

Portland Utility Board
April 12, 2018, 4:00 – 6:30pm
Pettygrove Room, City Hall
Meeting # 44 Minutes

Attendees:

PUB Members:

Ana Brophy, ex officio
Allan Warman
Colleen Johnson
Hilda Stevens
Lee Moore
Robert Martineau
Scott Robinson

Absent:

* Meredith Connolly
* Alice Brawley-Chesworth, ex officio
* Dan Peterson
* Micah Meskel
* Mike Weedall
* Ted Labbe
* Van Le, ex officio

*Notice of absence provided prior to meeting

Staff:

Gabe Solmer (Communications Director, Water)
Dawn Uchiyama (Deputy Director, Bureau of Environmental Services)
Jonas Biery (Business Services Manager, BES)
Ken Bartocci (Principal Financial Analyst, Bureau of Environmental Services)
Cecelia Huynh (Director of Finance and Support Services, Water)
Doug Stewart (Senior Engineer, Portland Water Bureau)
Jessica Letteney (Senior Management Analyst, Portland Water Bureau)
Jeff Winner (Capital Improvement Program Planning Supervisor, Portland Water Bureau)
Steve Hansen (Program Manager, Capital Controls, Bureau of Environmental Services)
Bill Ryan (Chief Engineer, Bureau of Environmental Services)
Megan Callahan (Communications Director, Bureau of Environmental Services)
Todd Lofgren (Senior Policy Advisor, Commissioner Fish)

Shannon Fairchild (Financial Analyst, 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

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

Allan asked if there were any changes for the minutes of the March 22 meeting. There were none and the meeting minutes were accepted as submitted.

III. Public Comment

There were no public comments.

IV. Disclosure of Communications

Colleen participated in an administrative review meeting on Monday. There were 3 appeals; the group gave one and denied two. Allan gave a quick overview of the City Council work session on March 29 where he provided comments from the PUB on the bureau budget requests. Lee disclosed that he is participating in the selection panel for the Water Bureau for filtration.

V. Spring BMP Submissions Ken Bartocci, Principal Financial Analyst, Bureau of Environmental Services, and Cecelia Huynh, Director of Finance and Support Services, Portland Water Bureau

BES

Ken Bartocci provided an overview of the 6 decision package requests BES [submitted](#) for the BMP and referred to the [summary](#) sent to PUB as part of the read ahead materials. Adjustments to the operating budget include new funding for the RCNG interconnection facility, labor costs resulting from new contract, and security costs. BES is recognizing additional revenues from work provided to other city bureaus. BES is also transferring cash from the operating fund to the Rate Stabilization Fund (\$16 million) and construction fund (\$10 million). These transfers result from \$15 million higher than estimated SDCs and lower than expected debt service costs. These were already reflected in the 2% and 3% rate forecast that the group has discussed so would not have a rate impact for FY 2018-19.

Ken also talked about the move of the RCNG interconnection facility from the capital budget to the operating budget. The project is not eligible for CIP funding because the bureau will not own it. Scott asked for more information and Ken explained the arrangement. Allan asked when the facility would be in place. Ken wasn't sure when it would be online but the payment needs to be in place by year end. Todd added that biogas would be produced by 2019.

Colleen asked about the transfers and if the additional SDCs were reflected somewhere. Ken said that they were included in the forecast but not in the budget until now.

Water

Cecelia gave an overview of the 7 decision package requests PWB [submitted](#) for the BMP. She said overall, the total budget is not changing but the bureau is moving some resources. She talked about the request for .15 FTE that would draw from savings in FY 2017-18. She also talked about the adjustments for the additional capital revenue that we are receiving which is more than planned and the reductions in the capital budget by \$34 million.

VI. CBO Review and Recommendations Shannon Fairchild, City Budget Office

Shannon provided an overview of her [analysis](#) for both bureaus. She said these were typical BMP requests.

BES is moving resources within funds and recognizing new revenue. The movement of \$26 million from the operating fund results from debt service savings and larger than expected SDCs, resulting in a net increase in cash transfers.

In the CIP, there is a decrease of \$1.3 million for the biogas receipt facility that won't be owned by BES and can't be capital. The bureau is moving that to External Materials and Services in the operating budget. Shannon said that she looked in this payment and ownership arrangement between BES and NW Natural and these types of agreements are common in the natural gas industry. Scott added this is a tariffed program.

Shannon then talked about the CIP status report. BES is projecting capital expenditure will be 70% of plan. Major drivers of the underspending are the Phase 3 pipe rehab project and the Slabtown sewer project. Underspending is due to project delays, demand for specialty contractors, procurement process delays, and design staff turnover.

Scott asked if BES is expecting to execute the backlog as part of next year's plan or will there be cascading effects. Bill said next year's plan wouldn't increase to accommodate the backlog but rather some projects planned for next year would likely be bumped out. The project list will be changed. He added that the Phase 3 project is in the design phase and will likely catch up during construction. He also said that these types of delays are a major part of the bureau improvement project.

Shannon then talked about the Water Bureau's seven requests. They are reducing the CIP by 31% compared to the adopted budget. Those funds will be moved to the water fund contingency. \$25 million of the reduction is due to Washington Park delays because of design and constructability issues with the project. Those concerns delayed construction until summer. There were also difficulties with building permits at the beginning of the project though they have been obtained. \$5 million of the reduction is due to the Willamette River Pipe Crossing which is underspending because of delays with easements.

PWB is also moving \$5 million in additional revenue from the operating fund to the construction fund. It's projecting it will receive \$9 million more in installation and mains revenue and also higher than anticipated SDCs. Shannon mentioned the .15 FTE increase that would result in two full-time staff for payroll.

Shannon also talked about the Hydroelectric Power Project which are separate funds but managed by the Water Bureau. There is a final transfer from the renewal and replacement fund transfer for the past relationship with PGE. That contract was replaced with several contracts. The Hydro Operating Fund will spend about \$500,000 less for EMS – the expenses of the contracts – but this is not savings. It's a reflection of overbudgeting. PWB is expecting the hydro project will meet its revenue goals. They began selling power at the contract price in January. Before then the power was sold at market rate prices.

VII. Water Bureau Strategic Plan Update, Jessica Letteney, Senior Management Analyst and Doug Stewart, Senior Engineer, Asset Management, Portland Water Bureau

Jessica began the [presentation](#) by reminding PUB members of the *Project Road Map* (slide 3) including

- Task A. Organization Scan
- Task B. Risk Assessment and Strategy Development
- Task C. Strategic Business Plan Development

The organizational scan report will be out in late April and PWB has started working on the risk identification and strategies.

The Organizational Scan included focus groups with employees, interviews with city bureau directors, survey and interviews of external organizations, review of bureau plans and reports, and a history of the bureau since the last strategic plan. Colleen asked when the last strategic plan was done and Jessica said it was 10 years ago. The old plan was intended to be a three-year plan but it was really good so it is still relevant.

Lee asked where the PUB focus group is reflected in the power point and Jessica said it wasn't there but Doug added the PUB will be involved in the risk phase and well as having several other opportunities over the next year.

Jessica then talked briefly about guiding statements related to vision, mission, values, and equity that have been drafted by senior employees. She also said this work involves creating an equity lens that includes service equity and workforce equity that will guide the work in the next two phases.

Doug than explained the risk phase that they are about to enter (slide 8). This will be core to developing the strategies to implement at the bureau. He talked about risks and how they are identified and the decisions for management strategies. Those strategies will be the drivers that go into business plan they will write starting this fall.

Doug staid that in August they will begin to score the risks; considering how likely are they to happen and what is the consequence if the risk is realized. They will be doing a heat map or shot gun plot to be able to rank risks against each other. In September, PWB will look at risks and develop mitigation strategies or management strategies.

He then walked them though a sample risk map (slide 9) and samples of strategic business risk (slide 10). Scott said he hopes that the plan considers resilience as a risk as the bureau is spending a lot of money on resilience.

Colleen asked how the bureau plans to measure the outcome side of the strategies and Doug said that will be part of the development.

Doug then talked about PUB's role. PWB will bring quarterly updates. PUB will do a risk assessment in June and provide feedback on list of risks, major strategies, and the draft plan

Lee asked how the PWB and BES plans interact. When PUB was first formed there was a lot of talk about collaboration between the bureaus but he doesn't see that in the plan. Particularly as utility costs increase and resources become scarce; the elephant in the room is how do the bureaus collaborate—BES, Water, PBOT. He wants to know how that gets captured here.

Gabe said there has been collaboration between the bureaus the entire way. PWB learned a lot about BES's wins and mistakes and incorporated those lessons into their workplan. The BES plan set them up to make organizational changes which they will start doing soon so Gabe thinks the plan timelines will start to align. Dawn agreed. She also explained that BES didn't feel comfortable putting their plan in such a strong risk framework when they began but expect to weave that in as they learn from Doug.

Scott suggested that the quarterly updates could include those areas where synergy and cross learning/collaboration are happening

VIII. Capital Progress Reports, Jeff Winner, Capital Improvement Program Planning Supervisor, Portland Water Bureau and Bill Ryan, Chief Engineer, and Steve Hansen, Capital Program Management and Controls Manager, Bureau of Environmental Services

Water

Jeff gave an [overview](#) of programs and break down of the 2017-18 adopted budget, the 2017-18 revised budget, and the 2018-19 requested budget. He walked members through the chart on page two showing how Treatment is small in the early years and big later; Transmission and terminal storage (Washington park) are larger in the early years and decrease over the 10-year forecast. The Support category is mainly the Portland Building. Distribution is primarily the Willamette River Crossing early in the forecast and seismic upgrades in the out years.

He then talked about progress on the new projects proposed for next year. Some are utility relocations to support other bureaus.

Jeff then talked about the capital budget changes in the BMP. Most of the \$34.4 million change was due to Washington Park. The plan included a significant amount of concrete pours this year but most will get bumped to next year. He said the issues have been resolved and monitoring of recent cash flows shows its moving faster now. He also talked about the increase in revenues resulting from new meter installation. Those workloads are still high and have been for the last three years. In addition, the amount of work for PBOT and BES is higher than planned. Jeff also mentioned the three projects that have been cancelled since filtration was approved – Sandy River Outfall, Vivian Groundwater Improvements, and the generator and scrubber projects at headworks.

Jeff talked about the final page of the update that has a project by project status update. He said the Project Percent Complete was based on overall planned time of the project Red projects are late, yellow are behind, green are on time.

Allan asked if there was a similar table for percent of budget spent. Jeff said no and talked about the pattern of billing throughout the year. Jeff can update table with budget information including original, revised, and current. The board and Jeff talked generally about tracking capital projects. Each project comes with an expected timeline, expected scope, and expected budget. Each of those components are important to track as the projects progress.

BES

Steve gave an [overview](#) of BES capital spending, saying the bureau is on track to spend 71% of budget this year. The dollar amount of spending is consistent with what the bureau spent the last few years but the percentage is lower due to higher budget. He said there is about \$110 million in construction that could still spend this year. Colleen asked how the bureau is forecasting to spend a little more than \$80 million by the end of the fiscal year when they have only spent about \$40 million to date. Steve said he did a burn rate analysis when he first came to the bureau and typically capital spending accelerates at the end of the year.

Steve highlighted a few of the projects in progress. BES opened the compressed natural gas fueling station in March. They have selected design and support firms for CBWTP and are narrowing the list for CMGC. For Tryon, they are reviewing the 30% design. Allan asked when construction would begin and Bill and Steve said it should be 2020. There have been delays with the purchase of property and negotiations with Lake Oswego. Steve also talked about several fish habitat projects and the Slabtown Sewer Rehab.

The next year shows the work at the two plants will dominate the capital plan.

Steve then talked to the board about the [summary](#) he created of major CIP project expenditures. He talked about the difference between shells and primaries – Primaries are a collection of related smaller projects. Shells are chunks of work that the bureau evaluates each year for more urgent and smaller needs.

Scott asked if there were patterns to the projects that over or under spend. Steve said the patterns are related to the causes and effects – for example, programs that underspend are related to staff shortages or additional needs identified. BES had an interesting year with procurements – many contracts for services expired at the same time. BES worked to get new contracts in place but sometimes there were gaps. Steve did an analysis of 40+ projects - 21 were under budget and 23 were over budget but most were in a very tight band around the budgeted amount. There were few big outliers.

Scott asked if the bureau had prior knowledge of the expiring contracts. Steve said yes and the intent was to start the renewal or replacement efforts with plenty of lead time but it wasn't smooth.

Rob asked in relation to the primary versus shell distinction if the bureau has the ability to slow down or speed up shell spending? Steve compared the two major shells programs – budgeting for those is difficult because they are primarily for emergencies or unexpected work.

Colleen asked if the bureaus could continue to work together and present similar information that provides a more complete picture that includes both time and budget.

Steve and Jeff both agreed; though they said it would be a work in progress as both bureaus track things differently. Steve added that one of the goals of CIP PREP is to get better data.

IX. Board Conversations

Colleen suggested that there are a number of discussion items that members have mentioned in the past several months that the board should make room to consider. She mentioned the questions of individual member and minority comments, what it means to provide strong oversight, and how individual members express bias. She thought it would be good to talk about these in a structured way. She invited members to write up any items they would like discussed. Also mentioned where items Van raised a few months ago.

Ana asked if the board has had a facilitator. Lee said he'd like to see the discussion items before talking about a facilitator.

Rob suggested inviting input from the bureaus.

Lee said his one item would be with receiving a lot of information in a short period of time. He viewed that a possible process change to see if there was a way to stagger information and get it in a rolling basis rather than in a large batch.

Colleen asked members to write clear statements and suggested there could be different discussion – inter board communication and board and bureaus different conversations.

Rob suggested that if there was going to be a large process improvement conversation that it should be scheduled when the most members could attend in person.

Lee said it would be good to start a conversation with members identifying their interests.

Colleen then raised the question of whether the board wants to comment on the BMP requests. The board asked Melissa to draft a statement of support to be reviewed and voted on Monday.

Rob asked if the board should just pass on this opportunity. Scott said he thought it sent an important message to Council that the board was paying attention and also important opportunity to support for the bureaus.

Melissa will draft a statement.

X. Board Meeting Agendas

Allan previewed the upcoming agendas for the next few board meetings.

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

Location: Pettygrove Room, City Hall

11am Board Meeting

Agenda:

Board discussion about BMP requests

Possible board statement

Rate Ordinance Preview

Board Conversation, continued

Other announcements:

- Reminder - member recruitment. Applications close next Wednesday.
- Board members are encouraged to volunteer to review applications.
- There was a positive cryptosporidium test announced by PWB today.
- Water Bureau has a survey on website regarding filtration.
- PWB is drafting quarterly reports for Tabor, Washington Park, and filtration.

The meeting adjourned at 6:20 PM.