

2019 Council Work Session Talking Points

Opening Statement (Allan Warman speaking)

Good Morning Mayor, Commissioners and community advisory board members.

My name is Allan Warman and I'm a co-chair of the Portland Utility Board. I'll share with you some information about the PUB and recommendations related to the Water Bureau since their session is first this morning. Then Rob Martineau, a PUB member here with me today will share our recommendations related to the Bureau of Environmental Services a bit later.

PUB Purpose and Composition

The PUB was created to be the independent citizen oversight body for Water and BES and for City Council management of these public utility bureaus. Our purpose is to act on the behalf of and for the benefit of the community members and ratepayers of Portland.

There are 11 voting members of PUB, one of whom also is a labor representative from one of the bureaus, and we also have 3 ex-officio members who are staff within the bureaus. Membership includes a wide range of skills and expertise including experience with utilities, environmental protection, economics, equity, conservation, engineering and more. We also welcome the public at our meetings, typically held twice a month.

Terms for PUB representation are staggered and we are currently recruiting for 4 voting members, so helping to spread the word is appreciated and we encourage members of the public to apply.

Thank you for the opportunity to present the PUB's input this morning.

General input for both bureaus

PUB invested more than 20 hours reviewing the proposed program offers, operating budgets, major additions and adjustments to the five-year capital improvement plans, and decision package for both bureaus. PUB receives

significant support from both bureaus' directors and staff, the ex-officio members, as well as the City Budget Office. We are grateful for their collective efforts to help us understand and navigate the complexities of these bureaus, particularly with a significant change to the budget process this year. The shift from "decision packages" to "program offers" has been challenging for staff as well as the PUB; however we believe the change will provide more transparency and accountability in the future.

We are especially grateful to **Commissioners Fish and Fritz** leadership of both bureaus and their support of the PUB. We appreciated the shared budget guidance between their offices and commitment to keeping the bureaus aligned. The Commissioners' directed a 4.53% limit for combined rate increase and the budgets submitted meet that requirement.

Overarching themes of board discussion on the bureau budgets included concerns with the overall affordability of the utilities, the capacity of both bureaus to deliver the ambitious capital programs envisioned and performance metrics that are under development.

PWB

I want to first thank Director Stuhr, Gabe Solmer, Cecelia Huynh, Jeff Winner and other staff who presented to the board and responded to several rounds of questions from members.

Within the next month you will receive the written letter with our complete recommendations, but I'd like to highlight a few key items:

- **Affordability** – The Water rate increase is forecasted at 7.4% each year in the requested budget as well as the five-year forecast. This is substantially higher than the rate of inflation, and though filtration is a component of that higher rate there are also other factors including capital project costs that increase substantially from original estimates. With the projected rate of increase, a water bill could double in about 10 years and PUB remains concerned about the impact on ratepayers and particularly those most

vulnerable. PUB is very supportive of the low-income discount program to mitigate some of that concern. This program provides a good foundation and a model to follow. The PUB advocates for good data collection to ensure success and identify areas for enhancement. The challenge of affordability for multifamily units is a broader City concern that cannot just be addressed by the two utility bureaus. All Council and other City partners need to be thinking about a wholistic approach to get at affordability for multifamily units and the PUB respectfully asks to be part of that broader discussion when it happens.

- **Mt Tabor** - There is just one decision package with a request for \$1.1 million in General Fund support for the preservation work at Mt. Tabor. This is the 4th year of funding and the PUB continues to express concern with the \$4 million commitment from the prior City Council as it results in inequities with limited resources, falls short of the total cost of preservation work, and does not include the long-term costs of operating and maintaining the assets. PUB appreciates CBO's recognition of the need to revisit this issue but urges Council not to shift the expense to utility rates since this would have a significant negative impact on affordability. The PUB recommends that if funding for the preservation work continues, it remains with General Fund dollars as in prior years and also encourages Council to consider the equity implications of these decisions in future generations since financial commitments would carry forward for multiple years for a location that otherwise would not be the priority for investment of limited resources.
- **Performance Metrics** – A critical priority for the PUB is early development and implementation of meaningful and measurable performance metrics to monitor success of the programs at PWB and BES. The PUB recognizes that PWB is in the midst of a strategic planning effort that connects to metric development and both bureaus are working through the shift to the program offer budgeting. Effectiveness in both bureaus depends on developing a budget process that includes key metrics that can be used to evaluate services and program offers against measurable outcomes.
- Thank you for your time today. We are happy to answer any questions and will also be back at the start of the BES session with a few more comments.

BES (Rob Martineau speaking)

Good Morning Mayor, Commissioners and community advisory board members.

My name is Rob Martineau and I am a Water Maintenance Mechanic at the Water Bureau, President of AFSCME Local 189 and am here today in my role as a voting member of the Portland Utility Board.

I want to first thank Director Jordan, Dawn Uchiyama, Jonas Biery, Ken Bartocci and their staff who presented to the board and responded to several rounds of questions from members.

My comments will be brief because Allan already provided some background on the PUB and the key issues during the Water Bureau session earlier. Again, the overarching themes of board discussion on the bureau budgets included concerns with the overall affordability of the utilities, the capacity of both bureaus deliver the ambitious capital programs envisioned and performance metrics that are under development. BES did not have any directions to develop from Council so the PUB recommendations are on the overall budget request, which will be formalized in writing within the next month. I'd like to reiterate a few areas of interest for the PUB as they relate to BES:

- **Affordability** – The BES rate increase is forecasted at 3% this year, consistent with the 5-year forecast and direction from Commissioner-in-charge to provide stable and reliable rate increases. The combined water and sewer stormwater rate is what is most relevant measurement for affordability, particularly for those most vulnerable. The PUB is very supportive of the low-income discount program to mitigate some of the impact and advocates for good data collection to ensure success and identify areas for enhancement. Affordability of multifamily units is a challenge that the PUB is eager to participate in as the City engages on the issue more broadly than utility rates.
- **Staffing levels** – The PUB noted an increase of 20 positions within the requested base budget. The PUB recognizes some of the increase this year is a shift from contracted work and supports the capacity gap to deliver on

capital projects. After four years of staff increases, the bureau has made progress in filling vacancies. PUB is not debating the need for specific position changes requested; however, there is general concern for the long-term impacts on the financial plan with the risk of a slowing economy that could impact revenues needed to support the new ongoing staffing expense. This will be an area the PUB will continue to monitor as it impacts rates and affordability.

- **Performance Metrics** – As stated during the prior session, a critical priority for the PUB is prompt development and implementation of meaningful and measurable performance metrics to monitor success of the programs for both bureaus. The PUB recognizes that the shift to program offer budgeting was a challenge and BES is working on developing performance metrics to align with the priorities of their Strategic Plan and Equity Plan. It is critical to have metrics in place to evaluate services and program offers against the outcomes for future budgets. The PUB is committed to working with both bureaus to support development of metrics.
- Thank you for your time today. We are happy to answer any questions you may have about PUB and our recommendations.