

To: Portland Utility Board (PUB)  
 From: Amy Archer-Masters, PUB Analyst  
 Re: Follow-up to questions from the March 5, 2019 PUB Meeting  
 On: March 27, 2019

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The following are responses compiled from CBO analysts and bureau staff in response to questions that required additional research.

**1. On page 2 of CBO review for Water it references the relative impact of rate increase. Inflation is 2.5%. How did Yung come to 20% over the years versus 11% at rate of inflation?**

The CBO review stated: “Together with BES’s 3.0% rate of increase over the next three years and 3.1% in the last two years of the forecast, the combined typical single-family household bill is expected to increase by 20% between FY 2019-20 and FY 2023-24 compared to 11% if the bill increased at the same rate as inflation.”

The table below shows the typical monthly bill by bureau and combined. PWB’s portion is growing by 7.4% each year, while BES’s portion is growing by 3% during the first 3 years of the 5-year forecast and 3.1% during the last two years. “Inflation only” is the Consumer Price Index growth rate of 2.53% as forecasted by Moody’s.

	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>Percentage change between FY19-20 and FY23-24</b>
PWB	39.24	42.14	45.26	48.61	52.20	56.07	
BES	73.55	75.76	78.03	80.37	82.86	85.43	
<b>Total</b>	112.79	<b>117.90</b>	123.29	128.98	135.06	<b>141.50</b>	20%
<b>Inflation only</b>		<b>117.90</b>	120.88	123.94	127.08	<b>130.29</b>	11%

The percentage change referenced in the CBO review is between the numbers that are both bolded and italicized, i.e., between the first year of the 5-year forecast (FY 19-20) and the last year of the forecast (FY 23-24).

**2. PUB would like to see the water bill affordability by race analysis similar to what CBO provided for BES.**

Unlike BES, the Water Bureau does not have a stated goal for affordability. However, the bureau has stated:

“The federal guidance on water bill affordability ranges from 1.0 percent to 3.5 percent of median household income, although 2.0 percent is the most commonly cited affordability measure. The Portland median household income for a two-person family for 2018 was about \$5,427 a month. The current typical monthly water bill of \$39.24 would then represent only about 0.7 percent of the monthly median household income, and this percentage would be 0.8 percent with the proposed rate increase.”

The following table mimics the one produced in the BES review that disaggregates median household income by race and considers affordability at both the 2.0% and the 0.8% levels. The conclusion is the same: Most racial groups, particularly American Indian/Alaskan Natives and African Americans, would be using a higher percentage of their household incomes to pay the water bill than White households.

<b>Median Household Income by Race - Five Year Estimate 2012-2016   2.0% of total median household income: \$1,243   0.8% of total median household income: \$497</b>			
<b>Race</b>	<b>Median Household Income</b>	<b>Increase on avg household applied to racial group income (2.0%)</b>	<b>Increase on avg household applied to racial group income (0.8%)</b>
American Indian and Alaskan Native	38,502	3.2%	1.3%
Asian Alone	76,667	1.6%	0.6%
Black or African American alone	36,651	3.4%	1.4%
Hispanic or Latino	44,254	2.8%	1.1%
Native Hawaiian and Other Pacific Islander	54,993	2.3%	0.9%
Some other race alone	41,927	3.0%	1.2%
Two or more races	50,513	2.5%	1.0%
White alone, Non-Hispanic	61,018	2.0%	0.8%

**3. PUB would like to see historical data to compare percentage expended of budgeted Capital Improvement Plan.**

The data below provides the past 5 years of budget to actual expenditures for PWB and BES.

PWB has an annual performance measure summarized in the table below, with most recent year expending 93% of the Revised Budget. At the March 5<sup>th</sup> meeting PWB reported that expenses were approximately 80% of what was budgeted each year. That lower estimate is based on expenses compared to Adopted Budget. The table for PWB summarizes the expenses compared to both Adopted and Revised Budgets. The Revised Budget would be adjusted based on actual spending trends during the year so would typically result in closer to 100% spending

**PWB – Percent of CIP Budget Expended**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
% Revised Budget	98%	93%	93%	87%	93%
% Adopted Budget	93%	84%	80%	75%	63%

The table for BES shows the percent of CIP actual expenses compared to projections in the Adopted Budget. Revised Budget is not captured for BES because since FY 2013-14 the bureau does not materially change the budget for CIP mid-year.

Please note that the CBO analysis for BES’ FY 2019-20 Requested Budget provided different data pulling from the Financial Plan. BES sets rates based on the Financial Plan, which typically assumes spending approximately 90% of CIP budget. This data below is provided in response to PUB’s recent request to compare CIP budget to actuals.

**BES – Percent of CIP Budget Expended**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
% Adopted Budget	81.08%	75.96%	71.72%	80.37%	77.19%