



Oregon Citizens' Utility Board

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March 29, 2019

To: Portland City Council
Community Budget Advisory Committee
Cc: Mike Stuhr and Gabe Solmer, Portland Water Bureau (PWB)
Public Utility Board (PUB)
Shannon Fairchild, City Budget Office (CBO)
From: Janice Thompson, Oregon Citizens' Utility Board (CUB)
Re: CUB input on development of mayoral budget for PWB

INTRODUCTION

This memo provides CUB's input to Mayor Wheeler regarding the PWB portion of his budget. However, CUB directs this memo to all members of the City Council and the Community Budget Advisory Committee to inform discussion of the PWB budget during the Council work session. CUB will also send this memo to the PWB leadership team, the Public Utility Board (PUB), and City Budget Office (CBO).

CUB calls this our "phase 2" memo since it was preceded by a "phase 1" memo targeted to Commissioner-in-charge Nick Fish and the PWB leadership team with CUB's input on their development of that bureau's requested FY 2018-19 budget. As in the past, CUB's "phase 2" memo cross references points of agreement or disagreement with the CBO report. This "phase 2" memo has three sections:

- CUB Supports Low-Income Program Expansion
- Other PWB Decision Packages
- Discussion of PWB Responses to CUB's CIP "phase 1" Questions

CUB Supports Low Income Program Expansion

CUB has been a long-time supporter of programs addressing low-income customers of private investor-owned energy and telephone utilities. In Portland, we continue this stance with support of the proposed expansion of low-income programs to address costs of water, stormwater management, and sewer services. The proposed low income program expansion decision package addresses concerns raised by the October 2017 *Utility Payment Assistance* report from the City Auditor's office. The CBO discussion of low income program expansion, with which CUB has disagreements, is on pages 14-17 of their report.

Three Person Low Income Services Team

The low income program is housed within the PWB Customer Services Group, but has never been staffed by call center customer services representatives. Rather, there was one staff person whose sole responsibility was running the low-income program. Due to retirement, a new low-income program manager is being hired, and the two requested positions provide a strategic opportunity to

build a new team with expanded capacity for data analysis, program evaluation, and outreach with an emphasis on alliances with groups affiliated with frequently underserved Portland constituencies. There have been, and will continue to be, interactions between call center staff members and the low-income program team. However, the job description for the low-income program team members is different from the job description of call center customer service representatives.

CUB disagrees with CBO's rejection of these two positions. Of particular concern is that the CBO report cites the Auditor's recommendation for data analysis,¹ but then does not support the staff capacity that is needed for such analysis. Additional staff capacity is also needed for evaluation and expanded program outreach.

Crisis Voucher Increase

The current \$150 value of the crisis voucher was set in 2004. CUB supports the PWB's request to increase the crisis voucher to \$500. An increase to \$300 had also been discussed, but CUB would view that amount as the floor if the City Council is troubled by an increase up to \$500. CUB disagrees with CBO's recommendation to retain the crisis voucher at \$150.

Adjust Income Guidelines

CUB's phase 1 memo supported this idea, but we requested information on a possible administrative concern. Partner organizations conduct income verification for PWB, as well as for other assistance programs. Our question was whether this Portland-specific adjustment would be an administrative burden. The answer was no. With that information, CUB concurs with CBO's recommendation to adjust income guidelines.

New Discount for Extremely Low-Income Customers

CUB supports the new discount for extremely low-income customers. This reflects agreement with the CBO recommendation.

Multi-Family Low-Income Crisis Assistance

The Auditor's *Utility Payment Assistance* report cites the 20-year history of Portland's elusive search for a method to provide a low-income discount to low-income renters who don't get a water or sewer bill and instead these utility costs are included in their rent. Missing from that report, however, was a finding that this is a national issue and not just a Portland concern. For example, CUB has found no evidence of another effective utility program addressing this issue and this has been confirmed by recent PWB research.

The result is a problematic inequity in how low-income renters are treated in terms of relief from Portland's public utility rates. This historic inequity has only gotten worse due to significant increases in apartment rents and disproportionate impacts on communities of color renters. This indicates the need to find another approach, and this is exactly what PWB has done with its multi-family crisis assistance proposal.

¹ Regarding data analysis, CUB once again repeats our recommendation to move management of the Cayenta billing system – paid for by utility customers - from the Revenue Bureau to PWB. This recommendation is bolstered by the audit report's identification of lack of PWB control of its own Cayenta billing system as a barrier to data analysis.

Using the existing Home Forward Short-Term Rent Assistance (STRA) Program as a vehicle to support rental households in crisis is strategic use of an existing program that has met vigorous legal review. The PWB plans a strict intergovernmental agreement with appropriate safeguards about use of funds and administrative costs. The proposed level of financial support is appropriate for a pilot effort. Early in program implementation, it is possible that not all the allocated dollars will be used. The planned evaluation would assess that possible dynamic. If this occurs, however, it is important to not immediately assume that fewer dollars are needed, but rather explore program improvements since there is a definite need. In general, devoting considerably more resources to this approach is warranted due to the significant disparity between the proposed dollars spent on assistance provided to low-income renters and the current dollars devoted to discounts for low-income customers who receive public utility bills.

CUB's support for the multi-family low-income crisis assistance is a disagreement with CBO's recommendation

Other PWB Decision Packages

This section discusses the other PWB decision packages with a focus on cross referencing with CBO recommendations. Page numbers below refer to the CBO report.

CUB agrees with CBO's Water Treatment recommendation (page 7-8). It may seem early to bring on two operators, but this step is justified for two reasons. One is that extensive bench and pilot testing is an integral part of the filtration plant design process. Two is the rigorous timeline for meeting corrosion control treatment requirements which must include ensuring operational capacity.

CUB agrees with CBO's Unidirectional Flushing recommendation (page 8-9), especially since we supported added flushing staff capacity during last year's budget process.

CUB sympathizes but disagrees with CBO's Workforce Management recommendation (page 9-11). The Safety Inspector and Specialty Public Works Inspector positions recommended by CBO are also CUB's top priorities. CUB, however, also supports the General Public Works Inspector position for two reasons. One is that hiring this third position rather than continued contracting is consistent with what CUB sees as valid DCTU concerns. Two is that though CBO's analysis of past trends is interesting, PWB seems better positioned to evaluate future work load trends. If this position is not added at this time, it does seem that a future request is likely. Given that dynamic, the relative cost of continued contracting versus hiring now should be considered when making a decision on whether or not to include this position in the Mayor's budget.

CUB agrees with CBO's Asset Management recommendation (page 11-12).

CUB has sympathy with CBO's "no" recommendation on the Communications position request (page 12-13) and suggests that what is really needed is a clear signal from the Mayor and the City Council on the priority it places on PWB's communications capacity.

In our "phase 1" memo, CUB raised questions about this position that were adequately addressed by PWB. The catch, however, is that given competing priorities, a communications position is always likely to fall behind other hiring priorities and will be vulnerable to future cuts. At the same time,

PWB gets frequent suggestions to increase its communications capacity. CUB agrees with these suggestions and so supports the inclusion of this position in the Mayor's budget.

If this position is not included in the Mayor's budget it seems likely that PWB will fill this need through a reallocation process. Indeed, this seems to be an implicit suggestion from CBO. However, that approach sets the stage for the repeating the current situation where a previously hired technical writer got pulled into non-writing tasks. This is why regardless of the decision made by the Mayor and City Council on this position, CUB recommends placing that decision within a broader context that sends a clear signal of their view on the importance of PWB's communications capacity.

CUB agrees with CBO's Equity Manager recommendation (page 13).

Regarding Mount Tabor Historic Preservation (page 17-18), CUB agrees with CBO's recommendation. More importantly, though, we point out that this spending is needed to ensure compliance with a directive from a previous City Council that this Council should not overturn.

CUB agrees with CBO's Parks Maintenance recommendation (page 18-19).

CUB disagrees with CBO's Decorative Fountains recommendation (page 19). One concern, is that using PWB funds for this purpose is anticipated to exceed Commissioner Fish's directive for a combined PWB-BES average annual rate increase of no more than 5 percent.

More broadly, though, a 2017 ruling by Multnomah County Judge Bushong determined that water rates could be used to fund decorative fountains. This decision does not necessarily mean water rates have to be used for this purpose, however, and it is worth considering whether or not use of general fund dollars is more appropriate.

To help with CUB's thinking on this issue, we did some historical research. The 1988 ordinance transferring decorative fountain assets from Parks to PWB (or the Bureau of Water Works as it was called then) links this decision to the FY 1988-89 budget decision that transferred responsibility for these fountains from Parks to PWB.

Correlation is not necessarily causation, but it is interesting to note that in 1988 the City Council also adopted a target of spending 28 percent of utility license fee revenue for transportation maintenance needs. Given that utility license fees are a significant revenue source for the general fund, this policy, in effect, reduced general fund dollar availability for other bureaus like Parks. "The City Council, including [then-City Commissioner Earl] Blumenauer, who oversaw the transportation office and pushed the idea voted unanimously for the target."²

Given the impacts on general fund dollar availability due to even attempting to meet this 28 percent target, a valid question seems to be whether the 1988 decision was based on evaluating the best fit for decorative fountains within the missions of either PWB or the Parks Bureau, or was that decision unduly influenced by general fund dollar demands linked to the 1988 Council setting a 28 percent transportation funding target?

²http://www.oregonlive.com/portland/index.ssf/2015/01/why_portlands_roads_are_so_bad.html, January 10, 2015

CUB suggests that the current decision on whether or not to adopt this CBO recommendation must be based on an analysis of the missions of PWB and Parks. A critical question for CUB is whether operating decorative fountains is a critical function of a water utility? The tipping point for CUB's "no" answer to this question is linked to the word "decorative". We're not talking about water fountains that provide drinking water, we're talking about a decorative feature of the urban landscape. The decorative nature of the fountains is akin to the visual and recreational benefits of parks. For this reason, CUB disagrees with CBO's recommendation. If the Mayor agrees with CUB on this question, it should be noted that a follow up step needs to be reversing the 1988 ordinance and transferring these fountain assets back to Parks from PWB.

However, if the Mayor and the Council decides to accept the CBO's recommendation and ratepayer funds are used for decorative fountains, then PWB should have clear control over maintenance decisions related to those decorative facilities with cost containment authority.

Perhaps the most important outcome, though, is for City Council to make a definitive determination on this topic. It is time to end the recent dynamic of the decorative fountains being tossed back and forth between Parks and PWB during budget deliberations.

Discussion of PWB Responses to CUB's CIP "phase 1" Questions

CUB's phase 1 memo did not identify major concerns with any one particular CIP project. However, three topics were identified in our earlier memo that focused on exploring possible different approaches in terms of timing and scope given the new impact of the City Council's filtration treatment decision on CIP planning. A summary of these topics and CUB/PWB discussions are provided below on an informational basis.

Transmission Mains Seismic Improvements – 30-year approach

CUB supports the PWB's 30-year approach in making seismic improvements to transmission mains compared to a 50-year timeline. However, we suggested consideration of a 10-year delay so that transmission mains CIP spending would begin after completion of other major construction projects, particularly the filtration treatment plant. At the same time, though, we identified that such a delay would result in a greater mismatch between completion of the transmission mains seismic improvements and completion of other seismic resiliency projects, particularly Washington Park reservoir and Willamette River Crossing. The PWB did not support this delay idea given the need to seismically prepare as soon as is feasible, and that the transmission mains improvements are already occurring on a long timeframe. Especially given recent analysis suggesting that a subduction zone earthquake would cause even more damage than indicated in earlier assessments, CUB sees the logic of the PWB's position but appreciates their consideration of our revised timing idea.

Distribution Mains - 30,000 or 60,000-foot Annual Replacement Schedule

The PWB was considering a shift to 60,000-foot annual replacement schedule for distribution mains compared its current 30,000-foot annual replacement schedule. We saw the logic of this shift given an interest in avoiding a falling-behind-so-much-we-can't-catch-up dynamic, but understood the need to develop a strategic timeline for such an adjustment. CUB supports the PWB's decision to retain the 30,000-foot annual replacement goal until completion of the filtration plant. They concluded that although the rate of main breaks is forecast to increase, the current replacement footage was deemed sufficient to keep the breakage work at a manageable level. CUB appreciates the PWB's response to our questions on this topic and supports their conclusion.

Sandy River Station

The Sandy River Station is located where conduits cross the Sandy River so there are flooding concerns. The buildings are in reasonably good shape for their age, but seismic improvements are warranted. However, the RFP to evaluate the Sandy River Station in terms of location and facility improvements was developed before the loss of the *Cryptosporidium* treatment waiver and subsequent decision to build a filtration plant. For this reason, CUB suggested revisiting the timing of the Sandy River Station facilities evaluation to ensure that it dovetails with facilities needs assessment linked to filtration treatment planning. To be clear, we are not saying to never conduct this evaluation or that the Sandy River Station doesn't merit improvements. Our concern is in regard to the timing of the Sandy River Station evaluation.

The PWB's response was that they are aware that the future filtration site could be a potential relocation spot for some of the functionality currently housed at Sandy River Station. However, they concluded that there are enough Sandy River Station questions to warrant evaluation on the requested timeline. Coordination is planned between Sandy River Station evaluation and filtration siting work to determine if Sandy River needs could be met at that new filtration site.

CUB disagrees with PWB's conclusion and would prefer that the Sandy River work be delayed to avoid the potential for duplicative efforts and/or Sandy River Station assessment work that is made moot by filtration treatment planning. If a delay in this Sandy River Station evaluation is not included in the Mayor's budget, however, CUB requests regular updates from PWB on the intersection between these two facilities evaluating and planning efforts.