



CITY OF PORTLAND ENVIRONMENTAL SERVICES



1120 SW Fifth Avenue, Room 1000, Portland, Oregon 97204 ■ Nick Fish, Commissioner ■ Michael Jordan, Director

Date September 12, 2018

TO: Claudio Campuzano, Acting Director
City Budget Office

FROM: Michael Jordan, Director
Bureau of Environmental Services

SUBJECT: FY 2018-19 Fall Budget Monitoring Report

Attached please find the Bureau of Environmental Services Budget Monitoring Report for the Fall of FY 2018-19. A high-level summary of changes is included below.

Overall changes to the Bureau's operating programs require a reduction in contingency of \$9,336,420 with 48% (\$4,478,848) related to carryover of funds from the prior year, 37% (\$3,500,000) related to the Biosolids Inventory Reduction Program, with the remaining items related to new requests highlighted below.

Of the funds requested for carryover, \$3,101,290 (69%) is related to fleet vehicles that were not delivered on the expected timelines; \$778,850 (17%) is for the renewable compressed natural gas agreement with NW Natural Gas, previously approved in the FY 2017-18 Spring BMP, but delayed into July; and the remaining \$598,708 (14%) is for other items at varying levels of completion at the end of the previous fiscal year.

New items supported by draws from contingency include the Bureau's support of the new Procurement Services funding model, security enhancements throughout the Bureau, resources for organizational development, a partnership with Parks & Recreation to support Peninsula Drainage District #1 Master Plan, and a partnership with Water Bureau to analyze the work order management system.

New staffing related requests include one-time requests for contract employees to support Wastewater Automation, backfill for time lost due to an employee rotation program, and to backfill for two employees going on unexpected leaves of absence. Additionally, the Bureau is requesting a contingency draw to support a joint PBOT and BES liaison position to advance shared goals between the two bureaus.

In addition, this request includes technical adjustments to recognize bond proceeds from the sale of Limited Tax Improvement Bonds, align beginning fund balances across the BES family of funds to citywide financial reports, and to provide adjustments that more appropriately align budgeted resources with requirements to allow for better internal tracking.

Please don't hesitate to contact me or BES Financial Planning staff with questions.



**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_001 - New Requests

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	3,999,500	0	3,999,500
Internal Materials and Services	560,570	0	560,570
Capital Outlay	14,000	0	14,000
Contingency	(4,574,070)	0	(4,574,070)
TOTAL EXPENDITURES	0	0	0

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_001 - New Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
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Bureau Description:

Business Services:

\$307,570 (ongoing) for Procurement Services. \$302,570 is to accommodate Procurement Services new funding model to improve service delivery to infrastructure bureaus and reflects BES's share of the partial year cost. \$5,000 reflects additional vendor cost increases associated with DMWESB tracking that Procurement performs on behalf of customer bureaus.

\$30,000 (ongoing) for an expert consultant to represent the Bureau in real property negotiations, including property disposition and lease arrangements, and conduct market analysis on the Bureau's leased inventory to ensure current rates are consistent with market values.

\$100,000 (one-time) for interagency agreement with Parks to fund the equivalent of one full-time Parks Ranger for continued patrolling of BES properties along the Springwater Corridor. This reflects a lesser amount than the funding amount in the previous fiscal year of about \$240K.

\$70,000 (ongoing) to provide a security guard at 400 Building while the Bureau's offices are temporarily located during the Portland Building construction project.

\$83,000 (ongoing) to provide security guard services at the CBWTP for night shift (9PM - 5AM).

\$50,000 (ongoing) for the first phase of a comprehensive rate study to evaluate bureau rates and fees. An RFP process and consultant selection is expected to be completed in FY 2018-19. The study is expected to take place in three phases: the initial phase will investigate current and emerging best practices (balance of FY 2018-19); second phase is the review and evaluation of the existing rate and fee structure, including recommendations (FY 2019-20); the final phase will include support for public discussions (FY 2020-21) and potential implementation of an updated rate structure (FY 2021-22).

Director's Office:

\$150,000 (ongoing) to fund a consultant to provide facilitation and organizational development services to support change within the bureau, provide organizational assessment, development, and design services to support implementation of the Strategic Plan's Culture and Workforce Development Goals. This request will allow the bureau to secure an organizational change consultant contract that avoids detrimental delays in the Strategic Plan's implementation initiatives.

\$108,500 (ongoing) to cover additional charges BES incurs from the City's payment card system for applicants paying permit fees, SDCs and Line & Branch charges with bank cards.

Watershed Group:

\$75,000 (one-time) for a very recent and urgent request from Peninsula Drainage District #1, an active City partner in Levee Ready Columbia and management of stormwater drainage within the area. This funding (matched by \$75,000 from Portland Parks & Recreation) for the District's Master Plan supports the Bureau's interests in Levee Ready Columbia planning and analysis related to drainage, floodplain functions, and disaster preparedness.

Wastewater Group:

\$30,000 (one-time) to support hiring a consultant to help determine the best course of action regarding future upgrades to OWAM (Synergen). This request is driven by Water Bureau's recent suggestion that BES join their efforts at \$50,000 each (with \$20,000 of BES's contribution to be funded internally from existing resources). Due to more identified risks to transition/upgrade to Version 2, BES believes such outside support and expertise is in our best interest to confirm the bureau's future with the treatment plants and pump stations work and asset management system.

\$14,000 (one-time) to correct the budget load. BES's 5-year planning effort indicated retaining \$14k to replace another treatment process microwave. Budget error removed all the funding one year too early.

\$3,500,000 (ongoing) to reduce Columbia Boulevard biosolids inventory. Additional funds are necessary on a high-priority basis to reduce unexpected increases in solids inventory at CBWTP. A comprehensive solids inventory removal plan and strategy has been developed. The plan includes removing and disposing of 10,000-12,000 dry tons of solids from the lagoon through at least December 2019. Of that, approximately 6,000 dry tons will be removed in the current fiscal year. Funding is time-sensitive and necessary for contracted services to perform the work.

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_001 - New Requests

Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
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Bureau Description:

\$56,000 (ongoing) to correct budget load. This amount was mistakenly reduced from the Pump Reliability Program. Total for the program in FY 2018-19 should have been \$130k and this request will restore it to the correct level.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: New Request

Request: ES_002 - New Staffing Requests

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	24,150	0	24,150
External Materials and Services	199,600	0	199,600
Internal Materials and Services	62,500	0	62,500
Contingency	(286,250)	0	(286,250)
TOTAL EXPENDITURES	0	0	0

Bureau Description:

Engineering:

\$90,000 (one-time) to fund a contract employee for Wastewater Automation. Up to 50% of a contract engineer's time is charging to Operating. This position supports the automation change request process (works with the Wastewater Operations Division to integrate CIP projects with operations). With limited new FTEs requested/approved in the FY2018-19 Requested Budget, Engineering has continued to rely on a contract employee for this work. Alternatives are to request a City FTE to cover this work or reduce other CIP project work at the CBWTP to re-assign an existing City engineer in TPSD to this work.

\$20,000 (one-time) to fund a contract employee to backfill a position going to CBWTP exchange program. One position/employee selected for rotation ("Exchange") to CBWTP projects in the TPS Division is an operating-funded position (Tech II in PMCD). Requesting budget for a contract tech to backfill work in PM&CD (Heron technical assistance) for 2 months of FY 2018-19. There will also likely be a one-time request in the FY 2019-20 Requested Budget to fulfill the term of the backfill.

Wastewater Group

\$24,150 (ongoing) for Project SEARCH position (Community Service Aide II).

\$89,600 (one-time) for temporary contracted administrative services. Two employees within the Wastewater Group's Administrative Services have unexpected leaves covering an 8-month period impacting September 2018 - April 2019. After extensive evaluation of what priority services need to be addressed and available resources bureau-wide to provide the services, a staffing plan has been developed, which includes hiring a temporary contract employee and working-out-of-class appointments for some existing staff. This request is to hire a contract employee to backfill OSS work. Estimated contract rate is \$55-64/hr.

Director's Office:

\$62,500 (ongoing) to fund BES's share of a PBOT/BES liaison position and advance shared goals among the two bureaus. Environmental Services and the Bureau of Transportation jointly deliver over \$150M of capital projects each year. The numerous benefits of delivering this work in coordination have been underscored by Bureau and City leadership, including by Mayor Wheeler in his remarks at the PBOT-BES Leadership Team Charter Signing in 2017 and by the CAO in his memo of priorities (2017). Both bureaus collaboratively agreed in the need for a new position, a Joint Bureau Infrastructure Liaison, to perform the following functions: convene leadership in each bureau for general and specific work planning around projects; facilitate project development and planning meetings; represent the interests of both bureaus in advocating for coordinated and collaborative opportunities; and negotiate compromises in project development, scheduling, and financial arrangements. Introduction of this new position will support the work of both bureaus in proactively addressing and solving complex problems around infrastructure development and maintenance citywide. The position would sit within the Bureau of Transportation in the Office of the Director and report to the Assistant Directors of PBOT and BES.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_003 - Program Adjustments

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	36,748	0	36,748
External Materials and Services	113,252	0	113,252
Internal Materials and Services	50,000	0	50,000
Capital Outlay	(200,000)	0	(200,000)
Contingency	2,748	0	2,748
TOTAL EXPENDITURES	2,748	0	2,748
REVENUES			
Interagency Revenue	1,500	0	1,500
Fund Transfers - Revenue	1,248	0	1,248
TOTAL REVENUES	2,748	0	2,748

Bureau Description:

Engineering:

\$200,000 (ongoing) for CIP Permit reimbursement program increase to cover additional reimbursements. Per City Code 17.32.120.B the property owner or developer paying for a sewer or drainage system extension that will serve unserved properties will be reimbursed by the City for part of the cost of such extension. A single developer is due an unusually high \$190K reimbursement for which there is only \$100K in the established budget for that CIP program. As a result, the bureau is adjusting the budget by offsetting reduction to Project #E10491 (Sewer Extension to High Risk Septic Systems Project) to provide full payment rather than waiting for adjustment to the ensuing year's budget.

\$1,500 (one-time) revenue from Bureau of Planning and Sustainability for BES to provide sewer/stormwater requirements to BPS for development plan of Rossi Farms Development Project; funded from Metro grant; BES will use existing personnel, no additional expense budget required.

Pollution Prevention Services:

\$13,252 (ongoing) for HYDRA system software offset by reduction to seasonal employees not needed as result of onboarding of new FTE. Funds will be used for a Windowserver operating system, SmartSheet licenses, and VEEM backup for virtual machine.

Watershed Group:

\$50,000 (one-time) for additional GIS capacity needed to analyze flood storage impacts and opportunities and impervious area and tree cover assessments in the floodplain for ESA compliance and floodplain management. Shared position support with BPS, which has a different need for the same or similar data. Supports FEMA Bi-Op work. Offset by reductions to professional services in the Watershed group.

\$1,248 (one-time) of additional revenue from PBOT for Percent for Green. PBOT's actual cash transfer will be \$51,248 based on FY18 actual eligible construction costs, and will require additional authority to prevent hard budget stop.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Program Carryover Request

Request: ES_004 - Carryover Requests

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	1,365,727	0	1,365,727
Internal Materials and Services	11,831	0	11,831
Capital Outlay	3,101,290	0	3,101,290
Contingency	(4,478,848)	0	(4,478,848)
TOTAL EXPENDITURES	0	0	0

Bureau Description:

Engineering Group:

\$314,059 (one-time) for nine life-cycle replacement vehicles not received in FY 2017-18 but expected to be received in FY 2018-19.

Wastewater Group:

\$2,617,231 (one-time) for fleet carryover of vehicles for both the Watershed Group (\$920,107) and PBOT Maintenance Operations interagency (\$1,697,124)

\$778,850 (one-time) Interconnection Agreement with NWN. Finalizing agreement was delayed to July 2018 resulting in the need to carryover. The amount was reduced from the prior year amount of \$1.3 million.

\$175,000 (one-time) for Large Diameter Force mains inspections. Contract process delayed completion of this work in FY 2017-18. Carryover is necessary to proceed. Condition inspection includes Ankeny and Guilds Lake force mains as planned.

\$341,653 (one-time) for digester gas piping condition assessment carryover. Delays getting the final contract for this project resulted in the contractor not starting this work until July 2018. Work is currently in progress and expected to be completed by September 2018. Funds need to be carried over to accomplish this critical work.

Pollution Prevention Services:

\$2,164 (one-time) for Grease Trap Coupons OMF MicroGrant carryover - continuing project. OMF MicroGrant carryover to exhaust funding.

\$135,000 (one-time) for vehicles replacements not yet received.

Watershed Group:

\$35,000 (one-time) for vehicle replacement not yet received.

\$68,060 (one-time) carryover requested to complete Mitigation Banking contract in process, from funds received in the Fall BMP for FY18 (\$100,000). The contractor had billed only \$31,040 by the end of FY18, but will continue work on this task through the end of October.

\$11,831 (one-time) carryover adjustment for PTE-17 and DCTU professional development. Under the new PTE-17 contract terms, up to \$40,000 unexpended professional development can be carried over to next year. BES's pro-rata portion is \$10,403 increase in PTE-17 Professional Development Fund in FY 2018-19. Under the new DCTU contract terms, up to \$25,000 unexpended professional development can be carried over to next year. BES's pro-rata portion is \$1,428 increase in DCTU Professional Development Fund in FY 2018-19.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_005 - Internal Adjustments - No Council Action

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	0	0	0
External Materials and Services	0	0	0
Internal Materials and Services	0	0	0
Capital Outlay	0	0	0
Contingency	0	0	0
TOTAL EXPENDITURES	0	0	0
FTE			
Full-Time Positions	0.00	0.00	0.00
TOTAL FTE	0.00	0.00	0.00

Bureau Description:

Engineering Group:

\$19,000 moved to improve tracking against budget for Inspection Manual update.

\$210,000 moved for better tracking of PBOT Permitting services.

\$156,000 for Pump Station System Plan offset by a reduction to Continuous Collection System Plan.

Wastewater Group:

\$390,000 to reallocate budget to TCWTP for vehicles assigned for operation of this facility. Vehicle #s: 94902 & 134900. Necessary for Lake Oswego IGA and associated billing.

\$37,500 to reallocate CityFleet IA cost for TCWTP vehicles. Necessary for Lake Oswego IGA and associated billings.

\$20,000 reduction to TCWTP outfall inspections to support BES's share of the OWAM (Synergen) analysis with Water Bureau.

\$15,000 reallocation of vehicle budget for acquisition of electric cart for night-time security services.

\$116,640 budget correction to move position to correct cost center.

\$50,000 to move Environmental Investigations vehicle budget to correct cost center.

\$55,000 to move Revegetation vehicle budget to correct cost center.

\$161,374 to reallocate FTE to different program. Reorganization within WG Collection System to reclass position from Engineer to Senior Engineer and move position from Maintenance Engineering to Stormwater O&M.

\$401,669 to move street cleaning interagency to correct functional area.

Pollution Prevention Services:

\$118,428 to move Management Analyst from Director's Office to Pollution Prevention Services.

\$20,000 to move Field Operations flow monitoring, water quality, and other monitoring equipment to correct functional area.

Watershed Group:

\$106,000 to align budget to Neighbor-to-the-River program management change.

Business Services Group:

\$13,141 The City's Occupational Health program, including the flu shots program, will move from Risk Management to the Bureau of Human Resources. This entry makes that changes to balance interagency agreements.

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Environmental Services

Type: Technical Adjustment

Request: ES_006 - Fund Level Transfers & Adj.

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Contingency	26,948,911	0	26,948,911
TOTAL EXPENDITURES	26,948,911	0	26,948,911
REVENUES			
Budgeted Beginning Fund Balance	25,080,000	0	25,080,000
Fund Transfers - Revenue	1,868,911	0	1,868,911
TOTAL REVENUES	26,948,911	0	26,948,911

Bureau Description:

\$1,868,911 (one-time) transfer from the LID Construction fund for issuance of Limited Tax Improvement Bonds, as currently planned for by OMF-Debt Management. The proceeds will be transferred to the BES Construction fund and deposited to contingency to support future capital improvements.

\$13,722,000 (one-time) to true up beginning fund balance to amounts reported in the City's Comprehensive Annual Financial Report. This is a technical adjustment without impact to future rates as the Bureau has already incorporated this amount into the long-range financial forecast.

\$10,528,000 (one-time) to true up beginning fund balance in the Sewer System Construction Fund to amounts reported in the City's Comprehensive Annual Financial Report.

\$830,000 (one-time) to true up beginning fund balance in the Environmental Remediation Fund to amounts reported in the City's Comprehensive Annual Financial Report.

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
600 - Sewer System Operating Fund			
EXPENDITURES			
Unappropriated Fund Balance	180,000	0	0.00
Personnel Services	70,018,811	68,124,462	97.29
External Materials and Services	70,884,373	55,786,329	78.70
Internal Materials and Services	44,701,473	39,635,979	88.67
Capital Outlay	76,883,370	62,351,708	81.10
Bond Expenses	3,544,030	3,489,370	98.46
Fund Transfers - Expense	256,825,390	255,321,822	99.41
Contingency	67,316,700	0	0.00
TOTAL EXPENDITURES	590,354,147	484,709,671	82.10
REVENUES			
Budgeted Beginning Fund Balance	71,180,000	0	0.00
Licenses & Permits	2,420,000	2,166,745	89.53
Charges for Services	381,936,172	386,228,660	101.12
Intergovernmental Revenues	195,000	329,165	168.80
Interagency Revenue	2,771,332	1,782,502	64.32
Fund Transfers - Revenue	119,209,143	103,303,918	86.66
Miscellaneous	12,642,500	12,330,803	97.53
TOTAL REVENUES	590,354,147	506,141,793	85.74

Prior Year Fund Reconciliation Report

FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
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Fund Reconciliation Narrative

Total External Materials and Services expenditures were 79% of Revised Budget, with over half of the variance due to under-expenditures in CIP projects (63% of budget), such as:

- E10500 – Phase 3 Pipe Rehabilitation (under budget \$2.9 million): attributable to overly aggressive budget estimate of design projects;
- E07947 – CBWTP Secondary Treatment Expansion (under budget \$2.0 million): delays in the procurement process pushed contract into FY2019;
- E10694 – TCWTP Secondary Process Improvements: (under budget \$0.5 million): delayed pending ongoing negotiations with the City of Lake Oswego where the plant is located;
- E10805 – CBWTP Headworks Screening (under budget \$0.5 million): delays in the procurement process and an optimistic schedule;
- E10582 – TCWTP Headworks Improvements (under budget \$0.5 million): land acquisition delayed pending ongoing negotiations with the City of Lake Oswego where the plant is located.

External Materials and Services for operating purposes were about 86% (-\$6.5 million) of Revised Budget, due mostly to delayed payments to Northwest Natural Gas for biogas facilities (-\$1.5 million), fewer biosolids hauling trips due to the Columbia Gorge fires (-\$0.8 million), reversals of prior year Pollution Remediation non-cash expense (-\$0.6 million), and reduced process chemicals at the treatment plants (-\$0.5 million.)

Internal Materials and Services were 89% of Revised Budget, due in large part to the \$4.0 million under-expended (83%) in the interagency with PBOT Bureau of Maintenance, mostly in Inspection and Cleaning services, due to BOM staff shortages. All other internal services came in at 95% of budget.

Capital Outlay expenditures were only 81% of Revised Budget, also due to delays in CIP projects, as the Bureau spent only 81% of its total CIP budget in this category. The following projects account for most of the under-spending within the CIP budget:

- E10663 – Slabtown Sewer Replacement (under budget \$4.5 million): attributable to delays resulting from alignment conflicts with other utilities not previously known, additional contractor requests, and delays in temporary street use permits;
- E10030 – SE Interceptor Rehab (under budget \$4.2 million): unexpected site and weather conditions required changes in construction methods which caused construction delays;
- E10370 – Sunnyside East Reconstruction and Green Street (under budget \$3.4 million): due to water line relocation delays, as well as changes in project staff contributed to schedule delay;
- E10582 – TCWTP Headworks Improvements (under budget \$3.0 million): land acquisition delayed pending ongoing negotiations with the City of Lake Oswego where the plant is located.
- E10219 – Wheeler WHE-04 (under budget \$2.8 million): schedule delayed pending utility relocation negotiations and street opening permit delays.

Contingency (which is ending fund balance) is estimated to be \$90.0 million, or 134% of Revised Budget, a result of the actual revenues and expenses discussed above and below.

On the Revenues side, Beginning Fund Balance was \$66.6 million, 93% (-\$4.6 million) of Revised Budget, from the FY 2016-17 results. License and Permits were only 90% (-\$0.25 million) of Revised Budget, due to a reduction in Land Use Review permits.

Intergovernmental Revenues were 169% (+\$134,000) of Revised Budget, split equally between higher Oregon DEQ Water Quality Perimt revenue sharing and a payment from Lake Oswego for additional work requested on the Terwilliger Sewer Extension project.

Prior Year Fund Reconciliation Report

FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
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Interagency Revenues, for work performed for other City bureaus, was 64% of Revised Budget for FY 2017-18. Specifically, engineering services requested by Transportation were only 36% (-\$0.6 million) of budget, and material testing services requested by Water were only utilized at 45% of budget (-\$0.44 million.)

Fund Transfer Revenues were 87% of Revised Budget because of reduced reimbursement from the Construction Fund, reflecting the level of CIP expenditures spent, as noted above.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
608 - Environmental Remediation Fund			
EXPENDITURES			
Personnel Services	556,332	483,401	86.89
External Materials and Services	4,816,346	510,551	10.60
Internal Materials and Services	1,736,890	1,344,652	77.42
Bond Expenses	1,562	1,537	98.40
Fund Transfers - Expense	123,371	123,371	100.00
Contingency	2,800,210	0	0.00
TOTAL EXPENDITURES	10,034,711	2,463,512	24.55
REVENUES			
Budgeted Beginning Fund Balance	4,690,600	0	0.00
Charges for Services	4,874,899	5,101,108	104.64
Interagency Revenue	420,612	407,028	96.77
Miscellaneous	48,600	129,644	266.76
TOTAL REVENUES	10,034,711	5,637,780	56.18

Fund Reconciliation Narrative

Expenditures were below budget for generally all categories as the Portland Harbor Superfund moved out of the Remedial Feasibility and Investigation phase following the EPA's release of their Record of Decision ("ROD"). But the next multi-year phase, the determination of all liable parties and early remediation work ("Post-ROD"), is driven by Environmental Protection Agency timelines, which did not move forward as anticipated when the budget was originally prepared. This fund also includes costs for management of the Guilds Lake property, the former site of a municipal incinerator which was purchased and remediated in the 1990's.

Personnel Services were only 87% of Revised Budget due to a vacancy within the Portland Harbor program that remained for nearly six months.

External Materials and Services were only 11% of Revised Budget, as no expenditures (-\$1.5 million) occurred towards the Portland Harbor Post-ROD phase, while other Portland Harbor legal and community outreach costs also were much less than planned amounts (-\$510,000). Another \$1.05 million was budgeted for potential joint City/ODOT remediation projects within the Portland Harbor Superfund area, but no potential projects were found. Finally, Pollution Remediation liabilities were -\$600,000 as previously accrued liabilities were reversed.

Internal Materials and Services were only 77% of Revised Budget mostly from reduced Guilds Lake property management costs due to the delay in the parking lot repaving project.

Contingency (or ending fund balance), is estimated to be 341% of Revised Budget due to the lower rate of expenditures discussed above. ("Estimated" because final figures were not available at the time of this submission.)

Beginning Fund Balance was 127% (+\$1.3 million) of the Revised Budget, as per prior year results. All other revenues were within the reporting levels except for Miscellaneous Revenues that were 267% (+\$81,000) of Revised Budget on interest earnings because of both higher interest rates and higher balances.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
609 - Sewer System Debt Redemption Fund			
EXPENDITURES			
Unappropriated Fund Balance	70,930,000	0	0.00
Bond Expenses	171,557,265	170,401,870	99.33
TOTAL EXPENDITURES	242,487,265	170,401,870	70.27
REVENUES			
Budgeted Beginning Fund Balance	61,900,000	0	0.00
Fund Transfers - Revenue	170,872,265	169,551,334	99.23
Bond and Note	9,000,000	0	0.00
Miscellaneous	715,000	905,912	126.70
TOTAL REVENUES	242,487,265	170,457,246	70.30

Fund Reconciliation Narrative

Bond Expenses, payment of debt service on Sewer revenue bonds, were 99.3% of the Revised Budget.

Unappropriated (Ending) Fund Balance (equivalent to Contingency in non-debt funds) represents the amount of cash reserves required by various bond issues, and ended the year at 87%, or -\$9.0 million, of the Revised Budget. This was due to the 2018 Series A bonds sale not having a required cash reserve.

Consequently, Bond and Note Revenues was 0% of budget.

Miscellaneous revenue was 127% over plan due to higher than estimated interest earnings rates.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
614 - Sewer System Construction Fund			
EXPENDITURES			
Bond Expenses	1,500,000	564,108	37.61
Fund Transfers - Expense	114,000,000	98,100,072	86.05
Contingency	166,932,637	0	0.00
TOTAL EXPENDITURES	282,432,637	98,664,180	34.93
REVENUES			
Budgeted Beginning Fund Balance	15,000,000	0	0.00
Charges for Services	550,000	745,754	135.59
Fund Transfers - Revenue	45,882,637	45,000,000	98.08
Bond and Note	220,000,000	213,566,279	97.08
Miscellaneous	1,000,000	640,059	64.01
TOTAL REVENUES	282,432,637	259,952,092	92.04

Fund Reconciliation Narrative

Bond Expenses for the issuance of the 2018 Series A bonds were only 38% of the Revised Budget, as the Underwriter fees were lower than expected.

Fund Transfers - Expense was only 86% of budget due to lower CIP expenditures requiring reimbursement.

Contingency (or ending fund balance) is estimated to be 119% of plan, or +\$15.2 million. ("Estimated" because actual figures were not available at the time of this submission.)

Budgeted Beginning Fund Balance was 253% (+\$22.9 million) of the Revised Budget due to lower CIP reimbursements in the prior fiscal year, which allowed the later sale of the 2018 Series A bonds.

Charges for Services Revenues were 136% of budget due to higher Line and Branch revenues (charges for new connections to the City's sewer system) due in part to the completion of the Terwilliger Blvd. Sewer Extension project the year prior.

Miscellaneous Revenues were 64% of budget due to lower interest earnings after the new money bond issue expected was delayed into the spring of FY 2017-18.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
617 - Sewer System Rate Stabilization Fund			
EXPENDITURES			
Fund Transfers - Expense	5,000,000	5,000,000	100.00
Contingency	138,400,000	0	0.00
TOTAL EXPENDITURES	143,400,000	5,000,000	3.49
REVENUES			
Budgeted Beginning Fund Balance	108,000,000	0	0.00
Fund Transfers - Revenue	34,000,000	34,000,000	100.00
Miscellaneous	1,400,000	1,477,826	105.56
TOTAL REVENUES	143,400,000	35,477,826	24.74

Fund Reconciliation Narrative

Fund Transfers – Expense was 100% of Revised Budget a \$5 million transfer to the Sewer Operating Fund was required to meet cash flow needs in relation to a refunding of the 2008 Series B bonds. As a result, Contingency (or ending fund balance) is estimated to be 100% of plan. (“Estimated” because actual figures were not available at the time of this submission.)

Beginning Fund Balance was 100% (-\$46,143) of the Revised Budget, and Miscellaneous Revenues being 106% of plan (+\$77,826) because of higher interest earnings on higher interest rates on City funds.

Bureau of Environmental Services

Performance Measures

Performance Measure	Type	FY 2015-16 Year-End Actuals	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget	FY 2017-18 Year-End Actuals	FY 2018-19 Adopted Budget
ES_0001 - Maintain the bureau's first lien debt service coverage ratio at 1.5 or greater	OUTPUT	2.29	2.51	2.50	2.63	2.68
ES_0002 - Amount of time loss, in hours per employee, due to injury	EFFICIENCY	3.20	2.80	3.00	2.40	2.75
ES_0005 - Construction management costs as a percentage of total construction costs	EFFICIENCY	14%	9%	10%	14%	10%
ES_0010 - Number of lab analyses performed each year	WORKLOAD	59,210	61,243	62,000	53,340	55,000
ES_0011 - Percentage of industrial enforcement tests in full compliance	OUTPUT	99.5%	99.4%	99.5%	99.1%	99.5%
ES_0012 - Average resources spent in site investigations and cleanup, per site investigated or remediated	EFFICIENCY	\$12,123	\$9,386	\$10,000	\$10,629	\$9,500
ES_0013 - Amount of wastewater processed annually (in million gallons)	WORKLOAD	32,973	36,242	28,800	28,901	29,400
ES_0014 - Percentage of biochemical oxygen demand removed	OUTPUT	95.5%	95.9%	85.0%	96.3%	85.0%
ES_0021 - Maintain bureau's combined first and second lien debt service coverage ratio at 1.3 or greater	OUTPUT	1.30	1.43	1.30	1.51	1.30
ES_0022 - Cost to operate and maintain the treatment plants per million gallons treated	EFFICIENCY	\$603	\$529	\$720	\$677	\$770
ES_0024 - Number of trees planted	WORKLOAD	15,514	10,483	9,250	22,795	12,000
ES_0027 - Feet of streambank restored (not cumulative)	WORKLOAD	9,935	20,274	19,900	22,311	12,000
ES_0028 - Number of sanitary sewer overflows	KPM	134	179	128	168	131
ES_0029 - Number of stormwater flooding events due to system capacity	OUTPUT	132	111	100	60	100
ES_0030 - Watershed Health Index for water quality	KPM	5.90	5.90	5.90	5.50	5.90
ES_0031 - Number of combined sewer overflow events	KPM	5	7	4	3	4
ES_0032 - Average single family household bill as a percent of median income	KPM	1.47%	1.47%	1.49%	1.43%	1.42%
ES_0033 - Percentage of urgent public health and safety related service requests responded to within two-hour timeframe	KPM	88%	94%	90%	96%	90%
ES_0035 - Number of participants in community events, workshops, stewardship, and restoration events	WORKLOAD	23,941	12,595	10,000	19,140	10,000
ES_0036 - Number of bureau education programs delivered	WORKLOAD	382	508	400	431	425
ES_0037 - Linear feet of sanitary and combined sewer pipe repaired or replaced to improve condition and capacity	WORKLOAD	70,081	109,745	80,000	93,006	145,000

Bureau of Environmental Services

Performance Measures

Performance Measure	Type	FY 2015-16 Year-End Actuals	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget	FY 2017-18 Year-End Actuals	FY 2018-19 Adopted Budget
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Performance Measure Variance Descriptions

ES_0001 - Maintain the bureau's first lien debt service coverage ratio at 1.5 or greater:
 Since BES has not issued any new first lien bonds since 2008, the first lien debt service payments have reduced since. Thus, first lien debt service coverage has increased well beyond the 1.5 target and will continue to rise into the future as the bureau continues to issue second lien debt.

ES_0002 - Amount of time loss, in hours per employee, due to injury:
 The time loss incident rate has dropped 25% over the last two fiscal years and remain below the historical average FY 2007- FY 2017 of 3.21. The Bureau has prepared 5-year risk management, safety and loss prevention plans since 2006, the latest (2018-23) was updated with goals, strategies and activities to keep our injuries and illnesses below industry averages. The 5-year plan is also tied to BES' strategic initiatives.

ES_0005 - Construction management costs as a percentage of total construction costs:
 The trend for BES has been 7-14% since approximately 2004. The range in this metric is due to the different size, complexity, and type of construction projects the bureau manages from year to year. At any given time, approximately 200 projects are in various stages of construction, with great variability in the nature of those projects. As the Bureau provides more support and mentoring of historically under-utilized construction firms via the Prime Contractor Development Program, construction management costs have increased.

ES_0010 - Number of lab analyses performed each year:
 Although FY 2018 dropped from the prior two years, it was consistent with the average of the five years prior to that. One reason was a decrease in metals analysis in industrial pretreatment program, which decreased 21%.

ES_0011 - Percentage of industrial enforcement tests in full compliance:
 Since initiating a targeted testing approach in FY 2015 for pollutants known to be generated by specific industries, fewer total tests have been performed but finding a greater number of violations. This results in lower compliance percentages, but a higher number of enforcement actions taken against violators.

ES_0012 - Average resources spent in site investigations and cleanup, per site investigated or remediated:
 FY 2018 average costs per site increased 13% over FY 2017, but were still lower than annual average costs for FY 2012 through FY 2016. Actual values for each year are influenced by a number of factors outside the Bureau's control: size of project sites, degree of contamination and environmental risks posed, and objectives of each project.

ES_0013 - Amount of wastewater processed annually (in million gallons):
 Variations in total flow are predominately driven by annual rainfall, which affects stormwater in the areas of the City with combined sanitary and storm sewers. FY 2018 saw less rainfall than the prior two fiscal years. FY 2018 wastewater processed was consistent with the average between FY 2007 and FY 2015.

ES_0014 - Percentage of biochemical oxygen demand removed:
 Although FY 2018 showed an increase over the prior two fiscal years, it is the same as the average over the period from FY 2007 to FY 2015.

ES_0021 - Maintain bureau's combined first and second lien debt service coverage ratio at 1.3 or greater:
 The strong economy over the last few years have kept revenues above plan, and refinancing has reduced combined debt service. As such, coverage ratios have risen well above the 1.3 mark, a trend that will likely continue into the near future as the bureau reduces the share of the CIP funded by bonds versus cash funding.

ES_0022 - Cost to operate and maintain the treatment plants per million gallons treated:
 Although this measure increased 28% in FY2018, it was more a function of the wastewater volume decreased by 20% due to lower rainfall and less severe weather, as operating and maintenance costs increased only 2.1%. The average cost to operate and maintain in FY 2018 was less than the FY 2015 amount of \$681. The rule of thumb is "when the



Capital Program Status Report

Environmental Services

CIP Program	FY 2017-18 Adopted Budget	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Variance \$	Variance %	FY 2018-19 Adopted Budget	Fall BMP Revised Budget	FY 2018-19 Year to Date Actuals	Variance \$	Variance %
	\$0	\$0	\$32,345	\$32,345		\$0	\$0	\$0	\$0	
Maintenance and Reliability	\$66,450,000	\$67,750,000	\$56,026,961	(\$11,723,039)	(17%)	\$68,838,346	\$68,838,346	(\$909,519)	\$0	0%
Sewage Treatment Systems	\$33,876,000	\$32,576,000	\$21,173,301	(\$11,402,699)	(35%)	\$47,822,000	\$47,822,000	(\$751,649)	\$0	0%
Surface Water Management	\$10,685,000	\$10,706,000	\$9,755,608	(\$950,392)	(9%)	\$12,743,000	\$12,743,000	(\$367,770)	\$0	0%
Systems Development	\$3,350,000	\$3,360,700	\$1,409,737	(\$1,950,963)	(58%)	\$3,947,654	\$3,947,654	(\$67,630)	\$0	0%
Total	\$114,361,000	\$114,392,700	\$88,397,951	(\$25,994,749)	(23%)	\$133,351,000	\$133,351,000	(\$2,096,568)	\$0	0%

* Prior Year variances compare Year-End Actuals to Revised Budget

** Current Year variances compare Revised Budget to Adopted Budget

Prior Year Variance Description

Main drivers of variance include:

Maintenance and Reliability:

E10663 – Slabtown Sewer Replacement (under budget \$4.5 million): attributable to delays resulting from alignment conflicts with other utilities not previously known, additional contractor requests, and delays in temporary street use permits, which resulting in delayed construction work.

E10030 – SE Interceptor Rehab (under budget \$4.4 million): unexpected site and weather conditions required changes in construction methods which caused construction delays.

E10370 – Sunnyside East Reconstruction and Green Street (under budget \$3.4 million): due to water line relocation delays, as well as changes in project staff contributed to schedule delay.

Sewage Treatment Systems:

E10033 – CBWTP Biogas Utilization (under budget \$1.2 million): delays in permitting, execution of NW Natural Gas agreement, and contractor requests resulted in this project coming in under budget;

E10582 – TCWTP Headworks Improvements (under budget \$3.0 million): land acquisition delayed pending ongoing negotiations with the City of Lake Oswego where the plant is located.

E06072 – CBWTP Lagoon Reconstruction (under budget \$2.3 million): Contractor progress was slower than anticipated due to staffing issues.

E07947 – CBWTP Secondary Treatment (under budget \$2.0 million): Procurement delays resulting in consultant not under contract during the fiscal year.

E10805 – CBWTP Headworks Screening (under budget \$0.5 million): Procurement delays and estimated time to get contracts executed was optimistic.

E10694 – TCWTP Secondary Process Improvements (under budget \$0.5 million): Work held up due to potential change in plant location.

System Development:

E08748 – Party Sewers (under budget \$1.5 million): Procurement delays during renegotiations of construction contracts delayed start of construction.

Current Year Variance Description

The CIP Programs have no budget variances over/under 10%. We expect to have a better sense of project status in the Spring.

