thing they disagreed with CBO on was the BES component of the Water proposal to change the assistance programs discussed above.

He said that the process this year, driven by PUB to get info out early on the table has been very positive. All of the questions PUB asks drive them to reconsider requests and he thanked PUB for that. He said he planned to use his time addressing the first seven questions.

Question 1: Jonas said he greatly appreciated CBO's recommendation about looking at rate stabilization fund. He said Scenario A (flat rate increase at 3%), which is the rate forecast as submitted in late January, did use some of the rate stabilization fund to smooth rates. He understood the CBO recommendation and PUB requests to be that BES use more of that now and less later. He then talked about Scenario B and said that this is what the bureau would advise be done now that they've had a chance to revisit the issue. He said the finance team brainstormed several ideas but many of them transferred too much risk. Instead, the bureau recommends using some of the cash for FY 2018-19 to bring the rate of increase down to 2% from 3%. He said the trade-off is that in the future the rate will go up at a different rate

However, the bureau put that increase in year 5 which gives them a few years to manage back down to a 3% maximum target.

Alice asked if BES thinks that based on reasonable assumptions there would need to be a 3% rate of increase in the outyears. Jonas responded yes, they feel confident that having three budget cycles between now and then, BES could still manage to that target. Alice clarified that a change would bring a slightly higher risk and Jonas agreed.

Lee asked what was the policy number the bureau established in order to have a flat rate and what reaction will the bonding community have. Jonas said they don't have a policy number for a rate increase. This proposal would be a change from the initial target of 3%, it's a very small increase. BES is already in a favorable position. They've spoken with the City Debt office and have gotten their OK. Jonas said that with his prior experience he's comfortable with this change. If the uptick was 3.25%, he would be less comfortable. It maintains reasonable stability and that is what the credit rating agencies want. This is a decent story.

Mike said forecasting is important but every two to three years, something happens. It's good to see a target and reasonable assumptions and at the same time give people a little bit of a break and benefit now.

Jonas said BES would like to be able to move to a more scenario-based range of forecasting rather than binary to really look at what the upside and downside looks like.

Jonas then moved onto Question two and said BES looked at 2.5% rate of increase for the five-year window. This is not a pathway BES would advise. The out-year rate increase would be higher than Jonas recommends.

Questions three and four were about CIP delivery. Jonas reiterated that infrastructure investment is a key priority. BES's responsibility is to put forward a plan. It will take process improvement and people, either FTE or contract employees, to execute the plan. Jonas said the bureau targeted the CIP-related positions to those they felt they needed this year. He said to implement the envisioned changes, BES has to start making progress now. Jonas acknowledged that there has been underinvestment. Lastly, he emphasized that underspending in the CIP doesn't directly result in increases in the Rate Stabilization Fund. Capital dollars that aren't spent in a given year stay in the construction fund and that pushes out the next bond issue.

Jonas then talked about question five and said it was a challenging analysis. BES is limited as to how quickly they can use cash due to bond coverage requirements. He pointed to scenario D and scenario E which are very volatile. He said the analysis highlights the dilemma of having cash.

Mike said it's good example of how you would never run a business like this.

Alice asked if instead we answered how low could BES lower its rate of increase for a short while, is that what Scenario C shows and Jonas answered yes.

Jonas said they also looked at some other options like bond issuance options.

Jonas next talked about question six and the impact of the recent Moody's bond rating increase. He said that upgrade moved BES into the top 15% of utilities. Moody's looked at "credit strengths," "economy," "liquidity", etc. The impact isn't much. BES needs both ratings agencies to upgrade to see substantial impacts. Jonas said BES is now talking with S&P for the upcoming bond offering. If S&P were to upgrade BES as well, total debt service on the upcoming bond issue would be reduced by a couple million dollars. If the debt service is lower, that will be reflected in the rate ordinance that we bring before council in May. Impact would be on all subsequent bond issues as long as the rating remains the same.

Rob asked if the one-time reduction moved out one year, would everything move out one year. Jonas said impact would be about the same in the fifth year.

Finally, Jonas talked about question seven about deferring capital spending now. He said generally speaking, delaying investment increases system risk and costs. Ted asked is it fair to say that if we put off some of the capital improvement work to keep rates down, will it put a greater burden on younger folks ten years from now? Jonas said yes.

Lee asked about underspending on CIP and the impact that will have on the development community. Jonas said the impact, particularly on SDCs is not the same as some other surrounding areas because SDCs are charged retroactively – after the infrastructure is built.

VI. Board Discussion

Allan suggested starting PUB's discussion in three different areas: how to get to consensus next meeting, minority points, and BES's rate of increase request.

First, how will PUB will consider the requests. Rob has stated that he would like to consider each decision package. Micah said thinking about it as decision packages aligns well with what the bureaus gave the board for priorities. Alice said there is probably a way to do an overview of decision packages and agree on most but get into the details on those we don't agree on. Allan said that in the past the board has taken a straw poll to gauge initial consensus. This year Colleen and he have asked Melissa to put together a survey.

Robert asked what the total decision package number was. Melissa responded that there were ten in Water and seven in BES.

Colleen said that she doesn't favor the decision package approach but more nuanced discussions are important in the deliberation.

Alice suggested maybe the poll could include, support, neutral, oppose, or we need to talk about this.

Allan said maybe Melissa could add a comment box.

Melissa said she would add "do you support the decision package as presented" with more nuance section below.

Rob said that would probably work well at the voting meeting and having that in a grid it would be helpful.

Allan said that in the survey it is not a vote, it's just getting to consensus.

Melissa said she could probably have it out on Friday and would ask for quick turnaround. Allan stressed that again it isn't a vote and there won't be attribution.

Allan said that Ted mentioned last week that he wanted to talk about how PUB comes to consensus. Allan talked about the example of last fall's PUB letter. Colleen and Allan think that PUB should continue in that format.

Ted said that he thought it works very well but that he was suggesting that PUB formalize how they do it. He said the idea is to strive for consensus, if that doesn't work go to a vote, if there is a minority group that has a dissenting outlook there should be a way to have it reflected in the communication that goes to Council.

Dan said that what sounds a little different is the strive for consensus. Allan responded that he thought what you do is strive for consensus.

Rob offered an example from PBOT. He said that with street cleaning, the consensus of the PBOT BAC was that Council not follow those recommended cuts. Some people thought that maybe the board should highlight where there is a strong difference.

Alice requested that maybe the question whether to formalize should be addressed after budget and Melissa pointed out that according to bylaws, the first meeting of the fiscal year includes board procedures issues and this would fit right in.

Allan asked whether members have any comments about the revised BES rate.

Rob said that is why he asked the question about pushing it out one year. He said that the greater win would be to get the bond rating upgrade and hold a change to next year.

Mike said that it's just conjecture about the bond rating. If you look at the risk it's small. If PUB is looking at two scenarios, Mike favors going to the 2.5%.

Allan said that he would hope BES could lower to 2.0% each year.

Alice asked Cecelia when the Water bureau rate was expected to peak. Cecelia answered that FY 2018-19 would be the peak.

Lee said that he remembered both bureaus saying that they are trying to level rates. In his experience with the bonding agencies, they don't like spikes. PUB is being asked to support the bureaus recommendation to manage the smoother rate that is being presented. It's difficult for PUB to dig in and play with the numbers. Bigger issue is supporting the idea of smoother rate increases.

Allan said he's concerned with all the demands Water Bureau is facing and that they are going to be saddled with debt from huge capital projects – example of Washington Park.

Allan said that the poll will help focus PUB to come to conclusions at the end of the next meeting.

Melissa reminded PUB members to send any questions from last meeting's written update from BES on the Portland Harbor Superfund Site and also asked for any questions related to the Communications Subcommittee from two weeks ago. She reminded members the next board meeting is next Thursday, 8th floor Columbia Square and that the Council Work Session is March 29.

Micah mentioned that at the next meeting there should be time allotted for public comment on every vote. Melissa said that that is what will be done, but not on straw polls.

Allan said that Melissa has provided a phenomenal amount of analytical work, writing etc., to bring the group along.

Lee said that he was concerned about the Mount Tabor, the fountains, and the low-income program because he thought that while all the items are important they are not part of the core function of these agencies. When he hears discussion about the livability of the City and sees non-functioning fountains, Mount Tabor problems and the low-income issue, Council needs to bite the bullet.

Allan said that his concern about Mount Tabor is that those are no longer reservoirs they are dams.

Ted asked Lee if he was saying PUB shouldn't spend any time on those issues. Lee said no, these are high on citizen's list and should be addressed by council; they shouldn't go to the operating bureaus.

Rob agreed. Fountains are luxuries. A bureau should be charged with running the fountains. He said similarly PUB shouldn't be struggling with recommending the low-income program.

VII. Discuss next Meeting Agendas and other items

March 22, 2018

Location: 8th Floor Conference Room

4pm: Board Meeting

Agenda Items:

Board Conversation

Board Recommendations

Melissa reminded members that the April meetings are at different days and different times that usual. But both are in Pettygrove.

April 12, 2018 (NOTE DATE – THIS IS A THURSDAY)

Location: Pettygrove Room, City Hall

--DRAFT--

4pm Board Meeting

Agenda Items:

Bureau Spring BMP requests and CBO recommendations

CIP Progress Reports

Water Strategic Business Plan Update (potential)

April 16, 2018 (NOTE DATE – THIS IS A MONDAY)

Location: Pettygrove Room, City Hall

11am Board Meeting

The meeting adjourned at 1pm.