

PORTLAND UTILITY BOARD

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To: Mayor Ted Wheeler
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero
PUB staff will inquire into proper protocol, i.e., do we continue to include Commissioner Fish or his office or not

NOTE TO PUB – please review the full letter. Some of the black text pulls language relatively consistent with some prior years' letters. The red text highlights more clearly some questions posed for consideration as well as some new text proposed based on this year's conversation. In considering changes you might recommend, remember this is a high-level preliminary letter. You will have upcoming opportunity to go into much more depth.

Re: Budget Submissions for FY 2020-21 for the Bureau of Environmental Services and the Portland Water Bureau

Date: January 29, 2020

The Portland Utility Board (PUB) serves as a community-based advisory board for the Bureau of Environmental Services (BES) and the Portland Water Bureau (PWB).

The PUB has held multiple board meetings and subcommittee meetings over the last few months to build the foundation needed to understand the complex budgets for both bureaus. This initial budget letter, in compliance with City practice for budget advisory committees, is an early opportunity to share our preliminary work and the considerations that will guide our next several months of budget work. The PUB views it as the first of several touch points with City Council throughout the annual budget and planning processes.

PUB is grateful for the significant support we receive from the bureaus' directors, staff, ex-officio members, Commissioners Fish and Fritz and their staff, the City Budget Office, and PUB staff.

Program Offers, Areas of Focus and Performance Metrics

The PUB continues to be supportive of the City's move to program offers in the budgeting process. As the second year in the City's shift to program offer budgeting, the bureaus are still adjusting to the process and refining development of their programs. The PUB has also adjusted our review process to maximize the effectiveness of our budget advisory role. While the PUB will do a basic review of the full budgets for both bureaus, the PUB has identified some high priority program offers for more in-depth review. By focusing on a handful of program offers in-depth, the PUB aims to provide more focused feedback to the bureaus as well as to engage earlier and more effectively at the policy/programmatic level that ultimately drives budget. The PUB has also identified some important thematic areas of interest to PUB for the bureaus to consider as they develop their offers. These areas helped guide the selection of program offers for in-depth review including identification of equity impacts and opportunities to advance equity, significant changes to program offer from prior year(s), consideration of alignment with bureaus' strategic plans, identification of commonality between bureaus, , consideration of relationship to core mission and/or includes a large capital project with potential significant affordability impacts as well as potential disparate impacts on communities made vulnerable by historical inequities.

PUB is particularly interested in performance measures because they provide data to help evaluate program effectiveness, identify areas for improvement, and ensure accountability. Both BES and PWB have been in the process of updating and establishing performance measures for their program offers. Although the PUB recognizes the measures will be revised over time and that more development work is required, particularly for BES as the bureau reorganizes, the PUB is eager to review the measures that will be provided in this year's program offers and hopes that they will provide a good foundation for tracking key service delivery for the offers.

The PUB requests that the bureaus maintain a collaborative process with the PUB to support measure development that provides meaningful information to them as well as the general public. The PUB continues to recommend that the bureaus provide context for any metrics such that public can easily understand why they have been chosen and how they might provide evidence of program success.

Values Guiding PUB's Budget Review

The PUB considers the following values when providing input and making recommendations to the Council: ****NOTE TO PUB** – these have been used at least the past 2 years. Do you want to add or remove anything? Do you want to emphasize any as higher priority (the ones mentioned frequently in meetings have included Equity, Affordability, Assistance to Low-Income Residents – are these or any others worth stating as high priorities?)

- Affordability
- Efficiency of Operations and Value to Customers
- Assistance to Low-Income Residents
- Protection of Public Health and Watershed Health

- Improvement and Sustainability of Infrastructure
- Regulatory Compliance
- Equity (Preference for 'Equity' as used previously or clarifier to add 'internal and external' or 'Racial equity')
- Service Delivery
- System Resiliency (Directly mention climate crisis? Clear Mayor priority and also relates to a lot of utility issues PUB discusses)
- Transparency and Public Engagement ("Inclusive Public Engagement")

These values are not presented in any particular order and tension can exist between these values. PUB members particularly feel the tension between the need of the bureaus to increase capital investments to address system maintenance and the burden that ongoing annual rate increases place on customers.

Affordability and Budget Guidance

The Mayor's budget guidance stated concern about issues of affordability in Portland, including utility rates. The guidance included direction to build budgets based on the rate increases articulated in the bureaus' five-year plans. Affordability also remains a significant concern for the PUB. Even the 4.53% combined increase projected in those plans may be unaffordable to many of Portland's residents and could disparately impact residents that already bear the brunt of structural inequities. The PUB encourages the bureaus to continue to look for efficiencies and cost-savings in both their operating and capital budgets. The PUB continues to work with the bureaus to review and improve the low-income assistance program and other tools to ensure these programs are effective, equitable, and, where possible, expanded.

The Mayor's budget guidance also included direction for the Water Bureau to include a proposal to absorb 25% of the rate increase resulting from increased water filtration plant costs. Although the PUB shares concern about rate affordability, we are also concerned about the potential negative impacts of delays to other priority capital projects that could result from this approach. This is an issue that PUB will review more closely during our next phase of budget review when more information is available regarding proposed impacted capital projects.

Next Steps

Over the coming months the PUB anticipates more thorough review the FY 2020-21 proposed operating budgets, program offers, and major additions and adjustments to the five-year capital improvement plans. We look forward to providing additional feedback to City Council upon receipt of the bureaus' Requested Budgets, the City Budget Office (CBO) analysis, and our own internal analysis. As the budget develops, we plan to provide a letter with recommendations regarding the budgets, participate in the budget work sessions in March, the utility rate hearing in May, as well as discuss budget issues with the Mayor if requested.

We look forward to providing you further input as the budget process continues through the

spring. We welcome any feedback you have regarding our proposed approach to FY 2020-2021 budget work as well as the values that guide our work.