

Portland Utility Board

October 18, 2018 11am -1pm

Portland State University Smith Memorial Student Union Room 298

1825 SW Broadway

Meeting #54

Attendees:

PUB Members: Ana Brophy, ex officio
Allan Warman
Colleen Johnson
Dory Robinson
Heidi Bullock
Robert Martineau
Scott Robinson
Ted Labbe (on phone)
Mike Weedall
Vera Zaharova, ex-officio

Absent:

* Lee Moore
* Van Le, ex officio
* Dan Peterson
* Micah Meskel

*Notice of absence provided prior to meeting

Staff: Dawn Uchiyama (Deputy Director, Bureau of Environmental Services)
Jonas Biery (Business Services Manager, Bureau of Environmental Services)
Gabe Solmer (Deputy Director, Portland Water Bureau)
Cecelia Huynh (Director of Finance and Support Services, Portland Water Bureau)
Jeff Winner (Capital Improvement Program Planning Supervisor, Portland Water Bureau)
Doug Stewart (Senior Engineer, Portland Water Bureau)
Cristina Nieves (Representative, Commissioner Fritz's Office)
Jamie Dunphy (Representative, Commissioner Fish's Office)
Melissa Merrell (Principal Analyst, City Budget Office)
Shannon Fairchild (Senior Financial Analyst, City Budget Office)
Yung Ouyang (Senior Financial Analyst, City Budget Office)
Alexandra Martin (Executive Assistant, City Budget Office)

Public: Carol Cushman, League of Women Voters

I. Call to Order

Allan called the meeting to order. He reminded everyone that the meeting was of community 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](#) which included a continuation of our review of the bureau BMP requests and a presentation about the risk identification work PWB has done as part of its Strategic Business Plan.

Allan noted the board received three quarterly updates from the Water Bureau for Filtration, Washington Park, and Mt. Tabor. He said he would like to give members a chance to read the reports before they discuss them.

Allan noted the sign-up sheet for public comment. Comments are limited to three minutes.

II. Prior Meeting Minutes

Allan asked if there were any changes to the minutes of the September 20 meeting. There were no changes and the [minutes](#) were accepted as submitted.

Allan noted page 9. He said Robert was trying to recollect information and incorrect information went into the record; Melissa corrected the comments.

There were no other changes. The minutes were accepted as submitted.

III. Public Comment

Carol Cushman of the League of Women Voters discussed a voter's pamphlet.

The League produces voter's pamphlets every election. They are distributed at public libraries, New Season markets, and other locations. They are also online. The League is looking into getting them at Starbucks. The pamphlets have information on every candidate. They send a questionnaire with three questions and print the responses, unedited. Committees also research ballot measures. They provide arguments in opposition and support. They look at measures and articles.

This voters service arm of the League provides unbiased, nonpartisan information. The League's website is lwvpx.org. There is also a national website for the League.

They provide a sample ballot with information. If you enter your location, the site will provide the correct information.

Colleen asked if the League distributes the pamphlet to campuses.

Carol said it goes to PCC. She was not sure if it is placed at PSU. She noted she doesn't work with distribution, she is in the speaker's bureau.

IV. Disclosure of Communications

Allan and Colleen met with bureau leadership to talk about the upcoming annual budget process and other items of note. Jamie from Commissioner Fish's office was also there. Jamie told the chairs that the two Commissioners are working to set joint rates.

Colleen noted they did not leave with a better understanding of the budget process.

Scott asked what information on rate increases was provided.

Colleen said it was that they would work together towards providing combined rate guidance but not other details.

Colleen said next month they will begin getting information on the expected requests, including an update on the big budget picture for the bureaus and capital requests. In addition, they're going to start seeing the start of the switch to program budgets. Colleen and Allan also met with Claudio and Jessica from the Budget Office. Claudio was acting as interim director of the office but will begin a new position with Parks next week. Jessica will be the interim director.

V. City Budget Update Jessica Kinard, City Budget Office

Jessica introduced herself and explained the Budget Office has had several changes in the last year. The longtime director Andrew Scott, left in June. Claudio Campuzano became the interim director; he accepted a position in Parks in mid-October. Jessica Kinard was named new Interim Director Saturday, October 20. The Mayor's office is going through the recruitment for a new director. Jessica said she will walk through some of the changes to the budget process and next steps. She wanted to provide clarity on expectations for bureaus as they work with their advisory bodies and work through changes. She said the goal was to provide the information as of now and will follow up in the future as requested by the Board.

The Mayor's office wanted to see the budget in a program offer format. The budget would be presented and organized by program. Technically, coding is associated with the programs. The bureaus will present information on program goals, performance data, historical financial information, historic FTE levels, and information on changes to services in that program. They have not yet selected details on the information required in program offers; they plan to release that guidance next week.

In the past the Mayor's office and commissioners in charge have released multiple targets for the base allocation levels and reductions for General Fund bureaus, for example. The guidance going forward is that there will be targets for the bureaus called constraints. The bureaus will be able to move resources around without changing constraints. Qualitative information will be used to inform the public on service changes. Bureaus will transition talking about changes to service levels. Changes to allocation levels will come as directions to develop from commissioners in charge. Directions to develop will allow commissioners to identify their priorities. It is like the RFP process, or the request for proposal process. The proposal will be to meet a set of goals. This requires bureaus to develop proposals during the proposed budget

period. This is a big change for general fund bureaus. The directions will have to come from commissioners first and then bureaus will develop packages.

The reasoning for the changes is that this will help with thinking across City bureaus. In the past, there have been hundreds of decision packages considered in spring with a relentless focus on the margins and not on what is happening overall as a city. This will allow for a holistic view and shift the focus from the margins and provide a view of the larger set of resources.

The changes will also empower the community to better understand key changes and how they fit into the larger programs efforts and goals. This is a longer-term strategy to look over time to see how investments are impacting the City.

It will take time to dial in these process changes. They have started to communicate the changes and expectations to Budget Advisory Committees and are considering how to engage BACs these year. Jessica referenced the guidance documents provided to BACs. She noted a caveat; the documents were constructed for bureau's BACs. PUB is different. Most BACs provide advice to bureaus. PUB advises council. BACs meet a couple of times a year, PUB meets year-round. Information is provided for different audiences. Generally speaking, they expect to engage BACs in a way that provides the appropriate level of programmatic information to understand, such as the program activities and strategic goals.

Colleen noted they still don't know exactly what this will look like.

Jessica said the conversation is stepping away from the margins and looking at whole through a programmatic lens. The changes will help the BAC and community conversations on how community issues are represented in budget.

The program offers will provide an overall summary. As we heard earlier the next guidance on allocation level is close and in utility bureaus is associated with rates. The two commissioners are working together. The guidance will come out soon.

Colleen said when talking to bureau directors about programs it was unclear exactly what the programs will be. She asked if CBO is going to determine the programs for various bureaus.

Jessica said they have been presenting information at the program level. There is budget coding at more granular levels and that is what will be presented in the future. So CBO isn't determining the programs, but the level at which programs are presented.

The adopted budget includes information at 4-digit level. They would like to see the information presented at a 6-digit level.

For example, 6-digit is community centers, 4-digit is recreational services. The buckets should be large enough to capture meaningful information but not so small that decision makers are overwhelmed by the number of programs. Some bureaus will not have to make many adjustments; they will have to work with CBO to communicate the activities of the bureau.

Colleen said that when PUB has talked to bureaus, Water has said they have 22 programs and BES has perhaps 25. She asked if, with the changes, Water would have 22 discrete programs at the 6-digit level and if they would be likely see program offers on these 22 programs.

Jessica said in the past they haven't had as intense a focus on that level. They may need to make adjustments and 22 may not be most the useful amount. They may need to consolidate or reorganize the programs. That change will take time. The first year may be awkward and bureaus may choose to stay with 22 and choose to have a more accurate representation in the next year.

Colleen asked if within those programs if bureaus want to make a change if that authorization would come from the commissioner in charge.

Jessica said if it is within the constraints of allocated resources, the commissioners do not have to put the decision forward. It will be part of the program's budget which will be analyzed by PUB and CBO. It will be at a level that provides transparent information on how service levels are affected and the financial impacts.

Scott asked how they will maintain an historic thread for continuity of data as they modify from 4 to 6 digits.

Jessica said that another upcoming change is the budget software. The new system is able to tie in the numbers. When there is a change, the master data is able to pull in historical information. For significant changes, bureaus will have to explain why things are shifting. The preference is that the reorganization happens only once.

Scott said there may be many asterisks.

Colleen said the authorization for bureaus would be the rate.

Jessica said they have not looked closely at guidance, but the constraint will be based on the rate. She said she believes the rates will be set in relation to bureau's forecasts. Jamie confirmed.

Colleen asked if the joint rate were set at 4%, if bureaus put forward budgets with programs and increases come in at or under 4% then that's good enough? Jessica asked if Colleen meant if bureaus were allowed to do that. Colleen said she was asking if there is any debate about that. She asked if anyone was asking question on the options. Jessica said she believes that PUB is able to ask questions about anything.

Colleen said they are getting to point where they will start to get information and it's frustrating to not have a clear idea of how this will progress. If there is a budget and a constraint or authorization that is a set number. If a commissioner says x is the number if bureaus come up with a budget that meets the number, it sounds like that is good enough.

Scott asked if Colleen's point is that the board's input is moot.

Jessica said the guidance set forth by commissioner's office is one component of budget consideration. PUB's role is unique and different. PUB's right and responsibility is to provide input and thoughts on whatever aspect of the budget process they need to provide input on. If you would like to see lower rate increases, that is your guidance to provide. The changes do not prevent you from digging into the decision making. The goal is to have more focus on the outcomes of the community. The changes will support conversations with bureaus and CBO on outcomes and the cost of service level tradeoffs.

Jessica said she is available by phone, email, and is happy to come to meetings to provide more information.

Mike W. said he was reading the Mayor's guidance letter. The targets are -1%. He asked how that relates to the changes.

Jessica said that the guidance applies to general fund bureaus and is based on the forecast, risks, liabilities, and future desires. For general fund will have 1% fewer increases to the base including COLA and other adjustments. Guidance will be different for non-general funds and for OMF and internal services. Guidance for all bureaus will be based on their individual situation and the desires of commissioners to see certain outcomes.

Scott said this tends to lead to anxiety about how to shift costs between 0 and 1%. He asked how they are sure the -1% guidance is not shifted to other funds.

Jessica said every single proposal has an impact. The costs may be borne by bureaus shifting costs or by efficiencies. It is bureaus responsibility when presenting proposals to identify sources.

Scott said what one department offers up isn't what another department wants to receive. He asked who is mediating that process.

Jessica said council can direct more than one bureau to work together. Whenever process changes are made, the form of government is an issue. At the last Council work session, how to deal with issues across bureaus was discussed. They are working on developing solutions and proposals for Council. One outcome of the style of government is it is good to have as much communication across bureaus and commissioners as possible.

Jessica reiterated that she would be available if the Board would like additional information.

VI. Budget Monitoring Process (BMP) Reviews and Recommendations Melissa Merrell, PUB, Principal Financial Analyst; Shannon Fairchild, Senior Financial Analyst; and Yung Ouyang, Senior Financial Analyst, City Budget Office

Melissa said PUB received the bureaus mid-year budget adjustment requests in September and have had focused updates on the procurement request, biosolids, and capital changes. She provided an overview of the next few weeks. The Budget Office will present their reviews. City Council will have a work session on October 30 and a hearing on November 7. If PUB would like to provide input to City Council, they should decide and approve that at the meeting.

Melissa noted some housekeeping. Some members have sent requests and answers are in the materials provided. The meeting packet contains the draft analysis from each bureau, CBO, and Melissa's analysis. The Chairs asked to do analysis based on the framework used last fall.

Melissa said the requests and framework is laid out in her analysis. Several different principals can be seen in the requests. For example, increases in staffing should be part of annual budgeting and new activity should be funded in shifting allocations, not an increase in resources. New requests should be coupled with metrics and outcomes. PUB knows from their review, Water had only a couple of adjustments. Most requests are in-line with the first principle; it trues up the balance and transfers to the general fund in recognition of revenue increases. These are normal and expected at this point in the fiscal year; there are no unanticipated or emergency needs. There are no new requests to funds for new activities. The joint request from procurement to build internal capacity meets the principal in that it provides outcomes and metrics. Procurement went through the process to collect data and outcomes. The presentation from procurement was up front about their starting point. Procurement didn't have tracking to keep the office responsible for their services. The changes are a good improvement. Procurement will have something in place for the end of year to keep them accountable.

Yung introduced himself and said he has attended several PUB meetings and is now able to address the Board.

He said he has had the bureau for a couple of months. There is a learning curve and he spent summer working on the software replacement. Two weeks ago, he attended the SOAKED program and saw the work of the bureau. His analysis of the bureau's work in the fall BMP requests recognizes the adjustments are straightforward. He focused on some points which needed attention. There were large adjustments to the capital improvement plan. The Washington Park Reservoir and the Willamette pipeline crossing project funding was based on estimates and the revised estimates of cost are above the target. The bureau is engaged with design and construction teams to negotiate for the Willamette River Pipe Crossing. Construction has been delayed to next year; the current cost is 88 million. Yung said he got to see the reservoir work firsthand at Washington Park and met with the engineer. The timeline has been stretched to eight years. The project's budget has also increased.

Overall, the bureau is decreasing the capital budget by \$33 million decrease in the current year budget. Willamette Park decreases by \$8 million and that adjustment reflects a current year decrease and an overall increase.

Allan asked if Yung can speak to projects and what the estimates were. Yung said the Willamette River Pipe Crossing project was estimated at \$56 million and is now \$88 million. The Washington Park revised budget was \$190 million and is now \$205 million.

Yung continued with his presentation and said that OMF presented a proposal to add staff to work with infrastructure bureaus. They noted there will be service-level agreements with infrastructure bureaus with a commitment to improving turnaround times. OMF provided an analysis. The requests adjusts amounts by a small amount. The amount from Water is not subject to change; they will true up in spring and receive the amount in the Fall BMP with adjustments in spring. Yung said he didn't not want to get to deep into the overhead model but generally, the city doesn't adjust the model midyear.

Yung noted that his presentation was the CBO recommendation and has not yet been accepted by Council. The CBO recommendation is different from OMB's request in that it would fund six FTE rather than the five requested and allocate 75% of compliance services of the construction bureaus.

Yung explained how he made his recommendations. One point he considered was as part of the fall BMP, Water wanted to make adjustments to five interagency agreements. In other cases, they were moving funds. In the case of the procurement IA, they were drawing on contingency for the increase. Yung noted they have had fund balance increases over several years and underspending in the operating budget.

He noted an error in a label in his review – that it is not a Water Bond Fund but a Water Fund. The balance is increasing year over year. The bureau has good reasons why that is happening. When the bureau is working on five large projects, for example Washington Park and filtration, the fund increases to cover those large costs. This is the reason the fund balance is increasing related to projections. Other than that, not many notable requests. He chose to highlight carry over of general fund money.

Scott said both bureaus have taken on large, complex, and expensive capital projects and they are spending less than 80% annually but collecting rates based on 100% delivery on projects. He asked if they should become more realistic about capital execution on the front end. He said they should have a conversation about this. He added that the they are going into a market with every contractor in the region executing major projects, there will be delays as with the Willamette project. Melissa said status of the pipe crossing project is an active conversation. The second meeting in November will be about capital projects.

Cecelia said rates are set based on bonds issued and because debt service is paying, we don't end up with rates adjusted in the subsequent year. If they delay bonds they don't have to issue a rate change the next year. It is more complicated; the rate doesn't fund each year's projects. There are more moving parts and delays in cash flow.

Scott said he understood year one is the start date. Year two started at a higher base.

Colleen said, given Scott's comments, it's a good conversation to have for different years and walking back and setting higher rates in subsequent years.

Melissa asked if there were any more questions on Water?

Melissa said BES had many different requests and it is a longer conversation but with the same framework. They have requested \$4.86 million in new programs and staff resources in shown package one and two. Program adjustments amount to \$266,00 and \$4.48 million in requests for carry over with previous authorization to carry funds forward. There are also \$1.8 million in decisions net to zero.

The expected adjustments early in the fiscal year fall within principles. On the internal adjustments to programs, Melissa noted 75% was for CIP permit reimbursement. A developer is requesting reimbursement for some permitting fees to underserved sewer developments. These

are expected, ongoing requests to increase the budget. Annual past reimbursements have ranged from under \$20,000 to \$107,000. Development in properties for underserved populations has increased and the higher level of reimbursement is expected to continue. More than \$3 million of the carryover requests are related to vehicles. The City received all but two vehicles. 15 are still with Fleet Services being outfitted. The bureau and the fleet worked to improve processes so that large annual carryovers don't happen but bookkeeping issue affected the charge this year. The remaining two vehicles are expected this year.

Another carryover was for biogas. PUB has expressed interest in this topic. It is interconnected to NW Natural. The project is up and running. The total cost for the interconnection has increased but credits for natural gas from NW Natural might help offset the increase. The actual cash requirement will depend on consumption.

The second principle has to do with emergency and unforeseen needs. There is room for interpretation. The biosolids requests and safety issues fit within this principle. Melissa referenced the biosolid site visit and information provided.

The bureau isn't requesting any new authorization for FTEs in the BMP but are requesting staff resources through contracting and interagency agreements with PBOT to work together on joint projects.

For these requests, BES isn't reallocating existing resources but requesting to draw from contingency and increase its authorization. They have a history of underspending and could consider other opportunities to make adjustments as needed during the fiscal year.

Melissa said she wanted to raise a second issue, the interagency agreement with Parks. They have had agreements in the past to monitor the Springwater Corridor.

Shannon began her presentation and said she would like to reiterate the lens she is using when looking at the bureau's budget submission. The purpose of BMP is to give bureaus the opportunity to amend their budget. They have this opportunity three times: the Fall BMP, the Spring BMP, and the overexpenditure ordinance just before the end of the fiscal year. The fall BMP is meant for carryovers and it is discouraged to add new FTE. Ongoing, not urgent, foreseen requests should be part of the annual budget process so they can be seen in the context of the entire budget. This is the lens CBO uses for analysis. This lens is emphasized more in general fund bureaus. Financial policy is to evaluate if requests are reasonable.

Shannon said she wanted to broadly go over what bureaus are asking for and go into recommendations and reasoning.

There is a request for \$9.3 million draw from contingency. About half is a \$4.5 million carryover of funds not spent last year and carried to this year. Most is for replacements. There is also some operations and capital projects included in that amount. All the requests for carryover were recommended.

\$4.86 million of the request to draw from contingency is for new activities. \$3.5 million was requested to reduce biosolids inventory. The rest is a variety of new requests. CBO recommends all but approximately \$900,000 in new requests. The reason is the given framework and review

of the submission, the requests are not unforeseen, and given the level of underspending, CBO recommends the bureau try to reallocate existing resources and if they are not able to reallocate, there will be two more opportunities to make requests to cover expenses.

Shannon said she wanted to acknowledge two points about the recommendation. The bureau has outlined where they have reallocated about \$650,000. Shannon was pleased to see that effort and encouraged them to continue that work. Another point, in recommending the bureau reallocate to fund the \$900,000 in requests, there is a risk of lower service levels to cover expenses. The risk is mitigated by the fact that they had significant underspending. She noted she wanted to be forthcoming about the recommendation. She would go more into specifics but realized they were over the agenda time.

Colleen asked boardmembers if there were questions.

Scott asked a question on how programs are managed at BES. He noted the request should be anticipated but facilities may not have been monitored closely. He wanted to know how they will be monitoring more closely going forward. Shannon noted they received authorization for a financial analyst position but recruitment hasn't begun.

Melissa asked if Scott was asking about program or financial management. Scott said program management and that he was interested to see the root cause analysis for the biosolids issue. He noted the hauling schedule and that they were not monitoring input versus output. He asked where the controls were. Dure to lack of management, the bureau and the City were stuck with an emergency issue. He noted there was a fire in the Gorge issue but that the remediation could have happened sooner.

Colleen said she seconded what Scott said. She added that if one looks at the worksheet and graph on biosolids the problem was two years in the making.

Scott said in his experience at Metro, they had the same issue in moving through the Gorge. They rerouted and redispersed. It was monitored very closely. It may help to have conversations with outside bureaus to see how others have dealt with supply.

Shannon said was part of the review. She has asked that question and noted it is a complicated issue.

Colleen referred to a question on page four talking about procurement services in the second paragraph. Given the sense of urgency from procurement services, CBO seems generally supportive though the improvements are modest and the cost impact is significant. Colleen said she was curious about the statement and if Shannon can explain.

Shannon said part of what Lester presented was that before he joined, Procurement couldn't quantify how long an RFP took to go through procurement. Lester was able to put metrics to the changes. It is a huge step to say this is how long this is taking. They have identified the level they want to improve and it is not significantly better. But that said it is better to be able to quantify. She wanted to acknowledge that improvement. On the comment that the cost is significant, she was reconciling the issue of general fund subsidizing non-general fund bureaus that are doing

the majority of construction projects. There is inequity and the service level improvements are not grand.

Colleen asked if there were other questions.

Colleen said the process will go to Council at the work session October 30; the hearing is on November 7. If PUB as a body wants to make comments it would be best if City Council had those for the work session on October 30.

Melissa said that it is most valuable to comment when Council is discussing the decisions.

Colleen asked PUB if they do want to make comments they need to decide when and how. She said for herself, she received the information at 5:30pm last night. She looked at the materials but is not a late-night reader. She said it is disconcerting to have to come up with a thoughtful set of comments when she has not had a chance to read with detail and have a deliberative conversation. They have a timeline that is aggressive. She added a thought about the new budget process, this is not first time they have been pressed against a wall. The meetings are already set. They should talk about making the second meeting more flexible so if we know CBO analysis is coming out on a set date, they can schedule meetings so they happen in a week's time. She noted it is difficult to get enough people for a quorum in that timeframe.

Mike said this is not a new discussion. They have talked about the difficulty of coordinating schedules and getting materials at the last minute. It doesn't result in thoughtful discussions. If they know CBO analysis is coming out they can schedule accordingly. Last minute changes are difficult, even finding a place to meet. It is a challenge for Melissa who is in the middle. He added a thought on Scott's point, this is not new discussion. They are raising the same discussion, there is a process in place and they are learning.

Allan said he heard the comment that they cannot provide not much of a recommendation because they have not had enough time to consider the issues.

Colleen asked if members want to make comments on to the requests. They must make a decision to make comments today. If they need more time to read, that means coming back and finding time between now and October 30 to put forward comments.

Heidi said she had nothing to comment on. The reports were nice and clear and she can understand them. She seconded getting them earlier. She said requests could get more complicated and that one evening would not be enough time. This round nothing jumped out.

Jessica noted the Council work session is open in terms of listening, but Council must call people to the table to make comment. The Mayor will file his proposed budget next Friday and that is what will be considered on November 7. Council will have discussion on October 30. They expect to propose amendments in the ensuing days and the proposed BMP will be heard November 7. It is critical to talk to Council before November 7 so if they want to make amendments they can.

Melissa said if you want to stay with the framework identified last year, she can draft a letter and arrange a time to meet to approve the letter.

Scott said if they are not able to make a detailed recommendation, he would rather put efforts into the adopted budget rather than the BMP.

Colleen said that in Melissa and Yung's analysis there doesn't seem to be much concern with the Water bureau's proposed BMP. It fits easily within principles agreed to last year. The issue is with BES. She reiterated that she would like more time to read. In her quick read, it seemed Melissa and Shannon had similar conclusions in that underspending in BES for the last few years seems to suggest some of the requests from contingency could be found the budget. They can request later in the year if there are not sufficient funds in existing resources. There are a couple of other opportunities to rectify. That could be the basis for what they move forward with. Melissa can draft something and they can see what they think. Colleen said she thinks it would be helpful. Shew asked if there were other suggestions.

Mike said that is fine.

Allan said he agreed.

Robert said he heard the concerns and questions and he has not heard a desire from many to weigh in on the requests. He didn't think they have significant recommendations.

Colleen suggested they have comments that say we are fine with Water and note last fall they developed their principles. BES requests do not follow the principles and the budget manual. They can highlight the concerns for Council when looking at the BMP.

Allan said the direction was to draft a discussion document and arrange a time to meet to make changes.

Melissa confirmed the direction.

Scott asked if they could call.

Melissa said yes, and they may have to have a few members in the room. She noted they will start trying to have dates, advance materials, and to get in front of the budget process.

VII. **Portland Water Bureau Strategic Business Plan Update** Gabe Solmer, Deputy Director, and Doug Stewart, Senior Engineer, Asset Management, Portland Water Bureau

The next agenda item is the Water Bureau's Strategic Business Plan. Over the summer, PUB worked with the bureau's consultant, Chris, in a conversation about risks and the bureau has continued their work in that phase. Doug and Gabe are here to talk to PUB about those identified risks and the next phase to identify mitigation strategies.

Colleen noted that because of the setup of the room they will not have slides projected but they have the slides in the packet.

Gabe said this is a subject PUB has heard about and will continue to be updated on. PUB has been interested in this area. BES works closely with Water on this topic. The bureaus have been

meeting about technical and management considerations. The engagement is helpful to both bureaus. They are starting to have risk-based planning. This involved a scoring process. They will go through what it looks like today.

Doug referenced slide 3 from the [presentation](#). They started the project last August. The first phase was August to mid-April. Risks and opportunities were evaluated throughout the bureaus. Partners, bureaus, and wholesale customers were asked for feedback on how to do better. They rewrote the equity vision and value statement. They produced an organizational scan report. That was an interesting read on the current state of affairs. They did outreach to other organizations before starting the risk assessment to learn about the pitfalls and what they learned.

In the beginning of May they started the second part of the project. The beginning was risk ranking. Once risks were ranked a strategy should be developed. It is complicated, and they had to consider what to do with the risk list. The third phase begins in January when they will create a business plan based on their previous work.

Doug referred to the next slide. In the beginning of May they gathered 60 people from around bureaus. They had a conversation with PUB in June about identifying risks.

They identified 675 risks in the Water Bureau. It was a surprise to get that much input. A team of 10 employees were engaged to make a more manageable list. They developed a risk ranking of 67 starting risks with bureau directors and employees. They conducted a voting exercise. They scored based on the likelihood and consequence of risks to the Water bureau. Based on their findings, the list went to culling from management. That resulted in the final specific 23 starting risks and 12 categories.

Gabe said none of the risks have disappeared. All were captured. They will go through the list on an annual basis. These risks are the priorities this year; others will be addressed in the future.

Doug said they had a workshop with PUB June 5. Now they have a risk register with 600 plus risks. The risk ranking identifies what is important and valuable to work on. Those priorities will be periodically reviewed by management team; they will revisit and identify what didn't make it into the strategic plan.

In September they scored the 67 risks. This involved a value judgment from people at the work shop. People gave their opinion on how likely the risk's occurrence was and the risk to the bureau if they didn't do anything about the risk.

Doug talked about the risk [matrix](#) which helped to put things in buckets and identify the drivers of risk.

Slide 7 shows a plot for how people scored. The likelihood is the y axis and consequence is the x axis.

8 of the risks had a high spread in the group scoring. They went through and refined to narrow the scores. There is a line through the midpoint. They divided the risk group again to focus on the half at the upper right. They worked with management on the risk selection criteria. The

risks with high scores were highlighted and efforts were made to consider what would address and help mitigate risks. For some, efforts couldn't make a significant difference. They would look at them going forward to align with guidance statements. Some were already being addressed. They considered if it was cost effective and made sense to mitigate the risk. They considered if the change was measurable or demonstrable. They assigned a champion for the mitigation efforts.

When they were done with developing the risk registry and done with developing the risk plan, the effort must be something used to drive the actions of the Water bureau. Staff must own it and make a difference for bureau direction. Every one of the risks moving forward will have a champion assigned to the risk.

There are 12 categories of risk. Included are ensuring a reliable ground water source, protecting customer data, being prepared and resilient, flood, fire, fostering equity and diversity in the workplace. There are workplace equity issues and service equity components. These are built into many other risks. Service equity is a key part of decision making and a theme throughout the plan.

On October 30, they will convene a workshop with teams assigned to 12 risks with 4-8 people for each risk. About 60 people will give thoughts and management will start to take that forward. The beginning of December they will review the work of the 12 teams. In mid-January they will management will start the business plan.

Gabe said every team has a facilitator. They have a time frame to get through the work. They want to start using the results of this work. Each team must have a person who is an innovator. They want someone to have part of the brainstorm process. There is also an equity ambassador, who is an equity consultant and will put issues through an equity lens. It is important to model the equity work through the strategic plan.

Doug said when they are finished with the risk strategies, they will give another update before writing the strategic plan. They will have open houses in November. PUB is welcome to attend to submit ideas.

Doug said he had three points in closing.

The process is built around risk assessment; the Bureau is active in asset management work where all asset risks are captured. This focuses on the strategic risks for the bureau.

Interesting conversations happen related to this work. People talk across disciplines on the future for the bureau. Discussions have been positive.

The process is allowing staff to feel they have more input they may not have had before in this process. With all the outreach done with the process, more than 10% of staff have a voice.

Dory asked them to repeat who the 52 people were who evaluated and created the list and how they were selected and vetted.

Doug said they started with the business plan team which is an adjunct to the core team.

Gabe noted a few people. There is a team of 20 people across the bureau. They go to that team as a guiding force in helping move through the process. It includes group directors and all their direct reports. There is broad representation from all technical disciplines from bureaus.

Ana asked how the 60 people at the work shops were selected.

Gabe said the strategic business team is 20 people. There are 40 others. These include the innovators and equity ambassadors. They were involved in ranking and it would be good to see these people more involved. They considered if they had cross representation of all groups, including ground water, resources, and financial. Their voice will impact the strategies.

Gabe said Rob was selected to be on the teams.

Rob said he was aware.

Dory said she will be keenly watching how it develops. She noted Emily Jennings and asked if she can be in contact.

Gabe said yes and invited Dory to the open house.

Colleen clarified on the open houses. She asked if anyone can attend.

Gabe said yes.

VIII. Upcoming Board Meeting Agendas

Colleen previewed the upcoming agenda for the next board meeting.

Colleen said all members received the three quarterly reports on water filtration, Washington Park, and Mt. Tabor. If there are questions, members should email Mellissa to make time to discuss at the November 6 meeting. The November 6th meeting is at the World Trade Center. The agenda includes budget process updates and bureau budget program reviews. November 8th is the Bull Run Watershed tour. Members should let Melissa know about their attendance so she can keep count. Note Commissioner Fritz is holding a public forum community meeting 6:00 – 7:30 at IRCO. Colleen told the Commissioner they would have someone from PUB in attendance.

The January meeting should be rescheduled since the first Tuesday is New Year's Day. Options are that Thursday or the following Tuesday. PUB members should let Melissa know about their availability.

November 6, 2018, 4pm, World Trade Center Building One Training Room

Agenda: Budget Process Updates, Big Picture for Bureau Budgets, Programs Previews

Upcoming site visit:

November 8 – Bull Run Watershed Onsite Tour – ALL DAY.

--DRAFT--

The meeting adjourned at 12:48pm.