



City Budget Office

Environmental Services

Analysis by Elizabeth Gallagher

INTRODUCTION

The Bureau of Environmental Services is making four requests in its FY 2018-19 Spring Supplemental Budget submission. The submission is consistent with previous years' requests, including movement of resources within BES's funds, operating program adjustments, new program revenue, CIP adjustments, and grant adjustments. There are no requests for FTE included in this submission.

KEY DECISIONS

- Allocate \$2.36 million in new revenue to the Sewer System Operating Fund contingency and external materials and services accounts. Revenue is from the sale of property, additional Coordinated Site Assessment and Pollution Control Laboratory services, and additional fees expected through interagency revenues. (Recommended)
- Transfer \$22.0 million to the Sewer System Construction Fund contingency account from the Sewer System Operating Fund to delay future bond sales with the intention of reducing or delaying future debt service expenses. (Recommended)

DISCUSSION

CBO recommends all requested adjustments. Discussions on select requests are provided below.

Fund Level Transfers

The bureau's request includes a \$22.0 million transfer to the Sewer System Construction Fund from the Sewer System Operating Fund. This adjustment is driven by primarily by revenue estimates exceeding projections, continued development activity resulting in SDC collections, lower than expected expenditures, and adjustments from the prior year. The transfer of these additional resources will be offset by an increase in the construction fund contingency and ultimately reduce the amount of, or delay the timing of, future bond issuance for capital projects.

The Biosolids Inventory Reduction Program (BIRP) was added in the FY 2018-19 Fall BMP, and it was estimated that half of the \$7 million project would be spent in the current fiscal year.

Due to work progressing more rapidly than anticipated, the bureau is requesting \$1.0 million from contingency funding for this project in the current year. This keeps the BIRP contract on pace to meet service delivery goals. Contingency is also being requested to add approximately \$60,000 in personnel appropriation for investigation work being done to support the Portland Harbor Superfund project.

Grant adjustments are requested to align all bureau grants to current expectations and projections. Notably, \$200,000 is being allocated to the EPA Brownfield Revolving Loan Fund Grant for sub-recipient expenses to clean up hazardous substance contamination remaining at the Brownfield site associated with sub-recipient Bridge Housing. This will allow the site to be available for development of approximate 60 units of affordable housing.

As mentioned, each of these requests, as well as the request to recognize new revenue mentioned in the key decisions above, are recommended.

Capital Program Status Report

Nearly every capital project is projected to underspend its current year budget. In total, the bureau anticipates that total capital expenditures will be 80% of the FY 2018-19 Revised Budget. Delays in expenditures range in reason from weather conditions, staffing changes, and procurement delays. The bureau is in the process of implementing a new project management strategy. It is anticipated that over the course of the coming year and fiscal year, the bureau will grow in their capacity to spend against capital projects.

Year-End Projections

Overall, the bureau's year-end projections do not raise concerns. The bureau request includes fund level transfers driven by conservative revenue estimates, revenue from sale of property, and low capital improvement expenditures. Though slower than in recent years, the Systems Development Charges revenues are anticipated to be higher than originally projected.

SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

All funds are included in the table below.

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
Resources				
Budgeted Beginning Fund Balanc	\$ 498,776,000			\$ 498,776,000
Licenses & Permits	\$ 2,157,000			\$ 2,157,000
Charges for Services	\$ 390,528,608	\$ 2,800,000		\$ 393,328,608
Intergovernmental Revenues	\$ 380,775	\$ 423,805		\$ 804,580
Interagency Revenue	\$ 2,616,176	\$ 858,000		\$ 3,474,176
Fund Transfers - Revenue	\$ 373,895,159	\$ 12,000,000		\$ 385,895,159
Miscellaneous	\$ 7,613,000	\$ 2,500,000		\$ 10,113,000
Total Resources	\$1,275,966,718	\$18,581,805	\$0	\$1,294,548,523
Requirements				
Personnel Services	\$ 74,901,071	\$ 291,241		\$ 75,192,312
External Materials and Services	\$ 80,136,836	\$ 6,228,101		\$ 86,364,937
Internal Materials and Services	\$ 45,653,884	\$ 920,163		\$ 46,574,047
Capital Outlay	\$ 98,374,550	\$ (5,185,900)		\$ 93,188,650
Debt Service	\$ 185,409,135			\$ 185,409,135
Debt Service Reserves	\$ 62,230,325	\$ 1,000,000		\$ 63,230,325
Fund Transfers - Expense	\$ 378,284,621	\$ 12,000,000		\$ 390,284,621
Contingency	\$ 350,976,296	\$ 3,328,200		\$ 354,304,496
Total Requirements	\$1,275,966,718	\$18,581,805	\$0	\$1,294,548,523

ES - Bureau of Environmental Services

DP Type Other Adjustments

Request Name: 8050 -Grant Adjustments

Package Description

This package of adjustments aligns all bureau grants to current expectations.

Service Impacts

The adjustments align with the requirements of each grant and include:

- \$200,000 EPA Brownfield Revolving Loan Fund Grant - ES000037
This grant relies on partners willing to conduct Brownfield Clean Up actions. Additional funds are needed to cover new sub-recipient expenses. Sub-recipient, Bridge Housing, plans to clean up hazardous substance contamination remaining from the site's historical use, including as a battery facility, and develop the site for approximately 60 units of affordable housing.
- \$220,700 FEMA Winter Storm – ES000042
Additional budget is needed to cover allowable expenses related to 2015 Winter Storm Emergency costs incurred under BES emergency project E10854 FEMA Luther Road Restoration.
- \$6,000 Metro Lower Errol Heights - ES000046
This Watershed Investment Program (E08782) project was completed in FY17/18. Budget is needed to cover final charges posted to this grant early in the fiscal year.
- (\$13,736) Metro Willamette River Restoration Partnership – ES000048
This grant reimburses revegetation and volunteer stewardship coordination activities performed by Portland Parks & Recreation and Bureau of Environmental Services. Adjustments are needed to this grant for final closeout. Work will shift from BES to PP&R management for this final phase and PP&R will budget their work directly to this grant.
- \$10,000 PBOT's Milwaukie Light Rail - TR000094
BES charges directly to this PBOT grant that covers expenses related to Milwaukie Light Rail project E09163. Personal services and capital overhead expense budgets are required.

Equity Impacts

The adjustment for the EPA Brownfield grant provides a grant to the Bridge Housing sub-recipient which will be used to clean up hazardous substance contamination to provide approximately 60 units of affordable housing. The remaining adjustments contained within this decision package do not change equity considerations that may have been originally established with the grants.

CBO Analysis

Recommended as requested.

Budget Detail

Fund		2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
Major Object Name	Expense				
217001	External Materials and Services		0	211,000	0
217001	Internal Materials and Services		0	139,300	0
217001	Personnel		0	80,400	0
217007	External Materials and Services		0	-7,736	0
217007	Personnel		0	841	0
600000	Capital Outlay		0	-155,900	0
600000	Contingency		0	238,200	0
600000	Internal Materials and Services		0	-82,300	0
Sum:			0	423,805	0

F4 - BMP Amendment Request Report

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Budget Detail

Fund			2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
	Major Object Name	Revenue				
217001	Intergovernmental		0	430,700	0	0
217007	Intergovernmental		0	-6,895	0	0
		Sum:	0	423,805	0	0

ES - Bureau of Environmental Services

DP Type New Revenue

Request Name: 8076 -New Revenue - Program Related

Package Description

This decision package reflects additional revenues including interagency revenues, charges for services and sale of property.

Service Impacts

\$860,000 reflects additional Coordinated Site Assessment and Pollution Control Laboratory services to support the Portland Bureau of Transportation and Fire Bureau.

\$1,000,000 is for the sale of the Pope Property.

\$500,000 is for additional Offsite Stormwater Fees expected to be received from the Portland Bureau of Transportation.

Equity Impacts

Coordinated Site Assessment and laboratory services provided on behalf of other bureaus will lower environmental exposure in the City.

CBO Analysis

Recommended as requested.

Budget Detail

Fund						
Major Object Name	Expense	2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total	
600000	Contingency		0	1,500,000	0	0
600000	External Materials and Services		0	860,000	0	0
	Sum:		0	2,360,000	0	0

Major Object Name	Revenue	2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total	
600000	Interagency Revenue		0	860,000	0	0
600000	Miscellaneous		0	1,500,000	0	0
	Sum:		0	2,360,000	0	0

ES - Bureau of Environmental Services

DP Type Contingency

Request Name: 8092 -Program Adjustments

Package Description

This decision package reflects the changes to program budgets requiring use of contingency.

Service Impacts

When the Biosolids Inventory Reduction Program (BIRP) was added in the FY 2019-20 Fall Budget Monitoring Process, it was estimated that half of the total \$7 million project would be spent in the current fiscal year and the other half in FY 2019-20. Work is progressing faster than expected resulting in the need to move \$1 million of appropriation from FY 2019-20 to the current fiscal year.

The Environmental Policy Manager has been working exclusively on the Portland Harbor Superfund project which is being funded in the Environmental Remediation Fund (ERF). As a result, the budget is being adjusted to reflect where the time is being charged. Going forward, the position will be budgeted 100 percent in the ERF. This adjustment also includes approximately \$60K of additional personnel appropriation for investigation work being done by other bureau staff ad hoc to support the Portland Harbor Superfund project.

Equity Impacts

This decision package keeps the BIRP contract on pace to complete the work and help to meet the service delivery goals. The equity considerations remain unchanged.

CBO Analysis

Recommended as requested.

Budget Detail

Fund		2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
Major Object Name	Expense				
600000	Contingency		0	-1,000,000	0
600000	External Materials and Services		0	1,000,000	0
608000	Contingency		0	-210,000	0
608000	Personnel		0	210,000	0
Sum:			0	0	0

ES - Bureau of Environmental Services

DP Type Internal Transfer

Request Name: 8097 -Fund Level Transfers and Adjustments

Package Description

This decision package updates transfers among the BES family of funds to match current expectations.

Service Impacts

This request includes the following adjustments to the BES family of funds:

- Removal of the \$5 million transfer from the Rate Stabilization Fund to the Operating Fund. The Bureau has assessed the current year balances and determined this transfer will not be necessary.
- Increases the SDC transfer to the Sewer System Debt Redemption by \$5.7 million as a result of additional SDC revenues collected over estimates and cash received from contract payments from current and prior year accruals. By increasing the SDC transfer for debt service, the Operating Fund will reduce the transfer by the same amount less an allowance to cover for timing of interest earnings collected.
- Reduces the cash transfer from the Operating Fund to the Rate Stabilization Fund by \$6 million as it is not necessary to meet coverage targets. The balance will instead be transferred to the construction fund to cash fund CIP.
- Increases the cash transfer to the Construction Fund from the Operating fund by \$22 million supported by approximately \$5.7 million of additional SDC collections, \$1 million net reduction to the Rate Stabilization Fund, Bureau operating underspending of \$2.9 million, additional revenues of \$2.6 million, and approximately \$9 million reduction of unrestricted fund balance from the prior fiscal year. The resources deposited into the construction fund will be placed in contingency and serve to delay future bond sales, which may ultimately reduce or delay future debt service expenses.

Equity Impacts

Equity considerations remain unchanged as a result of these adjustments.

CBO Analysis

Recommended as requested.

Budget Detail

Fund		2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
Major Object Name	Expense				
600000	Contingency	0	-15,300,000	0	0
600000	Fund Transfers - Expense	0	11,300,000	0	0
600001	Contingency	0	-2,900,000	0	0
600001	Fund Transfers - Expense	0	5,700,000	0	0
609000	Debt Service Reserves	0	1,000,000	0	0
614000	Contingency	0	22,000,000	0	0
617000	Contingency	0	-1,000,000	0	0
617000	Fund Transfers - Expense	0	-5,000,000	0	0
Sum:		0	15,800,000	0	0

Major Object Name	Revenue	2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
600000	Fund Transfers - Revenue	0	-5,000,000	0	0
600000	Miscellaneous	0	1,000,000	0	0

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Budget Detail

Fund			2018-19 SPRING Revised Base	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Revised Total
	Major Object Name	Revenue				
600001	Charges for Services		0	2,800,000	0	0
609000	Fund Transfers - Revenue		0	1,000,000	0	0
614000	Fund Transfers - Revenue		0	22,000,000	0	0
617000	Fund Transfers - Revenue		0	-6,000,000	0	0
		Sum:	0	15,800,000	0	0

