



# Oregon Citizens' Utility Board

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To: Mayor Ted Wheeler  
City Commissioners Chloe Eudaly, Nick Fish, Amanda Fritz, and Jo Ann Hardesty  
Community Budget Advisory Board  
Cristina Nieves, Office of Commissioner Fritz  
Michael Stuhr and Gabriel Solmer, PWB

cc: Portland Utility Board (PUB) c/o Cinthia Diaz Calvo and Amy Archer-Masters  
Jessica Kinard, Interim City Budget Office (CBO) Director  
Yung Ouyang, CBO

From: Janice Thompson, Oregon Citizens' Utility Board (CUB)

Re: CUB Input on PWB FY 2019-20 Budget and CBO report

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## Introduction

First, a quick introduction to CUB and its role regarding outside independent oversight of City Council management of Portland's public utilities for new members of the City Council and the Community Budget Advisory Board. CUB is a nonprofit formed in 1984 by Oregonians via a ballot measure to do analysis and advocacy for residential customers of utility services. CUB works on energy and information communications technology issues in the regulatory arena as well as in federal, state, and local legislative venues.

In 2014, CUB was asked to provide independent oversight of City Council's management of the Portland Water Bureau (PWB) and Bureau of Environmental Services (BES) from an outside perspective. The City does not pay CUB for this work, but we are provided the opportunity to do membership outreach in utility bureau mailings. A notable accomplishment was removing an inappropriate developer subsidy regarding BES calculation of system development charges due to actions by a previous City Council. CUB has long advocated for low income utility customer assistance including expansion of the City of Portland's public utility low income programs.

Second, this is CUB's "phase 2" memo and focuses on development of the Mayor's budget. CUB's "phase one" memo in January of this year provided input on development of the requested PWB budget. Our third budget memo will be presented as testimony during the May rate hearing. This sequence of memos includes one each to PWB and BES. However, this memo begins with input pertinent to both of Portland's public utility bureaus followed by PWB specific comments.

## **Input Pertinent to Both Portland Public Utilities**

### Combined rate increase meets budget guidance

CUB appreciates that Commissioners Fish and Fritz released a joint budget guidance memo. The individual rates of each PWB and BES are obviously important, but customers see a bill for water, stormwater, and sewer services so combined rate guidance is a valuable approach. The requested PWB and BES budgets meet the guidance memo directive. The FY 2019-20 combined rate increase, 3 percent for BES and 7.4 percent for PWB, meets the 4.53 percent combined rate guidance memo. In terms of dollars, the average residential customer's monthly bill would increase by \$2.90 for PWB services and by \$2.21 for BES services for a combined increase of \$5.11. The quarterly bill would increase by \$8.70 for PWB services and by \$6.63 for BES services for a combined increase of \$15.33. These are sobering figures, but CUB appreciates that they reflect the understanding by Commissioners Fish and Fritz of the significant role played by resiliency and regulatory drivers of rate increases. In addition, these figures highlight why CUB has been a staunch supporter of Portland's low income assistance programs.

### Conduct analysis of low-income assistance programs on a combined PWB and BES basis with recognition of PWB's management leadership

CUB fully supports co-branding that conveys that financial support for public utility low income assistance programs comes from both BES and PWB. It is also appropriate that PWB continue its historic leadership role in managing low income assistance programs, which they do in consultation with BES. Given this background, CUB recommends that CBO's analysts for the two utility bureaus combine forces and prepare one set of low-income program comments and suggestions for inclusion into both the PWB and BES reports. Just as PWB and BES collaborate regarding the low-income program, similar collaboration to develop one CBO assessment will help mitigate the inevitable loss of institutional memory linked to changes in CBO analyst assignments. More importantly, since PWB provides overall low-income assistance program management, they will frequently be the appropriate respondent to CBO questions coming from either the PWB or BES analyst.

### Affordability measurement and low-income assistance programs CBO analysis would benefit from income inequity context

CUB supports the CBO's suggestion for the PWB to look for other affordability measurements. CUB has also long supported the need for a rate study by BES and while affordability will be a factor in that work, we suggest further discussion between CBO and BES to ensure a shared understanding of the scope of the rate study effort. In CUB's view, however, CBO discussion in both its PWB and BES reports would benefit by additional context regarding the significant and growing income inequity in Portland. CUB discussed this dynamic in detail in our phase one memo regarding development of PWB's FY 2018-29 budget but the following comments bear repeating regarding the current PWB and BES reports by CBO.

It is vitally important that utility investments are prudent, strategic, and provide good value for all customers. Beyond that baseline, however, it seems appropriate to target rate-relief mitigation efforts on two groups: 1) low-income residents who frequently cannot pay public utility costs, particularly very low income customers, and 2) customers who can pay their public utility costs but might benefit from household finance management tools like the monthly billing option where a quarterly meter read is separated into three bills.

That there are Portlanders who may complain but can afford Portland utility rates is illustrated by only slightly more than 12 percent of quarterly accounts having requested the monthly billing option with about half of those accounts having originally been in a budget billing program. CUB supports more outreach on the monthly billing option. But even if that participation rate quadrupled, there would still be many Portland utility customers whose quarterly bill preference indicates they can deal with higher rates even when the bills come in those larger quarterly amounts. This contributes to CUB's strong and continued support for low income assistance programs.

Of particular importance to CUB, is the new multi-family crisis assistance program which reflects PWB's dogged efforts to address a national problem of how to provide relief regarding the cost of water, stormwater, and sewer services to low income renters. From the beginning PWB has planned for evaluation of this program that uses the existing Home Forward Short-Term Rent Assistance (STRA) Program as a vehicle to provide additional support to rental households in crisis. CUB looks forward to this evaluation since, if proven effective, an expansion of this effort from its initial financial support level would merit the Council's serious consideration.

Without more analysis CUB does not support CBO's recommendation for a 1.5 FTE staffing level for the Portland Utility Board in FY 2019-20

Why does the Portland Utility Board (PUB) have staff support? A Blue Ribbon Commission evaluating oversight of Portland's public utilities, on which CUB served, met during the last half of 2014 and made several oversight improvement suggestions to the City Council. One recommendation was to revamp an earlier internal oversight group to form the PUB with staff capacity. The PUB operates year-round and serves as the Budget Advisory Committee for PWB and BES during budget season. The Blue Ribbon Commission recommended one staff analyst for the PUB and recognized that this position, though housed at CBO would be working for the PUB and not the City Council with the financial support of PWB and BES ratepayers. The Blue Ribbon Commission's report also mentioned the need to continue the current (then and now) one FTE equivalent at CBO to assess PWB and BES budgets for the City Council. In other words, the Blue Ribbon Commission was cautioning against asking the PUB's staff person to replace the CBO analysts who write the public utility assessment reports to City Council. The earlier oversight group got administrative support from CBO and it was the Blue Ribbon Commission's understanding that this would continue for the PUB.

CUB supports continuing the one FTE PUB analyst position, but without more assessment we do not support the 1.5 FTE PUB staffing level in CBO's requested budget which would increase by 50 percent the assessment on PWB and BES for this purpose. A change from 1 to 1.5 FTE was discussed at the PUB's January 17<sup>th</sup> meeting with acting CBO director Jessica Kinard within the context of addressing a PUB staffing transition. At that meeting CUB provided this historical background and stated our concern that though a short-term FTE increase to get through a staffing transition seemed OK, a cost-benefit analysis should be done to justify a longer-term change from 1 to 1.5 FTE for PUB staffing.

CUB typically attends PUB meetings to help BES and PWB avoid duplicative work with us and have had concerns about PUB's decision to meet twice a month rather than the original monthly schedule in terms of increased time demands on BES and PWB staff, increased CBO administrative work load, and an increased frequency in what seem to be meeting agendas and PUB member attendance

levels that are not consistently robust. Just as the PUB expects analysis of budget requests made by BES and PWB, applying this concept to their own work seems appropriate.

CUB also requests that CBO return to its previous practice of having its BES or PWB analysts, who routinely attend PUB meetings, take minutes for those meetings. This approach would be facilitated by a return to monthly PUB meetings. A final note is that at its January 17<sup>th</sup> meeting, one PUB member indicated that it seemed worthwhile to evaluate different meeting approaches and another PUB member only voted for a 1.5 FTE staffing level on an interim basis. The PUB plays a valuable internal oversight role and, to repeat, CUB supports a 1 FTE staffing level. We might also be persuaded to support a 1.5 FTE staffing configuration, but not without an evaluation of PUB operational practices and efficiency opportunities.

### **CUB Comments on CBO Report on PWB FY 2019-20 Requested Budget**

CUB agrees with many, but not all, of the points made by CBO in its report to Council on PWB's requested budget. For that reason, our comments focus on CUB's disagreements or concerns about CBO's analysis with cross referencing to specific pages in the CBO report.

#### CBO report pages 1 and-8 – Minimal FTE change and strategic planning

Like the CBO, CUB noted the minimal FTE change between PWB's FY 2018-20 budget and its FY 2019-20 requested budget. An important background point is that future staffing levels and configurations will likely be informed by PWB's strategic planning process. CUB suggests that PWB make a "right sizing" assessment be an outcome of its strategic plan. At the same time, we recognize that this FY 2019-20 pause in new staff requests may well not be a prudent long-term strategy.

#### CBO report pages 1-2 and 8-10 – Mt. Tabor decision package

Though CUB has sympathy for CBO's rationale for not supporting the \$1.1 million general fund decision package regarding Mt. Tabor, we urged Commissioner Fritz to make this direction to develop request in our phase one memo and disagree with CBO's recommendation to deny this decision package.

Since Mt. Tabor reservoirs are no longer part of Portland's water system, CUB has consistently supported use of general fund dollars to fulfill the \$4 million over four years obligation outlined in Resolution 37146 adopted in 2015 by the City Council. CBO is correct that Resolution 37146 did not specify the source of the City Council's allocation of \$4 million over four years. At the time, however, this seemed to be the legislative intent and this view has been bolstered by subsequent City Council decisions to use general fund dollars in honoring this agreement with the Mt. Tabor Neighborhood Association (MTNA). Indeed, regardless of the source of money, another concern is that CBO's recommendation to delay this final installment of \$1.1 million undermines the significant agreement reached in 2015 between MTNA and PWB.

CUB understands that the Mt. Tabor land use review approved by the City Council included an interpretive program requirement regarding the Mt. Tabor Reservoirs Historic District. Given what we believe was the necessity of this overall land use approval, we do see the logic of PWB including this work in its CIP plan, though we will be seeking additional information from PWB on the scope of this effort.

Regarding the Resolution 37146 provision regarding the requirement that the City Council consider an additional \$1.5 million allocation to replace non-historic lighting, CUB does not see the logic of using PWB funds for this purpose. Regarding use of general fund dollars for this purpose, it seems prudent to evaluate this request within the context of other historic preservation needs across the City both generally and from an equity perspective.

Regarding other historic preservation spending discussed in the December 2016 Addendum to a 2009 Mt. Tabor Reservoirs Historic Structures Report (abbreviated as HSR by CBO), it seems prudent to consider use of either ratepayer or general fund dollars within the context of other historic preservation needs across the City both generally and from an equity perspective. The CBO report seems to imply that all the projects in the HSR are required which CUB believes is an assumption that requires examination. CBO's suggestion that the PWB consult with the City Attorney's Office about what projects are related to providing water service and/or PWB's ownership of the asset has merit. However, the City Council needs to carefully review the results of such consultation. For example, it may be prudent to transfer some PWB assets to the Parks Bureau or another city agency as well as examine other underlying assumptions regarding PWB facilities at Mt. Tabor.

The bottom line for now, though, is that CUB recommends that the Mayor include in his budget the \$1.1 million direction to develop request from Commissioner Fritz that was included in PWB's requested FY 2019-20 budget.

#### CBO report pages 4-5 – New costs for non-represented classifications

CBO's discussion of how PWB budgeted for merit increase of non-represented positions at the full 4.1 percent level is accurate and understandable. But CBO seems to put the PWB into a "damned if they do and damned if they don't" position since they presumably would have had concerns if PWB had not budgeted at all for this dynamic. The PWB should consider ways to mitigate for CBO's concerns, but more guidance in this regard from CBO would seem helpful.

### **CUB Comments on PWB Budget Items Not Mentioned by CBO**

#### Dodge Park

Recent past practice has been to request general fund support for operation of Dodge Park by PWB. Dodge Parks is next to the Sandy River and adjacent to a PWB maintenance facility and a conduit route. Evidently general fund dollars are not being requested for FY 2019-20 which will require PWB to spend ratepayer money to limit public access to Dodge Park. CUB requests that the PWB prepare a comparison of Dodge Park related costs in FY 2019-20 compared to previous years since it seems possible that costs savings of closing Dodge Park are minimal compared to security, revenue, and other benefits of continued public use of Dodge Park for picnics and camping.

#### Decorative Fountains

CUB does not support use of PWB ratepayer money for decorative fountains because in our view a decorative function using water does not constitute an essential element of a system supplying drinking water. In our phase one memo CUB recommended a direction to develop request for general fund support and is disappointed that Commissioner Fritz did not include this as a decision package in PWB's requested FY 2019-20 budget. Our understanding was that \$600,000 in PWB ratepayer dollars for decorative fountains was going to be a one-time occurrence in PWB's FY 2018-19 budget but evidently this spending approach will be repeated in PWB's FY 2019-20 budget. This

seems particularly problematic since it seems important to include decorative fountains in what we understand to be an upcoming review of equity in the provision of services provided by Portland's parks. The primarily downtown location of decorative fountains should be included in that equity assessment but this seems less likely to occur given that PWB ratepayer dollars are supporting maintenance of these fountains. In general, however, CUB recommends a definitive decision of how to handle decorative fountains maintenance to end a problematic pattern of bouncing this funding responsibility between Parks and PWB.