



## City Budget Office

# Bureau of Environmental Services

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## INTRODUCTION

During the FY 2019-20 Fall Supplemental Budget, the Bureau of Environmental Services requests to draw \$1.2 million from its contingency for various new requests, including adding a new ongoing position to address the bureau's equity concerns. Major reallocations of funding include transferring \$3.0 million from the Tryon Creek Wastewater Treatment Plant project to the Boones Ferry Culvert Replacement project. Minor adjustments include truing-up the beginning balances of four funds, aligning the budgets for four grants to current expectations, and the carrying over of funds for approved items not completed at the end of last year, most of which is for life-cycle replacement or purchase of new approved vehicles.

## KEY DECISIONS

- Draw from bureau contingency for the following new requests (all draws are from the Sewer System Operating Fund's contingency unless otherwise noted):
  - \$550,000 from the Environmental Remediation Fund's contingency for paving the Guilds Lake parking lot; (Recommended)
  - \$89,050 for safety equipment to meet OSHA standards; (Recommended)
  - \$25,000 for a training for managers and supervisors; (Recommended)
  - \$30,000 to upgrade vehicles to enable them to use compressed natural gas; (Recommended)
  - \$30,000 to address deferred maintenance at the Wastewater Group's facilities; (Recommended)
  - \$341,500 for vehicular acquisitions, replacements, and alterations that address various liability issues; (Recommended)
  - \$166,366 for a new Equity Manager position to implement the bureau's Equity, Diversity, and Inclusion plans. (Recommended)
- Reallocate budget within total existing appropriation for the following:
  - \$3.0 million is transferred from the Tryon Creek Wastewater Treatment Plant (TCWTP) project to the Boones Ferry Culvert Replacement project; (Recommended)

- \$600,000 is eliminated in the operating budget for the Community Opportunities and Enhancement Program; (Recommended)
- \$300,000 is allocated to support the newly created Project Management Office; (Recommended)
- \$203,000 is allocated to an interagency agreement with the Attorney’s Office for legal support on Portland Harbor Superfund Cleanup proceedings; (Recommended)
- \$78,000 net increase in personnel costs due to various reorganizations; (Recommended)
- Other more minor adjustments, including funding for contract facilities work, new plotters, process improvements, an emergency generator, and other items and services. (Recommended)
- Carry over funding for previously approved items that were not completed at the end of the prior fiscal year:
  - \$3.9 million for life-cycle replacement or previously approved vehicles; (Recommended)
  - \$47,451 for various items or projects in the Business Services Group; (Recommended)
  - \$167,500 for two items or services in the Wastewater Group; (Recommended)
  - \$68,402 for various items or projects in the Watershed Group. (Recommended)
- Adjust budgets for four grants totaling almost \$2.2 million to align with current expectations. (Recommended)
- True-up beginning balances to prior-year ending fund actuals for the Sewer System Operating Fund, the Environmental Remediation Fund, the Sewer Construction Fund, and the Sewer Rate Stabilization Fund. (Recommended)

## DISCUSSION

### *Reallocations of Budget within Total Current Appropriation*

Reallocations of budget within total current appropriations are usually routine and noncontroversial. However, CBO believes that the following adjustments in BES’s Fall Supplemental should be highlighted due to either being high in dollar value or reflecting significant changes in operations or policies.

The bureau is transferring \$3.0 million from the budget for the Tryon Creek Wastewater Treatment Plant (TCWTP) project to the Boones Ferry Culvert Replacement project. The \$80 million (\$4.16 million in FY 2019-20) TCWTP Headworks project is currently on hold pending

discussions with Lake Oswego, freeing up current year funds which BES is transferring to the Boones Ferry Culvert project. The Boones Ferry Culvert replacement project was previously placed on hold for further evaluation and to secure funding from other parties that have since been committed. The \$3.0 million change requested in this BMP reflects only the portion of the project expected to be spent in the current fiscal year. BES has provided CBO with the reasons why work on the Boones Ferry Culvert Project is crucial this year and at this stage, including a limited work window, the need to address safety issues, and fluctuating commodities costs.

The budget for the Community Opportunities and Enhancement Program (COEP) is being reduced by \$600,000 due to updated program information. As the funding model for COEP has taken shape, it has been identified that COEP contributions can be funded via an eligible capital project. Thus, BES is reallocating the funds it had previously set-aside for the program to a number of different uses, including support of the newly created Project Management Office (PMO) mentioned below.

Other noteworthy adjustments include the following:

- \$300,000 is allocated to support the newly created PMO, including funding for several contract employees.
- \$203,000 is transferred from the bureau's professional services budget for external legal counsel to an interagency agreement with the City Attorney's Office for internal legal support on Portland Harbor Superfund Cleanup proceedings.
- The budget for personnel net to an increase of \$78,000, although no new permanent FTEs are created. Much of the increase is funding for part-time staff to provide support for the newly created PMO and Engineering Services through the transition to start up the PMO. BES states that this is a bridge to identifying a permanent position/solution for operations support for the PMO, a discussion that the bureau says will occur in the context of the FY 2020-21 Requested Budget.

### ***Draws from Bureau Contingency for New Items, Positions, Projects, or Services***

BES requests to draw funds from the contingencies in the Environmental Remediation Fund and the Sewer System Operating Fund for various new projects, items, services, and one new position. The \$550,000 draw from the Environmental Remediation Fund's contingency is fairly noncontroversial as the project to be funded – paving the Guilds Lake parking lot – was approved by Council in FY 2017-18, and resources to complete the work have already been collected and reside in the fund's contingency. CBO recommends the draws from contingency for this project as well as for the other requests because they address needs that are urgent and unforeseen. In addition, BES has demonstrated that it has made an effort

to identify internal reallocations of funding for them (see section on Reallocations above) but were unable to identify any. The bureau notes that there is no rate impact to its one-time use of FY 2019-20 contingency as any additional expenditures now become part of its long-term (30+ years) plan. BES states that any allocations of contingency during the one-year budget snapshot are folded into the long-term plan and are balanced via future spending reductions, additional non-rate revenues, or future underspending.

Some items or services to be funded by the \$681,916 draw from the Sewer System Operating Fund's contingency are also fairly noncontroversial due to their urgent and unforeseen nature. BES is requesting to draw \$89,050 from contingency to purchase safety equipment to meet OSHA requirements for confined space entries at the pump stations and treatment plants. This action should result in improved safety for employees as well as protect the City from liability issues. BES is also requesting a draw of \$25,000 from the fund's contingency for a training for management and supervisors. This service is provided by the Bureau of Human Resources and is mandatory for the bureau.

CBO is also recommending draws from the Sewer System Operating Fund's contingency for services or items that should result in savings to the bureau in the long-term. BES requests to draw \$30,000 from contingency to upgrade two vehicles to enable utilization of compressed natural gas (CNG). CBO recommends the upgrade because usage of CNG advances the City's climate goals as well as results in savings to the City in the long-term since the CNG is produced at the bureau's Columbia Boulevard Wastewater Treatment Plant. Similarly, CBO recommends the request to draw another \$30,000 from contingency to address long-standing deferred facilities maintenance because it should result in long-term savings to the bureau. Furthermore, part of the work is directed towards improving the safety of employees.

Another \$341,500 of the requests to draw from the Sewer System Operating Fund's contingency are related to vehicular acquisitions, replacements, or alterations. Some of these adjustments address gross vehicle weight rating (GVWR), and hence safety and liability issues, and the plans to address the bureau's vehicular needs were developed with CityFleet. Two pump station vehicles with carrying capacity issues are requested to be replaced at a total cost of \$270,000, while four other pump station vehicles need alterations to address their carrying capacity issues at a total cost of \$19,200. In addition, the bureau states that its Wastewater Group needs a designated vehicle for a contract employee since use of a private vehicle is not a viable option. The bureau is requesting to draw another \$17,300 to purchase a lagoon boat specifically designed to perform surveys and obtain routine samples. The boat is needed because of risks associated with managing with only two lagoon cells due to a delay in the renovation of the lagoon.

Finally, BES is requesting to add a new ongoing position at a cost of \$166,366 to assist with the implementation of the bureau's plans for addressing its Equity, Diversity, and Inclusion (EDI) goals. The position's salary alone is \$104,146. BES states that having two dedicated

equity-focused positions allows BES to advance all aspects of EDI equitably across the entire bureau, rather than providing only limited support toward a smaller pool of EDI outcomes. The bureau believes that while the decentralized nature of EDI specialists Citywide is somewhat unique, having multiple staffers dedicated to EDI objectives is not unusual for large governmental entities that are committed to advancing EDI objectives. CBO notes that City bureaus of similar size have anywhere between one to four positions dedicated to equity purposes. In March 2019, BES realized that this second position was necessary, but it was not added to the FY 2019-20 Adopted Budget. Because the position advances the City's equity goals, CBO recommends its addition to BES's budget.

## SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

*There are five funds managed by BES that make up the bureau's budget: the Environmental Remediation Fund, the Sewer System Construction Fund, the Sewer System Debt Redemption Fund, the Sewer System Operating Fund, and the Sewer System Rate Stabilization Fund. The below chart aggregates all funds.*

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 459,698,500	\$ (28,225,918)	\$ -	\$ 431,472,582
Licenses & Permits	1,995,000	-	-	1,995,000
Charges for Services	402,272,800	-	-	402,272,800
Intergovernmental Revenues	180,000	2,150,150	-	2,330,150
Interagency Revenue	2,470,471	256	-	2,470,727
Fund Transfers - Revenue	396,908,590	-	-	396,908,590
Bond and Note	235,100,000	-	-	235,100,000
Miscellaneous	13,926,800	-	-	13,926,800
<b>Total Resources</b>	<b>\$1,512,552,161</b>	<b>(\$26,075,512)</b>	<b>\$0</b>	<b>\$1,486,476,649</b>
<b>Requirements</b>				
Personnel Services	\$ 85,475,839	\$ 252,223	\$ -	\$ 85,728,062
External Materials and Services	81,170,691	(76,352)	-	81,094,339
Internal Materials and Services	50,738,944	642,711	-	51,381,655
Capital Outlay	131,982,170	4,967,753	-	136,949,923
Bond Expenses	186,750,305	-	-	186,750,305
Fund Transfers - Expense	407,830,913	-	-	407,830,913
Contingency	497,169,890	(31,861,847)	-	465,308,043
Debt Service Reserves	71,433,409	-	-	71,433,409
<b>Total Requirements</b>	<b>\$1,512,552,161</b>	<b>(\$26,075,512)</b>	<b>\$0</b>	<b>\$1,486,476,649</b>

# SUPPLEMENTAL BUDGET CHANGES TO THE SEWER SYSTEM OPERATING FUND

*The Sewer System Operating Fund is BES's primary operating fund.*

	<b>Current Revised Budget</b>	<b>Bureau Requested Changes</b>	<b>CBO Recommended Changes</b>	<b>Total Recommended Revised Budget</b>
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 87,180,000	\$ (9,547,986)	\$ -	\$ 77,632,014
Licenses & Permits	1,995,000	-	-	1,995,000
Charges for Services	396,308,600	-	-	396,308,600
Intergovernmental Revenues	180,000	-	-	180,000
Interagency Revenue	2,055,571	256	-	2,055,827
Fund Transfers - Revenue	167,657,886	-	-	167,657,886
Miscellaneous	4,738,000	-	-	4,738,000
<b>Total Resources</b>	<b>\$660,115,057</b>	<b>(\$9,547,730)</b>	<b>\$0</b>	<b>\$650,567,327</b>
<b>Requirements</b>				
Personnel Services	\$ 84,870,241	\$ 16,304	\$ -	\$ 84,886,545
External Materials and Services	76,913,798	(200,352)	-	76,713,446
Internal Materials and Services	49,611,770	(605,582)	-	49,006,188
Capital Outlay	131,982,170	3,875,815	-	135,857,985
Bond Expenses	4,001,940	-	-	4,001,940
Fund Transfers - Expense	235,770,331	-	-	235,770,331
Contingency	76,784,807	(12,633,915)	-	64,150,892
Debt Service Reserves	180,000	-	-	180,000
<b>Total Requirements</b>	<b>\$660,115,057</b>	<b>(\$9,547,730)</b>	<b>\$0</b>	<b>\$650,567,327</b>