

**Portland Utility Board**  
April 16, 2018, 11am - 1pm  
Pettygrove Room, City Hall  
Meeting # 45 Minutes

**Attendees:**

*PUB Members:* Alice Brawley-Chesworth, ex officio  
Allan Warman  
Colleen Johnson  
Lee Moore  
Micah Meskel  
Mike Weedall  
Robert Martineau  
Scott Robinson  
Ted Labbe

*Absent:*

\* Meredith Connolly  
\* Ana Brophy, ex officio  
\* Dan Peterson  
\* Hilda Stevens  
\* Van Le, ex officio

\*Notice of absence provided prior to meeting

*Staff:* Gabe Solmer (Deputy Director, Portland Water Bureau)  
Jonas Biery (Business Services Manager, BES)  
Ken Bartocci (Principal Financial Analyst, Bureau of Environmental Services)  
Cecelia Huynh (Director of Finance and Support Services, Water)  
Jeff Winner (Capital Improvement Program Planning Supervisor, Portland Water Bureau)  
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 April 12 meeting. The meeting minutes were accepted as submitted.

III. **Disclosure of Communications**

None

IV. **Public Comment**

Allan asked if there was any public comment.

Shedrick Wilkins said he was involved in the fluoride campaign. He's concerned about the \$500 million filtration system. He feels that because people want cheap water, maybe the city won't do filtration.

There was no other public comment.

V. **BMP Conversation – BMP Requests**

Allan opened the conversation on the draft board letter regarding the bureau BMP requests. Melissa noted that one correction had been made since the letter was circulated over the weekend.

Scott moved to adopt the letter as written. Mike seconded. Allan asked if there was any public comment. There was none.

All members voted in favor of the motion.

[The [letter](#) was finalized and transmitted to the City Council.]

VI. **Rate Ordinance Preview**, Jonas Biery, Business Services Manager, Bureau of Environmental Services, and Cecelia Huynh, Director of Finance and Support Services, Portland Water Bureau

BES

Jonas pointed member to the handout provided that summarized the rate [methodology](#) for members. He showed members a [presentation](#) of how costs are allocated and rates are determined. For BES, 80% of resources are from rates. He said SDCs are 10% higher than expected because of significant collections due to robust development.

Jonas talked about the components and calculations of sanitary and stormwater charges which gives an overview of how rates are developed. The bureau figures out its total required revenue based on the budget proposal, minus its cash balance and forecast for stormwater rates, SDCs, and other fees, and the calculates the necessary rate of increase to generate the revenues needed to meet the remaining resources required. This is an iterative process if the forecasted rate is higher than the bureau thinks is palatable. Jonas also reminded members of his balancing triangle analogy—CIP, operating, and revenues need to balance the triangle with the Rate Stabilization Fund used to help balance over time. Jonas also talked about the split between

customer classes and the application of stormwater rates based on impervious area. The rate is lower for multifamily residential.

Jonas said the rate is close to final. He doesn't expect many changes in the Mayor's Proposed budget. He said more impactful is that the bureau sells bonds in two weeks and will know final debt service. He hopes there will be savings based on lower borrowing costs. He said the rate of increase would be 3% or 2% depending on the mayor's proposed rate of increase.

Scott asked about the size of the bond issuance and Jonas said they expect \$213 million in proceeds and are expecting a premium.

Jonas then talked about the BES bill compared to peers. He said DC has reconsidered how they think about the average bill.

Micah asked what the driver was for Seattle's 7.2% increase but Jonas didn't know.

Several members asked how the comparisons look if they considered the combined Water and BES bill. Colleen said people think about them together so would like to see those comparisons. Jonas said they could work on it.

Jonas said the current forecast does assume all changes to low income assistance program are approved.

He also talked about the SDCs. They use this money to pay debt service because developers are paying into a system that is already built. SDCs will increase by about 5%. He said all permits fees and other charges are determined on a cost recovery basis. They look at the cost of completing reviews and then calculate fees. Most increases are driven by general fund overhead and cost of living for staff that does review.

Jonas said the bureau will provide an update on May 8<sup>th</sup> if there are any changes based on the Mayors Proposed Budget which will be released the first week of May.

Lee asked if there were any areas where there are revenue shortfalls or over collections. He wants to know if the bureau was meeting the revenue targets. Jonas referred him to slide 2 and said they forecast out over many years. Jonas said they are generally above forecast because of conservative assumptions. They assume more conservation and less customer growth which typically means they outperform their revenue forecast. He said the bureau would rather underestimate and overperform. He said they monitor receipts monthly. He said this year they are really close on rate revenue; outperforming SDCs. Jonas doesn't think they've been as high as 5% over forecast but have had years 2% or 3% over forecast.

Colleen referred to the fee table – SDCs are about 1-3% increase, building are mostly 4-5%, land use review fees 7-8%. She asked what explains land use fees higher than other categories. Jonas said different staff are doing the work and there are different fixed costs; also differences in time and ratio of staff costs; and staff turnover explain those differences. He said 98% of fees are based on cost recovery; some are just fixed fees.

Scott asked about the source of revenue for Portland Harbor. Jonas said it was paid for from rates and pointed to the specific line item on bills shown on slide 6. He said right now those fees were covering operating costs for activities before in river work. There is uncertainty in the long-term capital costs and allocation between the city, bureaus, and other partners. Scott asked if it is an unknown, how is it reflected in the rate. Jonas said the forecast includes operating costs; at some point there will be capital costs and operating costs will decrease as others pick up some of the work.

Lee asked when the bureau does benchmark with other cities, has the staff looked at a consolidated utility charge based on other cities? Jonas said no. Allan suggested the bureaus add Vancouver, Bellevue, and Tacoma. Jonas said they selected cities with CSO of scale for comparison.

## WATER

Cecelia presented the Water Bureau's rate [update](#) which she said assumes the budget as requested is approved. She also walked through the [proposed](#) fee increases. She reviewed the resource requirements and sources of resources for the bureau. She said the rate ordinance will include fees and residential rates. She said the bureau has added about \$77 million in capital assets which increases SDCs.

Cecelia talked about the expansion of the low-income assistance programs. Scott asked why BES forecast reflects 7,300 participants and the Water Bureau has 6,600? There was discussion of whether the bureaus use the same forecast for joint programs if not, why would they be different? Cecelia said her forecast assumes 8,000. Liam said traditionally both bureaus have projected differently, but they will be aligned.

Cecelia also talked about the bureau's bill compared to other utilities and other jurisdictions.

She said the forecast going forward would be 7.4% which includes a 2.2% increase for filtration.

She referenced the rate and fee table and said rate reductions equal process improvements and more efficient operations within the bureau. She said they try to minimize lumping of fees and allocate directly. Costs include staff and equipment.

Lee asked how well they are doing on the forecast and Cecelia said they generally collect more than they project. When they do well, it builds the ending fund balance.

Ted asked how frequently do the bureau revisit SDCs and Cecelia said they are reviewed annually. As costs goes up, it is reflected in SDCs which are part of the annual rate ordinance.

Ted commented that the pattern of development is mixed use and asked Cecelia if she could speak to why SDCs are so low compared to peers. Cecelia said the PWB system is over 100 years old; SDCs will be higher as they complete filtration and add value back into the system.

Ted asked also if she could speak to the issue of slide 8—how water rates compare to peers and that a number of the peers are also wholesalers. Cecelia said the charges for wholesalers are

based only on the infrastructure used to serve them. She said it's also possible they aren't seeing all of their expenses.

Scott asked what assumptions the bureau uses for wholesale water use. Cecelia said all contracts are currently through 2026. They will have to file notice of intent to terminate or renegotiate by 2021.

Scott said the bureau is investing in filtration at delivery point; is there a formula in the contract to recover some of those costs? Will some wholesalers decrease use because of the increased costs? Cecelia said multiple things go into the contracts. Some wholesalers are building more infrastructure and will incur higher costs.

Lee asked about the analysis the bureau is doing 10 years out on how external partners decisions will affect retail rates. He pointed specifically to the west sides districts pulling out and build their own infrastructure. Cecelia said the forecast includes some of these known changes. Wholesalers make up 11% of total revenue, with about half coming from TVWD. Cecelia also noted that reliance on wholesale customers will be identified as a risk of the strategic plan.

## **VII. Board Meeting Agendas**

Allan previewed the upcoming agenda for the next board meeting.

May 8 at 4 pm World Trade Center

Agenda:

- Update on Rate Ordinances
- Board Conversation and Possible Statement Rate Hearing
- BES Equity Plan Implementation
- BES Performance Metrics Part I

Rob asked why the May meeting is the second week of May and not the first. Melissa explained that the Mayor's budget proposal will be released the first week but the bureau's need to time to figure out any changes.

The meeting adjourned at 12:30 PM.