

PORTLAND UTILITY BOARD

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To: Mayor Ted Wheeler
Commissioner Amanda Fritz
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From: Heidi Bullock, PUB co-chair
Dory Robinson, PUB co-chair

Re: PUB Recommendations for the Bureau of Environmental Services and the Portland Water Bureau FY 2020-21 Requested Budgets

Date: April 1, 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). This letter is being provided by the PUB co-chairs to document the recommendations that were approved by the PUB as of March 3, 2020 in preparation for the budget work session and Council decisions regarding the FY 2020-21 Budget. Since these PUB decisions were made, the national and local emergency in response to this worldwide pandemic has significantly changed the landscape for these bureaus, the City and the budget. Although much is uncertain as the emergency response continues, the PUB's values remain important beacons of guidance during times of crisis with a continued focus on equity and affordability, particularly for those most harmed by the structural inequities and low-income financial assistance for utility rate payers. We are supportive of the City's decision to suspend collection efforts for utility bills and take reasonable efforts to support residents that will suffer even greater economic hardship as a result of this crisis.

In support of individual and public health and in recognition that bureau and City resources should be focused on high priority emergency response, we have decided to suspend PUB's routine business through April including the public meetings and board recruitment. Although routine business is suspended, the board may be available to meet and provide input as needed using digital/virtual meeting tools that meet public meeting requirements and ensure accessibility to the public.

The PUB should not present itself as a hurdle to the bureaus' ability to

move quickly and effectively in addressing emergency needs. It is important to empower leadership to make decisions without unnecessary barriers during an emergency, but it is also important to ensure that the voice of the public is heard as community input and oversight is vital to ensure sound decision-making and equitable outcomes. We recognize that much will change in the coming weeks and months. As we go through this process, we will hold steadfast to the PUB values and are eager to make ourselves and the PUB available as emerging issues arise that could benefit with advisory board input to the bureaus and/or Council.

In the interim until regular business can be resumed, we felt it was important for us to document for the record the work of the board and provide the PUB recommendations based on what was known at the time. The recommendations may shift as this emergency continues to unfold and new funding priorities are identified.

FY 2020-21 PUB Budget Recommendations

The PUB is grateful for the significant support we receive from the bureaus' directors, staff, and ex-officio members as well as the Council, City Budget Office, and PUB staff. The PUB has held multiple board and subcommittee meetings over the last several months focused on gathering information, reviewing analyses, building the foundation needed to understand the complex budgets for both bureaus, providing feedback, and considering the requests in balance with the PUB's lenses and values.

This is our second letter during this budget cycle and summarizes our recommendations to Council on the bureaus' FY 2020-21 Requested Budgets and priorities (prior to declaration of emergency related to COVID-19).

As noted in our initial letter, the PUB shifted our approach to budget review this year by focusing on high-interest program areas for the board to maximize our time and impact. Equity considerations were at the core of our conversations. The PUB appreciates both bureaus' increased resources and focus on advancing equity and the positive impacts that has had on their programs and strategic plans. The bureaus have been responsive to feedback and this is an area that will remain a priority for the PUB.

FY 2020-21 Requested Budgets

The Bureau of Environmental Service's (BES) FY 2020-21 budget request includes \$355.8 million in operating expenses and capital projects in the next year, and an additional 25 positions. There are no decision packages to consider. The total rate of increase for the typical single-family household to support the bureau's requested budget would be 3.0%.

The Portland Water Bureau's (PWB) FY 2020-21 budget request includes \$297.0 million for operating expenses and capital projects for the next year, and an additional 19.55 positions. The one decision package is a request for \$1.5 million General Fund for American Disability Act (ADA) compliance to remove barriers at PWB properties for recreational purposes. The total

rate of increase for the typical single-family household to support the bureau's requested budget would be 8.6%.

Including the proposed rate of increase for both the PWB and BES, the combined monthly utility increase would be 5%. This results in a typical single-family residential bill increasing by \$5.83 from \$117.90 per month up to \$123.73 per month. The final rate of increase will depend on the items that are approved by City Council through the budget process.

Affordability and Budget Guidance

The PUB remains concerned about the affordability of water and sewer rates and spends a lot of time considering the balance between affordability and the investments needed for program and capital priorities. We have heard the shared concern from Council and it was reflected in the Mayor's budget guidance, which both bureaus met with their budget requests. However, even with these constraints the resulting 5% combined increase may be unaffordable to many of Portland's residents and could disparately impact residents that already bear the brunt of structural inequities.

The financial assistance programs are an important support for low-income residents, but the PUB recognizes that the bureaus cannot reach everybody that needs utility rate assistance through these programs. The PUB is engaging with the BES rate study that may provide another avenue for escalating stormwater rates and help address affordability for a broader population. We are also concerned about the potentially inequitable impact of rates as documented by the CBO analysis that in communities of color the utility bills may constitute a higher percentage of overall income than in white households (estimated higher than commonly cited affordability measures with 5.6% of overall income for black households, compared to 2.3% for white households). This trend warrants further investigation by the bureaus to understand the impacts. Affordability will remain at the core of many of our future discussions and recommendations.

PWB was responsive to the Mayor's direction to absorb 25% of the rate increase resulting from the increased Water Filtration Plant construction costs. Although we understand the desire to mitigate some of the rate impact, the PUB is not convinced that the delay of the seismic implementation plan and slowing of distribution main replacements are a prudent financial decision for the 0.5% rate reduction. As mentioned in our feedback on the filtration project, more clear cost benefit analyses are critical to understand the tradeoffs being considered. More information would be needed for the PUB and Council to consider whether such a proposal is a sound financial decision worth supporting.

In light of affordability concerns, the PUB encourages the bureaus to continue to look for efficiencies, cost-containment and savings in both their operating and capital budgets. A major driver of increased rates is significant Capital Improvement Plan (CIP) investments such as the PWB Filtration Plant and the BES Secondary Treatment Expansion Program (STEP) at the

Columbia Boulevard Wastewater Treatment Plant. The PUB recommends that the bureaus provide regular updates to PUB on these and other major CIP projects so that we can continue to monitor and provide feedback, particularly if the costs have the potential to impact or delay other projects. The PUB also recommends continued strengthening of the asset management framework and integration into decision making on CIP investment.

Financial Assistance Program

Particularly as rates continue to increase, the financial assistance programs are a critical component of the bureaus' programs to support residents equitably. The PUB is supportive of expansions to the financial assistance program over the past year, and in addition have identified the following areas of recommendations to ensure these programs are increasingly effective and equitable (list order is not prioritized):

1. Accessibility – The website is difficult to navigate to locate information about the financial assistance programs, particularly the opportunities for multi-family residents. If PUB members struggle to find information, even as an insider with knowledge of what to look for online, then it causes great concern for the customer that urgently needs these resources but does not know they exist. PWB should use Google analytics and other tools to evaluate and implement changes to improve accessibility of the financial assistance programs for the public. At a minimum, the website should be updated to provide easier access to the public to the dedicated line for the financial assistance team, more graphic materials should be developed on how to access programs, and crisis information should be provided in multiple languages similar to other assistance resources online.
2. Marketing and Outreach – the financial assistance program has been established but has a gap in marketing and outreach to ensure all residents in need are aware of the resources and connected to appropriate opportunities. Although PWB has made some efforts in outreach to religious organizations they report that it has not been successful. The PUB recommends a more thorough evaluation of why these efforts have not worked and identify changes to improve the impact of efforts to religious organizations and immigrant and refugee partners. The PUB recommends that resources be dedicated to the marketing and outreach for a focused push to get the word out to the public. One example could be the hiring of summer interns to staff at community centers to connect with the public.
3. Leveraging Resources of Related Programs – Both BES and PWB have other programs that could assist residents that are at risk and struggling to afford their utility bills, specifically the PWB Water Efficiency and the BES Clean River Rewards programs. Although you cannot compel residents to participate in these voluntary programs, the PUB recommends strengthening the connection between the financial assistance program and these other programs so that residents are effectively advised of the

opportunities for assistance on home repairs and other improvements that could reduce their utility bills. An Auditor report previously identified that the Clean River Rewards program has primarily benefited middle class homeowners and has not effectively reached low income customers. BES has recently conducted outreach to financial assistance program participants and had a positive response. The PUB supports this expanded outreach and recommends that the connections continue to be strengthened, as well as new partnerships explored such as with the renter's assistance program in the Housing Bureau. With effective messaging and repeated announcements, the bureaus may be able to increase participation and help customers that are struggling to afford their utility bills.

4. Address Administrative Challenges – Although the financial assistance programs have been successful, the PUB is eager to support efforts to close the gap between those who are qualified to receive assistance and those who are receiving it. We have heard concerns about the capacity for Home Forward and the STRA agencies with existing resources. The PUB recommends that PWB:
 - a. inquire with Home Forward and STRA agencies about bottlenecks,
 - b. identify whether there are needs for additional administrative support,
 - c. identify whether internal resources or additional funding could address these challenges, and
 - d. conduct an annual review of the relationship with STRA agencies to identify opportunities to influence their processes and ease access for community members needing resources.
5. Data Tracking and Analysis – As the bureau works toward closing the gap on who is receiving resources, data will be very important to determine how to improve marketing and outreach. The PUB recommends strengthening the tracking of the demographics of who is being served and analyzing who is missing to inform program activities. The PUB also recommends tracking the collaboration partners and relationships so that these can be clearly communicated with the PUB and public and used to help identify gaps and recommendations for expansion.

Employee Development and Investment

The PUB identified the PWB Employee Investment and the BES Employee Development program offers as priorities for review and consideration. The bureaus may be at different phases in their work, but both have the need for developing, retaining and attracting highly skilled, diverse and knowledgeable employees. These programs both capture critical investments in employees that advance the bureaus' equity and strategic plans, as well as increase focus on nurturing an inclusive employee culture. The PUB is supportive of the staffing required to have a more coordinated focus on this work, including the addition of a training coordinator at BES and the addition of apprentice and entry level positions that Water uses to further promote diversity in the workplace. The City has a responsibility to be a top tier

employer for the region and to address the challenges faced by bureaus attempting to fill engineer or other positions with limited candidate availability and/or job offer limitation issues that delay or prevent filling of vacancies. The PUB will continue to monitor performance metrics and evaluate the programs' success in achieving stated goals to ensure that these are worthwhile investments.

Decision Package – PWB Capital Set-Aside Request - ADA Barrier Removal

There was just one decision package to review with a request for approximately \$1.5 million in General Fund over 5 years for removal of ADA barriers identified on PWB properties in the Citywide Transition plan. The PUB supports the intent of the package to ensure that hydroparks and other facilities are accessible to the public. However, the source of funding is still unclear and the PUB defers to the City Attorney and City Budget Office to determine which portions are appropriate for rate-payer funds versus General Fund.

Next Steps

The PUB views this opportunity to comment on the bureaus' budget submissions as one of several touch points with City Council throughout the annual budget and planning processes. As the process has changed with the emergency pandemic response, we may be available to provide further input on budget and other critical policy and program decisions that emerge. If you have any questions or suggestions, please reach out. We look forward to continued conversations about the budget and utility services.