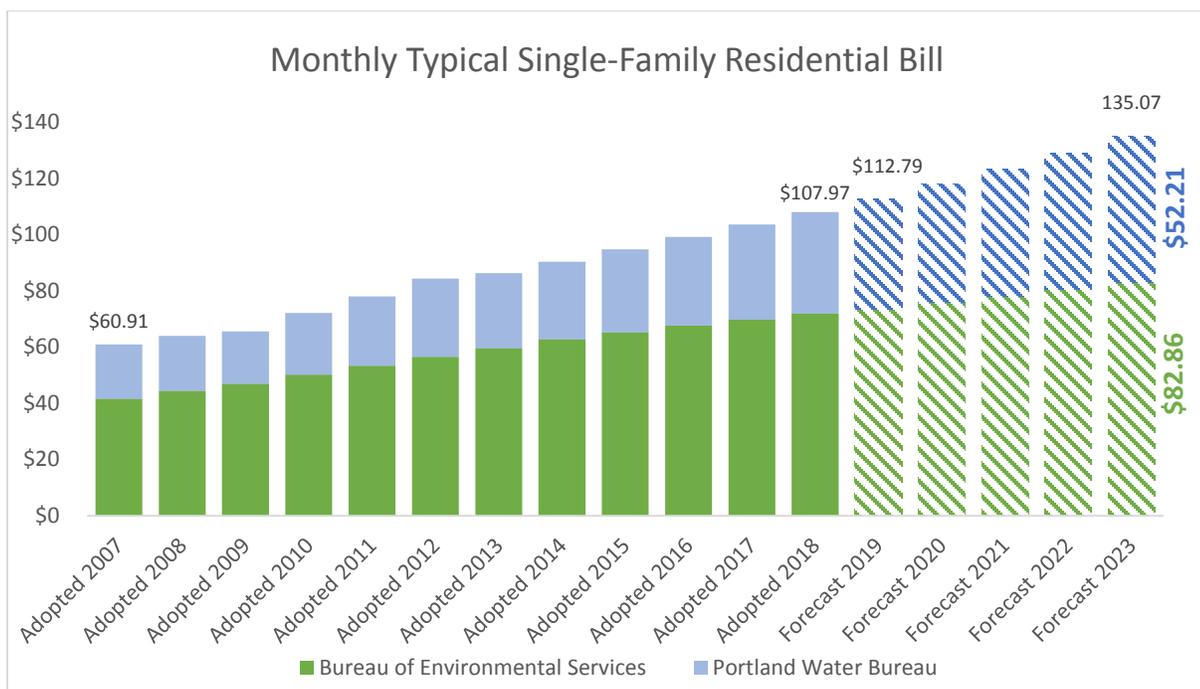
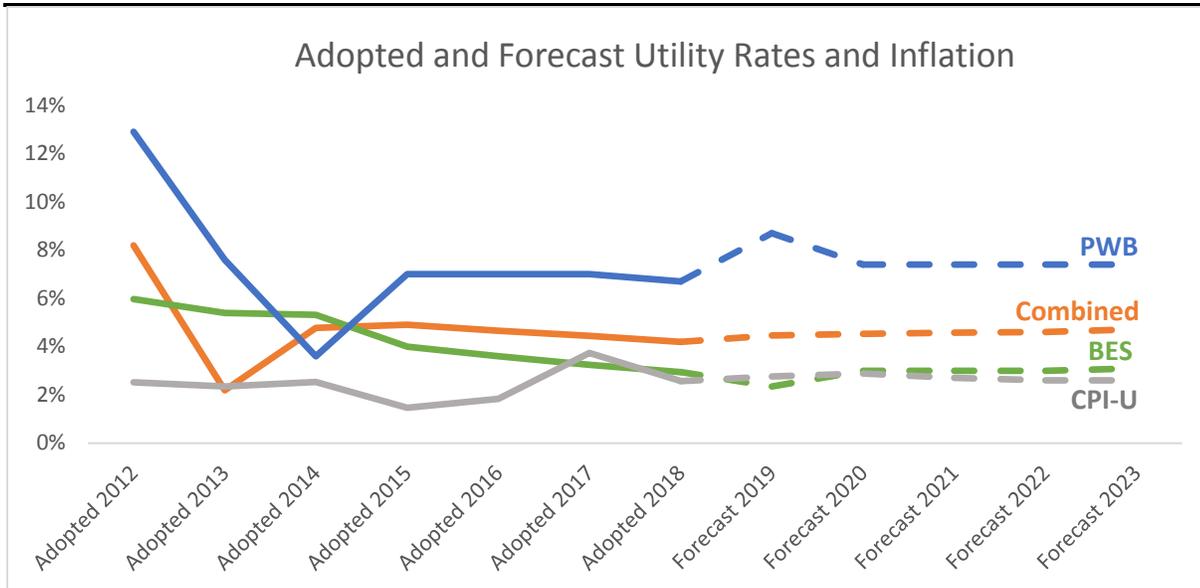


To: Portland Utility Board (PUB)
 From: Melissa Merrell, PUB Analyst
 Re: Discussion Guide FY 2018-19 Rate Ordinance Communication to City Council
 On: May 7, 2018



The PUB serves as a citizen-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB). Utility bureaus make up half of all city spending and the PUB was created to provide year-round oversight and recommendations to council and the mayor.

- The board has spent the past 7 months working with the bureaus to review their 5-year financial plans, the rate forecasts, capital plans and operating budgets, decision packages, and the CBO analyses of the requested budgets.
- Through this budget process, PUB encouraged both bureaus to be mindful in their requests and make strategic choices about core mission needs, keeping the financial impact of customers a priority.
- PUB supported 15 out of 22 positions requested by BES and 12 out of 21 requested by PWB. Where the PUB had concerns, those concerns generally related to the capacity of both bureaus to absorb the number of staff being requested and deliver the ambitious capital programs envisioned and the concerns about affordability.
- All members support the assistance that the bureaus provide for low-income customers. They also recognize that the current programs have limited reach and need to be revised to better meet the needs of the community. All members appreciate the work the bureau has done but several members remained concerned about the extent to which the program is currently undeveloped and advised the bureau should take more time to analyze the data it has on current customers to better design and target the assistance programs.
- In addition, both bureaus are facing unique challenges
 - PWB is undertaking two large construction projects to increase the resiliency of their system and undertaking a major capital project to build a filtration plant to ensure water quality.
 - BES is in the process of a major organizational reorganization with the vision of doubling capital output to address system capacity and aging infrastructure. This effort follows a strategic planning effort and together will position the bureau to improve controls and monitoring and align budgeting decisions with program priorities and performance indicators.
- While the board sees encouraging process changes and transparency efforts in both bureaus, we remain concerned about long term costs projections for Portland customers. Current rates of increase in the proposed ordinance are 8.7% for PWB and 2.35% for BES for a combined rate of increase of 4.46%.
- We normally talk about the monthly bill impact for customers – but more than 85% of Portland customers pay quarterly. At the current forecasted rates of increases for the next 5 years, typical Portland single-family residential customers are facing an \$405 quarterly bill by 2023.

- We are grateful to the Mayor for directing BES to use more of its cash-on-hand to reduce next year's rate of increase, but are still concerned that at the current rule of thumb for increases [5% combined for both bureaus], utility rates would double in less than 15 years.

We look forward to continuing to work with the bureaus and with you Mayor and Commissioners to encourage utility operations and investments that ensure safety, value, transparency, and financial sustainability of these systems for the customers of Portland.

In closing, you created PUB to provide citizen oversight of the utility bureaus and PUB appreciates the opportunity to provide feedback at this point in the budget process.

Thank you