



Oregon Citizens' Utility Board

610 SW Broadway, Suite 400
Portland, OR 97205

(503) 227-1984
www.oregoncub.org

March 18, 2021

To: Jessica Kinard and Christina Owen, City Budget Office (CBO) for distribution at March 23 Budget Work Session
cc: Michael Jordan, Dawn Uchiyama, Farshad Allahadi, Bureau of Environmental Services (BES)
Portland Utility Board (PUB) c/o Eliza Lindsay
From: Janice Thompson, Oregon Citizens' Utility Board (CUB)
Re: CUB March 23, 2021 Budget Work Session Comments - BES FY 2021-2022 Budget

Introduction

First, a quick introduction to CUB and its role regarding outside independent oversight of City Council management of Portland's public utilities. 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 telecommunications issues in the regulatory arena as well as in 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. CUB supports the advances in equity analysis of both the utility bureaus since 2014, while recognizing that continued work is needed. CUB values the work of the Portland Utility Board, the City's internal oversight group, and particularly applauds their strong equity advocacy.

Second, this memo is informed by our January comments to BES regarding development of their FY 2021-2022 requested budget and by CBO's Budget Review of BES.

Compliance with Mayoral and Commissioner-in-Charge Guidance

CUB concurs with BES Commissioner-in-Charge Mapps' memo included in the Bureau's requested FY 2021-22 budget. This builds on CUB's support of Mayor Ted Wheeler's budget guidance to BES to hold rate increases at the level approved as part of both utility bureaus' multi-year financial plan discussed within the context of FY 2020-21 budget development. For BES this means a 3.15 percent rate or \$2.45 increase for the typical single family monthly bill. The combined bill for BES and PWB services would increase by 4.8 percent for a typical monthly single family household. It is also worth noting that the BES requested budget does not include staff additions. CUB also supports the points made by both Mayor Wheeler and Commissioner Mapps regarding existing financial assistance programs and seeking new ways to provide rate relief for low-income Portlanders.

Secondary Treatment Expansion Program

An ongoing CUB oversight priority concerns the Secondary Treatment Expansion Program (STEP) at Columbia Boulevard Wastewater Treatment Plant (CBWTP). BES has heeded our 2020 recommendations for improved planning and clear delineation between investments that are directly

related to meeting regulatory mandates and investments for other CBWTP projects. This has been facilitated by delegating STEP implementation to the Project Management Office (PMO). Also, as we noted in our January memo, value engineering is bearing fruit with \$17 million in savings realized thus far out of a possible savings estimate of \$40 million. These savings are anticipated to be adequate to address increased STEP costs identified in the FY 2021-22 requested BES budget. This sets the stage for STEP to move into construction and meet the 2024 completion to meet the Oregon Department of Environmental Quality regulatory deadline. Nevertheless, the scale of the STEP project warrants particular oversight attention.

New CIP Projects

CUB pays particular attention to new CIP projects since early identification of construction that may not be required, or could be scaled back, or could be delayed has proven to be an effective oversight strategy. The requested BES budget ended up with five new CIP projects, which is a smaller number than usual due to appropriate consideration of COVID-19 impacts. CUB has reviewed these five projects (summarized on page 10 of the CBO report) and found them appropriate. But we note that the Eastbank Crescent Restoration five-year cost estimate comprises 60 percent of the total five-year cost estimate of the five new projects. This is not inherently a problem, but the scale of the Eastbank project paying particular attention to its implementation.

Financial Assistance Programs – A CBO Analysis Suggestion

The following background information and our recommendation for CBO to prepare one analysis of financial assistance programs with combined input from PWB and BES is the focus of this section. (Note this section is also included in CUB's BES memo.)

Background

- The PWB's Customer Services unit handles billing for both PWB (water) and BES (sewer and stormwater management).
- Both PWB and BES pay for low income financial assistance programs. The relative split between PWB and BES support for these programs is similar to the proportion of a typical residential bill which is 1/3 for water services and 2/3 for sewer and stormwater management services.
- The financial assistance program is housed in PWB's Customer Service unit.
- With support from CUB, the financial assistance program grew from a one person effort to a three person Financial Assistance Team during FY 2018-2019.
- Other financial assistance program expansions
 - Crisis vouchers increased from \$150 to \$500.
 - Income guidelines were improved, and Tier 2 was added for extremely low income qualified customers.
 - Tier 1 discount is a 50 percent bill reduction.
 - Tier 2 discount is an 80 percent bill reduction.
 - Increased and ongoing outreach to underserved communities.
 - Partnership with Home Forward – assistance to multi-family housing clients under eviction threat
- The Tier 1 and Tier 2 discounts are some of the most generous in the country. The analysis in the CBO reports illustrate how the Tiers 1 and 2 approach helps low-income households pay utility costs at roughly the same percent as higher-income households in Portland.

- The Home Forward partnership reflects a national challenge: not being able to use ratepayer funds for low income discounts when consumers of these services do not get water and/or sewer bills. This is a particular challenge in multi-family housing due to the prevalence of one meter per building rather than unit-specific water meters.
- The PWB/BES partnership with Home Forward focuses on that agency’s Short-Term Rent Assistance (STRA) program:
 - STRA provides housing assistance for up to 24 months to Multnomah County households that are either houseless or at risk of eviction.
 - The STRA program takes a case management approach.
 - The PWB/BES partnership funds up to \$500 (increased to \$650 in January 1, 2021) in crisis assistance for STRA clients living in multi-family units in the City of Portland to avoid eviction.
 - Funding for the PWB/BES STRA partnership is from ratepayer dollars with an annual infusion of \$600,000 (\$200,000 from PWB and \$400,000 from BES), though not all of these dollars are always used each year.
 - Continual outreach improvement should be a priority. In CUB’s view, however, a more significant reason for the PWB/BES STRA partnership not always using all of the allocated dollars is a reflection of the client case management and eviction prevention emphasis of STRA and related staffing level constraints. To be clear that emphasis of the STRA program is completely appropriate. In this context, however, this emphasis seems to contribute to understandable limits in how many clients can be served by this PWB/BES STRA partnership. This does not mean the PWB/BES STRA partnership should be discontinued. Rather there is the need to explore additional financial assistance efforts to address the need of low-income residents in multi-family housing.

Recommendation – One CBO Analysis of PWB/BES Financial Assistance Programs with Input from PWB/BES Staff on a Team Basis

Since both BES and PWB budgets include financial assistance program costs, the CBO budget review reports for both bureaus have separately assessed these programs. Such a review is definitely appropriate, but in CUB’s view it would be more efficient and accurate if CBO worked with both BES and PWB staff to prepare one analysis that is included in the CBO reports for both utility bureaus.

CBO’s current approach seems duplicative and not optimal use of the time of two different CBO analysts. More problematic, though, are past discrepancies between the PWB and BES reviews and accuracy concerns in the BES report that have surfaced again in this year’s report. For example, the current BES review indicates that the Portland Housing Bureau runs a voucher program for low income households living in multifamily housing that essentially mimics the Tier 1 discount but that “very few customers are aware of its existence and therefore, have not utilized the vouchers.” This seems to be an inaccurate reference to the BES/PWB partnership with Home Forward’s STRA program.

More troubling, the BES report’s characterization of inadequate outreach being a major problem does not seem to reflect adequate knowledge of the outreach efforts of the Financial Assistance Team. Also, in CUB’s view, the BES report does not reflect an adequate understanding of the STRA program’s client management emphasis that we see as being a more significant factor in the participation level in the PWB/BES STRA partnership. (See the PWB/BES STRA partnership

bullet points above.) This doesn't mean ending the STRA partnership, rather this dynamic means that options in addition to the STRA partnership merit exploration.

BES staff with whom the BES CBO analyst interacts are definitely familiar with the financial assistance programs, but the experts on these programs are in the PWB Customer Service unit. It seems more efficient for CBO to prepare one analysis of the financial assistance program that seeks input from both BES and PWB staff. This team approach will also enhance accuracy and is the major rationale for this recommendation from CUB.