

TO: Portland City Council
DATE: 28 March 2018
SUBJECT: Thoughts on PWB/BES Budget Submissions

A Portland Utility Board is hereby created. **The Board's purpose is to** advise the City Council, on behalf of and for the benefit of the citizens of Portland, on the financial plans, capital improvements, annual budget **development and rate setting for the City's water, sewer, stormwater, and watershed services.** The Board will advise Council on the establishment of fair and equitable rates, consistent with balancing the goals of customer needs, legal mandates, existing public policies, such as protecting water quality and improving watershed health, operational requirements, and the long-term financial stability and viability of the utilities. (City Code 3.123.010)

As tasked by the City Council, the Portland Utility Board functions as the Budget Advisory Committee for the utility bureaus. According to the CBO manual:

Every bureau is required to submit a budget advisory committee report with its Requested Budget submittal. The report should include a summary of the recommendations of the committee and a committee roster that includes names and community affiliation (affiliations are needed only if the committee has reserved spots for specific community groups). Although not required, two or more BAC members also have the opportunity to jointly write a minority report. If completed, the report should be included with the Requested Budget submittal along with the majority report. <https://www.portlandoregon.gov/cbo/article/663481> pg 51

As individual members, we have enjoyed serving on the Portland Utility Board and advocating for the many citizens of Portland. We take special pride in the relationships the Board has developed with PWB and BES and in helping to shape the benefits the bureaus deliver to the city. We are committed to the values as set for by the Board in January 2018: affordability, assistance to low-income residents, regulatory compliance, equity, improvement and sustainability of infrastructure, efficiency of operations and value to customers, protection of public health and watershed health, transparency and public engagement, system resiliency, and service delivery.

Our concern in this letter is with affordability. While we recognize that there must be a balance between these values, we also believe that affordability is not being properly prioritized in the current budget discussions. As presented in the budget proposals, the

combined monthly increase in the ‘water bill’ will be 4.97%. Compared to FY 2017-18, the quarterly typical single-family household bill for water, wastewater, and stormwater services would increase from \$324 to \$340 in FY 2018-19 and to \$407 in FY 2022-23 using the 5-year rate forecasts (PUB BES Analysis, p. 5). As the CBO Analysis stated, “...**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.”

We acknowledge that the proposed increase complies with **Commissioner Fish’s** directive of a rate increase under 5%, but we believe this is still too high. As one citizen of Portland, Kristin Bowling, wrote in a letter to PUB earlier this month, the rate increases are

unsustainable for EVERYONE at median income and below-- a household making \$50k would still be paying almost 4% of their income for one single utility at the current rate.

If rates continue to increase 5% every year, it will take less than 15 years for the utility bill to double.

We recognize that the bureaus face important and challenging tasks: new treatment plants, aging infrastructure, regulatory mandates, etc. They all put pressure on costs and, ultimately, on rates. **We don’t question the bureau’s sincerity** or thoughtfulness in putting forward all the items in their proposed budgets in trying to address these issues, but we do question whether all of what was submitted is needed this next year.

As with the rest of the City, the bureaus operate in an environment of limited resources although the match-up between budget requests and the corresponding rate increases is often unfairly biased towards the bureaus. The need to accomplish important projects is pitted against an amorphous citizenry who may not speak out for a variety of reasons but feel the impacts of these rate increases and bear the burden of these choices. A mandated filtration plant, which the Board supported, **versus an invisible ratepayer’s bill** increasing 4.97% seems like it should be an easy decision. But all too often those decisions are made from a position of privilege: of course we need that particular resource right now and besides it will only add a fraction of a percent increase to the overall rate.

Limited resources doesn’t just mean you can’t have everything, it also means you must choose between important needs. When the bureaus propose 21 new FTE (PWB) or 22 new FTE (BES), to some of us it appears that the hard choices have not been made.

Upon prompting from the CBO and PUB to re-examine their Rate Stabilization Fund, BES suggested that they could reduce their retail rate increase from 3% to 2% for FY 2018-19 and promised to look at a similar trade-off next year. We greatly appreciate this and believe it is a necessary step forward but we also think that reducing the proposed FTE is still necessary. This use of the Rate Stabilization Fund should be a given, as BES indicates current projections for over-collection of fees will allow for the Fund to remain at an appropriate level to meet expected financial standards.

The Water Bureau faces huge new projects, but we believe that a request for 21 new FTE is unacceptable, as is the 8.9% retail rate increase proposal. We believe it is possible for the Water Bureau to reduce their requested FTE and their proposed retail rate increase. Further, a number of vacancies have yet to be filled, some of which are in areas where new FTE are being requested. This is also true of BES. Limiting some of these requested new positions will allow this backlog to be cleared, while allowing new programs, such as the Low-Income Multifamily Initiative, to be appropriately planned and implemented.

We urge the Council, and particularly Commissioner Fish, to ask the bureaus to make decisions that will keep the retail rate increase at or below 4% for next year. The 2% rate increase recently suggested by BES would lower the combined rate increase to 4.3% and we would hope that PWB could make changes to reduce it even further. The enterprise funds are unencumbered by the constraints of Measure 5 and the competition for resources that exists in the General Fund, nonetheless pushing up rates 5% per year is unsustainable. As members of the Portland Utility Board, we feel an obligation to the citizens of Portland to put forth this plea for greater affordability.

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