



PORTLAND UTILITY OVERSIGHT BLUE RIBBON COMMISSION REPORT TO CITY COUNCIL

TRANSMITTAL MESSAGE

November 12, 2014

Dear Mayor Hales, Commissioner Fish and Members of City Council:

We are pleased to present the findings and recommendations of the Blue Ribbon Commission you appointed to explore ways to improve oversight, transparency and accountability in the management of the City's water utilities. There is no more important role the City plays than provision of clean water and management of wastewater – our health, survival and the ecosystem depend on our successful stewardship. We speak for all members of the Commission in expressing our honor and appreciation for the opportunity to contribute to this important task.

We have been busy at work since you first dispatched us – we have held nine public meetings and two public listening sessions, received written and oral testimony from scores of witnesses, and examined hundreds of pages of documents.

Our recommendations reflect the fundamental conclusion that the people of Portland, ratepayers and the City itself will be better served by a significantly strengthened system of oversight for the work of the Portland Water Bureau (PWB) and the Bureau of Environmental Services (BES). While much of the debate and criticism of the bureaus is driven by unfunded federal mandates beyond the City's control, there are also clearly challenges -- including a history of occasional missteps from City Hall – as well as opportunities for improvement. Our recommendations are intended to improve the work of the bureaus by establishing an oversight group that can serve as a partner to the Mayor, City Council, Commissioner-in-Charge and bureaus in helping oversee and manage the work of the Bureaus.

Accountability was a central objective for our work. We believe our recommendations will help shed light on important decisions affecting the bureaus and their budgets, thus ensuring professional decision-making in a setting of political accountability. We are confident that with improved accountability and oversight, the bureaus and City Council can help avoid expensive and unfortunate misfires that have undermined public confidence in the past.

Both PWB and BES have national recognition for innovative programs, including for example their cost-saving deployment of green infrastructure and watershed approaches to problem solving. We believe that our recommendations will help the bureaus continue along this path of innovation. We also recognize the tremendous commitment of the workforce at both PWB and BES. The dedicated women and men on the front lines of our stewardship of water in Portland are a key asset for the bureaus; our recommendations are intended to ensure they garner the respect and support they have earned.

We have been consistently impressed with the professionalism and commitment to excellence that all involved with our work have brought to the mission – our fellow Commission members, the Bureau staff City Budget Office, City Hall staff and our tireless and patient facilitators from Cogan Owens Cogan.

At the outset, Mayor Hales and Commissioner Fish promised us independence and support. For our part, we promised to do our best to identify improvements to the oversight, transparency and accountability of the Water Bureau and Bureau of Environmental Services. You and your staffs have delivered on your promise of support and independence; we hope you will agree that our recommendations deliver on our promise to you.

Respectfully submitted,

Dwight Holton, Chair

Christine Chin-Ryan, Vice-Chair

Barbara Byrd

Rob Doneker

Bill Gaffi

Marian Haynes

Chris Liddle

Kendra Smith

Brian Stahl

Janice Thompson

Lawrence Wallack

EXECUTIVE SUMMARY

The eleven-member Portland Utility Oversight Blue Ribbon Commission (BRC) was established by Mayor Charlie Hales and Commissioner Nick Fish in July 2014 in response to concerns about oversight, transparency and accountability in the Portland Water Bureau (PWB) and the Bureau of Environmental Services (BES). The BRC was charged to ***analyze potential reforms of the oversight and accountability, focusing on streamlining communications and transparency in the rate setting process.***

The BRC convened from July, 2014 through November, 2014 and undertook a condensed yet extensive process to develop the findings and recommendations contained in this report to improve oversight, transparency and accountability in the management of the City's water utilities. recommendations contained in this report. The BRC held nine public meetings and two public listening sessions, received written and oral testimony from scores of witnesses, and examined hundreds of pages of documents.

These recommendations reflect the fundamental conclusion that the people of Portland, ratepayers and the City itself will be better served by a significantly strengthened system of oversight for the work of PWB and BES. They respond to the following Goals and Key Considerations:

1. Build on efforts to date.
2. Recognize that rates are driven by multiple factors, some of which are outside of the City's control.
3. Start anew but avoid creating new bureaucracy.
4. Honor the commitment and dedication of staff and volunteers.
5. Address real and perceived issues of public concern and trust.
6. Improve transparency, communications, and education.
7. Adopt new standards of practice.
8. Ensure that the oversight organization has strong public standing and accountability.
9. Provide for strong and consistent public involvement in decision-making.
10. Recognize that innovation requires risk and failure which should not be a deterrent to innovation.
11. Recognize the relationship of balance of authority to bond ratings.

The BRC recommendations are designed to strengthen the existing oversight of the BES and PWB and to improve communications and transparency in decisions that drive the setting of rates and of the rates themselves. To address the goals and considerations identified above, BRC recommends that City Council ***establish the Portland Utility Board (PUB) to replace the***

existing PURB and BACs for the two utility bureaus and authorize PUB to have an expanded role in the PWB and BES planning and budgeting processes and formal interaction with the Commissioner-in-Charge, Mayor and City Council during budget development and adoption.

A summary of implementing recommendations follows (see body of report for additional details):

	RECOMMENDED ACTION
Type of Entity	Establish a permanent City Commission replacing PURB and BACs for PWB and BES
Mission	Ensure transparency, accountability, public participation and oversight in utility system visioning and financial decision-making processes for PWB and BES.
Appointment	By City Council based upon recommendations from the Mayor
Representation	Ensure a balanced representation of practitioners, advocates and the community-at-large, including: individuals with technical knowledge of water, stormwater, and sewer utility operation and issues including financial and capital improvement analysis expertise; current employment in a represented bargaining unit within PWB or BES; as well as knowledge and expertise in engineering, ecosystem science, political process, group process, and communications.
Staffing	Assign full-time, dedicated senior-level staff committed to and directed by the oversight entity, with hiring and administrative management by CBO Director.
Financing	Fund through IGAs between CBO and PWB/BES, with CBO overhead billed on a cost-allocation basis.
Roles and Responsibilities	<p>Provide for year-round involvement of the oversight entity in utility bureau visioning (mission, systems plans) and budget planning (CIP, rates, annual budgets).</p> <p>Institutionalize oversight entity interaction at key touch points in budget development and adoption -- as partner in budget development by bureaus and Commissioner-in-Charge; as advisor in development of Mayor’s budget; and as checks-and-balances to budget changes proposed during City Council adoption process.</p> <p>Identify and bring important issues and challenges to the attention of the Commissioner-in-Charge, Mayor and/or City Council at any time.</p> <p>Formalize public engagement opportunities during the PWB</p>

	<p>and BES budget development and adoption processes.</p> <p>Be integrated into responses to any bureau audits and be provided the ability, in consultation with the Commissioner-in-Charge, to request audits.</p> <p>Monitor Council filings and other CIP and budget implementation year-round.</p> <p>Be empowered to engage citizens at any time and to form task forces, working groups, and following city procedures, engage professional in its work.</p>
Practices	Institutionalize the assignment of both PWB and BES to a single Commissioner-in-Charge.
	City Council should adopt a new set of standards, by resolution or ordinance establishing the PUB, to integrate the advice of the new oversight structure into their decision-making processes. This includes responding to PUB requests for a response and providing opportunities for PUB input through meetings, work sessions or hearings during the development of the Commissioner’s and Mayor’s budgets, as well as during the City Council budget adoption process.
	The Commissioner-in-Charge should institutionalize the conduct of public rate review hearings, first initiated during the 2013 budget process.
	City Council should codify the May 2014 direction by Commissioner Fish that any utility bureau projects over \$500,000 require Council approval as regular agenda versus consent agenda items, with opportunities for Council discussion and public testimony.
Implementation and Monitoring	Convene a review body in no sooner than two years and no longer than five years for the purpose of evaluating the effectiveness of the proposed oversight program.
Other	Assign the solid waste collection rate-setting function to the Planning & Sustainability Commission.

These proposed improvements represent a significant strengthening and restructuring of water and wastewater utility oversight in Portland by:

1. Elevating the value and status of an independent oversight body to help ensure accountability, transparency and public participation in the decision-making processes for water and wastewater utility rates and budgets.
2. Providing the oversight body with independent dedicated technical staff that can provide independent analysis of and monitoring of bureau and City Council actions.
3. Officially integrating the oversight entity into CIP and budget development as recommendations are made at the bureau/Commissioner-in-Charge level and into deliberations by the Mayor and City Council.
4. Providing an additional outside, independent perspective on how to best meet the City's utility needs.
5. Elevating the status of the oversight entity in order to attract skilled and knowledgeable members.

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Notes:

- *The use of the term “budget” encompasses CIPs, rates and annual budgets. Rate setting is not an independent action; it occurs through capital improvement planning and budget development.*
- *Glossary of Terms -- Please see last page of report*

A. INTRODUCTION

The Portland Utility Oversight Blue Ribbon Commission (BRC) proposes a significant strengthening and restructuring of water and wastewater utility oversight in Portland. The BRC recommends the establishment of a new oversight entity, the Portland Utility Board (PUB), that expands and replaces the oversight functions currently provided by the Portland Utility Review Board (PURB) and the Budget Advisory Committees advising the Portland Water Bureau (PWB) and Bureau of Environmental Services (BES). With the assistance of dedicated staff and involvement year-round in strategic planning and budget development with the bureaus, the PUB will be able to provide improved oversight for these utilities. Also, through institutionalized interaction with the Commissioner-in-Charge, Mayor and City Council in budget proposal and approval processes, the PUB will be able to monitor and advise on proposed changes to bureau/PUB recommended utility rates and budgets. The PUB will improve transparency and accountability by institutionalizing the practice of conducting public rate review hearings initiated by Commissioner Fish during the 2013 budget process. Finally, the BRC proposes a series of actions and measurements to periodically evaluate the success of its proposals.

Healthy water and treatment of wastewater are two essential services necessary for public health, a thriving economy, and healthy ecosystems. Portland is blessed with one of the most abundant and beautiful water sources in North America, with the gravity fed Bull Run Reservoir and related systems. Water is sufficiently abundant to allow the City to be a water provider to other communities in the region. Portland’s relatively abundant water source is a strategic advantage for the region and has the potential to reduce impacts of climate change, especially as compared to other U.S. regions.

Portland has two highly respected utilities with dedicated professional staffs that do the crucial work necessary to keep our water flowing and safe. Operation of the two utilities is consistently ranked highly by industry representatives.¹ Bond rating agency reports indicate prudent operating policies, a sizable but manageable debt burden, and an expectation that the City will adopt rates sufficient to meet operating and capital needs.²

The City is also internationally known for its combination of traditional and innovative stormwater management strategies that provide multiple benefits of reduced costs, ecological restoration, and aesthetic values.³ For example, BES delivered the Big Pipe, one of the largest public works projects in Portland's history, on time and on budget. Others are the use of bio-solids from the waste water treatment plant as soil building fertilizers and of bio-gas to power a fuel cell to provide energy to help run the wastewater treatment plant. Looking into the future, the PWB is working on a new connector across the Willamette River to provide resiliency to the water supply system in case of an earthquake.

Despite this impressive track record and national recognition, challenges and missteps – both perceived and real – have fueled concerns about oversight, transparency and accountability. These concerns led to an unsuccessful May 2014 ballot measure to transfer water and wastewater oversight and rate-setting to an elected Portland Public Water District. The Mayor and Commissioner Fish established the BRC in July 2014 to identify potential oversight and accountability reforms for PWB and BES, including streamlining communications and transparency in the rate-setting process (see box).

The Portland City Council directs that an independent Commission convene from July to November 2014 to analyze potential reforms of the oversight and accountability of the Portland Water Bureau and Bureau of Environmental Services and then report to the City Council. The Commission will focus on streamlining communications and transparency in the rate setting process.

At the BRC's initial meeting, the Mayor and Commissioner Fish elaborated on the group's charge, explaining that the BRC efforts are part of the City's efforts to improve trust between the public and their utilities by strengthening oversight, transparency, accountability and communication. The Mayor and Commissioner were also clear that to ensure proper and effective implementation, the BRC should focus its work on changes that can be accomplished without changes to the City Charter.

¹ Benchmarking survey provided to BRC on July 29, 2014.

² Moody's Rating report, April 2013

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http://www.sustainablecitiesinstitute.org/Documents/SCI/Report_Guide/Guide_EPA_GICaseStudiesReduced4.pdf; http://www.nrdc.org/water/pollution/rooftopsII/files/RooftopstoRivers_Portland.pdf; <http://www.cnt.org/repository/Portland.pdf>; <http://www.epa.gov/smartgrowth/pdf/gi-guidebook/gi-guidebook.pdf>; <http://portlandtribune.com/pt/9-news/212312-70086-green-streets-function-or-frill>.

To meet its charge, the BRC has looked upstream to the decisions that ultimately drive utility rates, most notably the 20-year system plans for water and sewer systems, the bureaus' five-year capital improvement plans (CIP), and the annual budget and rate-setting processes.

B. GOALS AND KEY CONSIDERATIONS FOR OVERSIGHT AND TRANSPARENCY

The BRC is not working with a blank slate. Rather, its recommendations are building on the work of many others, including reports and analyses on utility oversight prepared by Portland City Club, Oregon Citizens' Utility Board (CUB), City Auditor, independent consultants, and others. Presentations from PWB and BES, City Bond Manager, CUB, City Budget Office, Portland City Club, Portland Business Alliance, Planning and Sustainability Commission, and others have added important analysis and factual background. Dozens of public witnesses provided key insights in public listening sessions and through written comments (Appendix __). Based on this cumulative input, the BRC has identified the following goals and key considerations for its recommendations on oversight reform.

1. Build on efforts to date

Even prior to establishing the BRC, the Commissioner-in-Charge and City Council have implemented a variety of important utility bureau budget and oversight reforms within the last year (Tab 8, BRC background materials). The BRC not only recognizes these proactive efforts, but intends that none of its recommendations undermine these efforts. Rather, it proposes to institutionalize and expand on practices such as an annual City Utility Rate Review public hearing designed to foster a transparent dialogue between community members and the Council about how utility bureau budgets are developed, and how those budget decisions drive rates. We also propose continuation of the role of the Citizens' Utility Board of Oregon as an independent, outside voice advocating for residential customers that was approved by City Council earlier this year. Finally, we propose that City Council codify the May 2014 direction by Commissioner Fish that any utility bureau projects over \$500,000 require City Council approval as regular agenda versus consent agenda items, with opportunities for City Council discussion and public testimony.

2. Recognize that rates are driven by multiple factors, some of which are outside of the City's control

Public testimony identified a wide range of concerns about the process for developing utility rates, as well as the functioning of PWB and BES. It is abundantly clear that rates are the product of multiple factors, including the need to pay for maintaining and operating the current system, Federal mandates (the Big Pipe, covering the reservoirs, and water treatment, and

improvements or expansions to the system to accommodate future growth. Federal mandates, in particular, have a significant role in driving rates and fuel much of the discontent voiced about PWB and BES.

3. Start anew but avoid creating new bureaucracy

The existing PURB has not been fully effective and has suffered from lack of support by City Council. The Budget Advisory Committees (BACs) advising the two bureaus have not been fully integrated into the budget development process, and have no substantive role once the bureaus' budgets have been transmitted to the Commissioner-in-Charge. It is also clear that the ineffectiveness of PURB and the BACs cannot be traced to the dedicated volunteers who have served these bodies. Rather, a combination of structural factors (such as the lack of independent staff) and inconsistent support from City Council have been key factors. Nonetheless, reconstituting the PURB would seem to do little to respond to the the BRC's goals for oversight reform, particularly the goal of improving public confidence. Combining the budget review functions of the PURB and BACs into a single year-round entity will provide stronger and more consistent oversight involvement and is linked to the recommendation that both bureaus be assigned to a single Commissioner-in-Charge. Integration of the water and sewer oversight functions recognizes the overlap within the two bureaus' cultures and encourages shared analytics. Bureau-specific BAC functions could be continued through member assignments or subcommittees of the new oversight entity.

4. Honor the commitment and dedication of staff and volunteers

It is easy in a "fix-it" process such as this to overlook the past and current involvement of bureau staff and volunteers on existing oversight groups. The bureaus' excellent workforces are the heart of the agencies and among their greatest assets. Likewise, the volunteer commitment of PURB and BAC members is an invaluable gift to the City. These are assets that must be sustained, much as the infrastructure and services that are provided by the bureaus. We recommend that the PUB recognize former PURB and BAC members and the City's workforce as invaluable resources to consult with as it designs its approach to meeting its oversight responsibilities.

5. Address real and perceived issues of public concern and trust

Recent public opinion research found that confidence in management of the City's utilities is greater than that in operation of the City generally.⁴ A recent water district ballot measure was defeated by a margin of three-to-one. However, there can be no doubt that some degree of distrust lingers regarding the City Council's management of the utility bureaus. The

⁴ <http://www.portlandonline.com/auditor/index.cfm?c=64479&a=507436>

Commissioner-in-Charge and Mayor, Auditor reports, reports prepared by outside consultants and interest groups, and public testimony have identified a variety of utility bureau management and budgeting issues. These concerns appear to be traced to two major factors: alleged out-of-mission spending, specifically the Water House, Rose Festival Garden House, and Portland Loo (public restrooms), and increasing rates that have been adopted by the City Council to finance major improvements, especially those required by Federal mandates such as the Big Pipe stormwater management project. The Federal mandate to cover City reservoirs has also prompted debate, but that project is outside the scope of the BRC's charge. Most of the controversial issues about bureau spending, outside of Federal mandates, have occurred outside of the bureaus' CIP/rate/budget processes and are the product of City Council decisions on General Fund spending.

6. *Improve transparency, communications, and education*

The water and wastewater utilities are complex systems that are not well understood by the public. Their twenty-year systems plans, five-year capital improvement plans and budgets, annual budgets, rate setting process and debt financing are all closely related and take a dedicated and well informed oversight organization with strong staff support to analyze and track. Being rate-funded, PWB and BES are unique agencies within the City structure. Due to fragmentation in the oversight structure, there appears to be a need for broader ongoing and coordinated citizen engagement, communications and education. Much of the bureaus' communication focuses on specific infrastructure improvement projects. The bureaus have only recently drafted communication strategies to address long-term system needs that will provide the public with the necessary context to better understand rate making decisions. Early in its deliberations, the BRC identified insufficient strategic communication about long-term system needs as a key factor in the lack of public confidence expressed to it about transparency in utility bureau spending and rate setting.

7. *Adopt new standards of practice*

The BRC believes that the "tone" or commitment that City Council displays in implementing these recommendations is critical to the success of this new approach to utility oversight. City Council should adopt specific procedures that establish new standards of practice and send a clear message to any new oversight entity that City Council will welcome it as a critical partner in utility budget development, that PUB will be accorded a "place at the table" during each phase of budget development, and that City Council's interaction with and responses to the group's recommendations will go beyond the proforma. In general, there should be a consultative partnership between the PUB and the Commissioner-in-Charge, Mayor and City Council. This standard of practice should be extended to the City Auditor so the new organization has the opportunity to learn from audit reports and comment on them.

8. *Ensure that the oversight organization has strong public standing and accountability*

Effective, sustainable oversight will be best served by a system that gives sufficiently fortified authority to the PUB to review, advise, and recommend, while at the same time vesting final authority with the City Council, who can be held accountable directly by the voters. A new, strengthened oversight structure can more effectively identify and highlight key issues, opportunities and risks at the agencies, and thus ensure better-informed decision-making by City Council – decision-making which is thus more transparent to ratepayers. Improved accountability is needed in the decision-making on budgets and outside-of-budget spending. The new oversight entity, in turn, needs to be supported and held accountable by City Council to ensure that it is meeting its mission and oversight responsibilities.

9. *Provide for strong and consistent public involvement in decision-making*

To address the need for transparency, communications and education, the PUB should provide for open meetings and a transparent public record, continuous engagement of citizens in planning, budget and rate decisions. For example, the Rate Review hearing initiated in this past year by Commissioner Fish should be institutionalized.

10. *Recognize that innovation requires risk and failure which should not be a deterrent to innovation*

Innovation is central to the success of the bureaus and must be fostered and not restricted in any oversight structure. For example, a BRC representative from Clean Water Services highlighted cost savings and environmental benefits to that agency and its rate payers from tree plantings instead of water refrigeration to meet regulatory requirements related to the temperature of the Tualatin River. BES is a leader in such innovations and embracing cost savings strategies that capitalize on natural processes to clean and manage stormwater and waste water should be the norm. Such practices reflect City, state and federal environmental objectives and Portland’s commitment to improving watershed health, salmon recovery, and integration of green infrastructure into what predominantly had been a grey infrastructure, engineered approach to water management. A revamped approach to oversight must embrace innovative solutions, particularly increased reliance on Green Infrastructure to address serious water and wastewater management challenges. To best appreciate and understand proposed innovation, the PUB will need to be fully integrated into the bureaus’ thinking processes, thus the importance of its involvement in long-range visioning (systems plans) and both long (CIP) and short-term (annual) budget development.

11. Recognize the relationship of balance of authority to bond ratings

The balance of authority vested in a new oversight entity and the political responsibility vested in the City Council is underscored by its relationship to the agencies' bond rating (the cost ratepayers pay to borrow money to fund capital improvements to the water and wastewater systems). Two of the key factors used to determine bond rating are: (a) willingness to make necessary infrastructure improvements; and (b) willingness to raise rates to make those improvements.⁵ If that balance is tipped either way, the City's exemplary bond rating can be affected, driving up the cost of future projects to ratepayers. For example, if the oversight body is insulated too much from political accountability, there is the risk that it may undertake capital spending that raises rates so much that it exhausts public support -- and both of these key bond rating factors are undercut. On the other hand, if all authority is vested with the politically accountable City Council, this could diminish the appetite for necessary infrastructure improvements, likewise disrupting the delicate balance which is the foundation for the City's bond rating.

C. RECOMMENDATIONS

The following recommendations are designed to strengthen the existing oversight of the BES and PWB and to improve communications and transparency in decisions that drive the setting of rates and of the rates themselves. They have been developed by the BRC through a condensed yet extensive process that entailed nine public meetings and two public listening sessions conducted between mid-July to early-November, 2014; written and oral testimony from scores of witnesses; and review of numerous technical documents and reports.

To address the goals and considerations identified above, BRC recommends:

- City Council should institutionalize the assignment of both PWB and BES to a single Commissioner-in-Charge.
- City Council should establish the Portland Utility Board (PUB) to replace the existing PURB and BACs for the two utility bureaus and authorize PUB to have an expanded role in the PWB and BES planning and budgeting processes and formal interaction with the Commissioner-in-Charge, Mayor and City Council during budget development and adoption.
- Members should be appointed who have technical knowledge of water, stormwater, and sewer utility operation and issues including financial and capital improvement analysis expertise; are current employment in a represented bargaining unit within PWB or BES; as

⁵ Moody's US Municipal Utility Revenue Debt 'Request For Comment', 2014

well as have knowledge and expertise in ecosystem services, political process, group process, and communications.

- The PUB should meet on a regular, year-round basis, with members serving in a volunteer (unpaid) status.
- The PUB should be served by a minimum of two full-time, senior level staff housed in, selected and administratively managed by the City Budget Office (CBO) but dedicated to the PUB.
- PUB costs should be funded through intergovernmental agreements (IGAs) between CBO and PWB/BES, with CBO overhead billed to the bureaus on a cost basis.
- City Council should adopt a new set of standards, by resolution or ordinance establishing the PUB, to integrate the advice of the new oversight structure into their decision-making processes. This includes responding when PUB requests a response and providing opportunities for PUB input through meetings, work sessions or hearings during the development of the Commissioner's and Mayor's budgets, as well as during the City Council budget adoption process.
- The PUB should be empowered to engage citizens at any time and to form task forces, working groups, and engage professionals in its work.
- All PUB deliberations and actions should be transparent and well communicated.
- The Commissioner-in-Charge should institutionalize the conduct of public rate review hearings, first initiated during the 2013 budget process.
- The solid waste collection rate-setting function should be assigned to the Planning & Sustainability Commission.
- The effectiveness of these recommendations should be periodically evaluated and reported to the City Council and public.

Specifics of these recommendations follow.

Structure

A three-part oversight structure is recommended:

1. Establish the PUB to provide oversight to both the BES and the PWB, replacing the PURB and BACs.
2. Continue to recognize CUB as an independent consumer advocate for residential customers that provides an outside review of key steps in the rate-setting process and monitors utility rates.
3. Recognize that City Council has ultimate decision-making authority on capital improvement plans and budgets, annual plans and budgets, and debt financing.

Independent, dedicated staffing of the new oversight entity is a critical element of the BRC's recommendations -- the PUB should not be understaffed. This staff (at least 2 FTE) should be housed in CBO and selected and managed by the CBO Director as is staff provided by CBO to other City bodies. These should be new CBO positions rather than staff reassignments. The CBO is recommended because of its history in managing the former Utility Review Team and because the office is charged with independently serving the entire City Council rather than any single commissioner.

Rather than identifying specific interests to be represented on the PUB, the BRC recommends that there be balanced representation reflective of practitioners, advocates and the community-at-large. The group should not be dominated by technical experts.

We concur with the recommendation of the CBO Director that the costs of the PUB be financed through Intergovernmental agreements (IGAs) with PWB and BES. That mechanism prevents any reallocation of the funding to other staff or projects.

Recommended PUB Structure	
Type of Entity	Permanent City Commission replacing PURB and BACs for PWB and BES
Name	Portland Utility Board
Mission	Ensure transparency, accountability, public participation and oversight in utility system visioning and financial decision-making processes for PWB and BES.
Status	Established by City Ordinance
Appointment	City Council based upon nominations from the Mayor
Removal	Mayor in consultation with Commissioner-in-Charge
Representation	<ul style="list-style-type: none"> • Balanced representation of practitioners, advocates and the community-at-large, including: individuals with technical knowledge of water, stormwater, and sewer utility operation and issues including financial and capital improvement analysis expertise; current employment in a represented bargaining unit within PWB or BES; as well as knowledge and expertise in engineering, ecosystem science, political process, group process, and communications. • No greater than 11 members. • Additional ex-officio members of subcommittees and task forces may be appointed by the PUB in consultation with the Commissioner-in-Charge.
Terms	Staggered 3-year terms. Terms should be overlapping by one and two years in order to maintain a quorum at all times. Because of the complexity of the water and sewer systems, the ability to apply for reappointment at the end of a term is recommended.
Staffing	Minimum of two full-time, senior level staff dedicated to the PUB and housed in, selected and administratively managed by City Budget Office with support from other bureaus as needed. <ul style="list-style-type: none"> • Committed to and directed by the oversight entity, with hiring and

	<p>administrative management by CBO Director.</p> <ul style="list-style-type: none"> • Actively monitor and advocate on behalf of PUB; provide day-to-day liaison with PWB and BES; serve as the eyes and ears for PUB, monitoring all items from bureaus before City Council, including important decision packages and budget change orders that increase or decrease spending. • Experienced and skilled in financial analysis, utilities, and government operations. • Supplemental support is provided by the Commissioner-in-Charge. • PUB and its staff have the ability to request outside consulting help and assistance from other bureaus.
Financing	Funded through IGAs between CBO and PWB/BES, with CBO overhead billed on a cost-allocation basis.

Scope of Responsibilities

It is expected that the PUB will be engaged in two types or degrees of oversight. The first type is as an active participant with the bureaus, Commissioner-in-Charge and City Council in developing, commenting on and advocating for policy and budgets (CIPs, rates and annual budgets). The PUB should actively participate and advocate in the development of the bureaus' budgets and the Commissioner-in-Charge's recommended budget, as well as reviewing and responding to the Mayor's budget and participating in City Council's budget adoption process. The PUB should also partner with the bureaus and Commissioner-in-Charge in establishing long-term missions (20-year systems plan), monitoring spending, and in evaluating the performance of the bureaus.

A second type of PUB oversight responsibility is for review and advice on an as-needed basis and is more focused at the bureau and Commissioner-in-Charge levels. Examples of areas in which the PUB may review and advise include strategic (rather than project-specific) communications and public education and involvement. If requested, the PUB could advise on the hiring of bureau directors.

In developing its recommendations, the BRC has worked to ensure that the PUB is provided a significant role in crafting the PWB and BES budgets – setting the “chalkline” -- without usurping the roles of the Commissioner-in-Charge and Mayor afforded by the commission form of government. A variety of considerations come into play in trying to achieve this balance and in creating a partnership between the PUB and the bureaus and Commissioner-in-Charge in developing and advocating for budgets:

- A highly-visible, influential role in rate setting and budget development will likely be critical in recruiting quality PUB members.

- The greatest influence on budgets (and ultimately rates) occurs at the earliest stages of budget development.
- Bureau directors are responsible for presenting their bureau’s budgets to the Commissioner-in-Charge, who in turn is responsible for presenting proposed bureau budgets to the Mayor.
- The Commissioner-in-Charge plays a key role through his/her ownership of the budgets developed by the bureaus under his/her supervision.
- There is written documentation (e.g., change memos, decision packages) tracking all changes to the budgets initially submitted on behalf of the bureaus by the Commissioner-in-Charge.
- A written record is routinely provided of any meetings or hearings with the Mayor or City Council.

Given these considerations, the BRC proposes that structured conversations be institutionalized as a City practice between the PUB and (1) the Commissioner-in-Charge prior to submitting bureau budgets to the Mayor; (2) the Mayor early in the budget process; and (3) later with City Council at the critical budget adoption stage. The BRC initially discussed this as a requirement of City Council to provide a written explanation for any changes. The concept evolved to live joint sessions where there could be face-to-face discussions over changes the Mayor or City Council are considering to the bureaus’ budget package. The joint sessions were seen as forums to highlight and obtain explanation for any changes the Mayor or City Council are contemplating to the bureaus’ budgets.

Further discussion with City staff has identified a variety of opportunities or touch-points for the PUB in the budget process:

1. With the bureaus during development of their requested budgets;
2. With the Commissioner-in-Charge following submittal by the bureaus of their requested budgets and prior to the Commissioner submitting requested budgets to the Mayor;
3. As invited parties to utility rate review presentations and City Council work sessions that occur following submittal of requested budgets;
4. With the Mayor as part of development and release of the Mayor’s budget;
5. As invited parties to utility rate review hearing before the City Council; and
6. As invited parties to the City Council budget adoption process.

The goals for PUB involvement in the budget process should be to be actively involved at the most critical points, to ensure that there are no surprises in terms of changes to requested budgets, and to be considered by the Mayor and City Council as an expert partner in budget development for the utility bureaus. Having its own independent staff that can analyze and identify contemplated changes to requested budgets will help facilitate PUB’s involvement at key stages in the budget and rate setting processes. Moreover, changes will be fully tracked and detailed in Change Memos and other public budget documents.

As an initial action following its establishment, the PUB should establish an operating charter that defines expectations for member participation and roles, including the assignment of members to track the functioning of the bureaus. For example, if a nine-member body is established, specific assignments could include assignment of four members to track PWB’s CIP and annual budget, four members to track BES’s CIP and annual budget, and one member to track the bureaus’ communications and education programs.

Recommended PUB Roles and Responsibilities		
General Role	Oversight, Transparency, Advocacy	
Tiers of Responsibility	<p><i>Provide Oversight and Recommend/ Advocate to bureaus, Commissioner-in-Charge and City Council</i></p> <ul style="list-style-type: none"> • Mission development • Policy • Capital Improvement Programs • Annual budgets • Rate setting 	<p><i>Review and Advise Bureaus</i></p> <ul style="list-style-type: none"> • Systems plans • Debt financing • Strategic (not project-specific) communications • Education • Citizen involvement plans and processes • Audits • Hiring of agency directors
Member Responsibilities	To be established by charter.	
Specific Roles in Budget Process	<ul style="list-style-type: none"> • Participate in development of CIPs, proposed and forecasted rate development, and bureaus’ requested budgets. <i>The timing and points of interaction with the bureaus to be defined by PUB. Specific members may be assigned to track the individual bureau’s CIPs and annual budgets. In accordance with City structure and practice, the bureaus will submit their CIPs and budgets to the Commissioner-in-Charge. The PUB will advise the Commissioner of its recommendations on budget approval or adjustments. Prior to the Commissioner submitting his/her recommended budgets to the Mayor, PUB will be accorded the opportunity to meet with the Commissioner to discuss any concerns or requested adjustments. The PUB should submit written recommendations directly to the Mayor and City Council.</i> • Participate in utility rate review presentations and City Council work sessions on requested budgets. <i>The PUB should be invited to actively participate, e.g. as a panel presenting on the bureaus’ budgets and on proposed rates, in utility rate review presentations that are conducted following submittal of requested budgets.</i> • Submit recommendations/consult with Mayor during budget work sessions. 	

	<p><i>Any variations to the budgets presented by the Commissioner-in-Charge or to recommendations submitted by PUB should be discussed in a PUB-Mayor joint session.</i></p> <ul style="list-style-type: none"> • Co-sponsor utility rate review hearings. <i>Statute requires adoption of utility rates as decisions separate from adoption of bureau budgets. PUB could serve as the sponsor or co-sponsor with City Council of the required rate review hearings.</i> • Provide input to City Council prior to budget adoption. <i>A PUB-City Council joint session or City Council hearing should be held during the City Council's budget deliberations for the PUB to present its budget recommendations and for City Council members to explain proposed deviations from the PUB recommendations.</i>
<p>Reporting/ Monitoring Roles</p>	<ul style="list-style-type: none"> • In addition to the points of interaction identified above, the PUB, at its discretion, can identify and bring important issues and challenges to the attention of the Commissioner-in-Charge, Mayor and/or City Council, at any time. • PUB should be integrated into responses to any bureau audits and, in consultation with the Commissioner-in-Charge, have the ability to request audits. • Monitor Council filings and other CIP and budget implementation year-round.

Other Recommendations

1. Given the interrelationship of their missions, institutionalize the assignment of both the Water Bureau and BES to a single Commissioner.
2. Assign the solid waste collection rate-setting function to the Planning & Sustainability Commission.
3. Institutionalize the practice of conducting a public rate review hearing initiated by Commissioner Fish during the 2013 budget process.
4. Codify the May 2014 direction by Commissioner Fish that any utility bureau projects over \$500,000 require Council approval as regular agenda versus consent agenda items, with opportunities for Council discussion and public testimony.

Implementation and Monitoring

To be responsive to the BRC process and public input, the PUB should be established as quickly as possible by the Commissioner-in-Charge supported by the Mayor, bureaus, and City Budget Office. Ideally, the proposed new oversight structure will be in place prior to the initiation of the 2015/16 budget cycle.

Additionally, the BRC recommends:

- Ensure opportunities for public involvement during the adoption of ordinances or other measures necessary to implement these recommendations.
- Provide organization and training for new members. The PUB should receive an orientation and training program from the City Budget Office that provides an overview of roles and responsibilities; key background materials and reports; information on the systems planning process, CIP, budget process, and rate setting; conflict-of-interest regulations and considerations; and other information or training needed for members to effectively participate.
- Convene a review body in no sooner than two years and no longer than five years for the purpose of evaluating the effectiveness of the proposed oversight program. Measures of success may include:
 - a) The public better understands the water and sewer system, the rationale for projects and capital expenses and the basis for the rates they are paying. *Measure:* Public opinion research.
 - b) The community trusts that their interests and those of future generations are the primary considerations in determining services and capital expenditures. *Measure:* Public opinion research.
 - c) Interested Portlanders feel they have enough information and the opportunity to genuinely participate in City decisions related to the financial operation of PWB and BES. *Measure:* Public opinion research and/or key stakeholder surveys.
 - d) Qualified volunteers apply for and serve on the PUB and believe their work is meaningful and valued by City Council and the community. *Measure:* Success in recruiting; surveys of members and key stakeholders.
 - e) The Mayor and Council institute new norms of practice that integrate PUB into budget deliberations in a timely and meaningful manner. *Measure:* Institutionalized practices; survey of PUB members and Council staff.
 - f) Public involvement in utility financial decision-making is consistent, constructive and timely. *Measure:* Surveys of members, key stakeholders and other public participants.

D. RESPONSE OF RECOMMENDATIONS TO GOALS AND KEY CONSIDERATIONS

Matrix indicating how recommendations respond to goals and key considerations identified in Section B to be added following finalization of recommendations.

Glossary of Terms

- *BAC = Budget Advisory Committee*
- *BES = Portland Bureau of Environmental Services*
- *BRC =Portland Utility Oversight Blue Ribbon Commission*
- *CBO = City Budget Office*
- *CUB = Citizens Utility Board of Oregon*
- *PUB = Portland Utility Board*
- *PWB = Portland Water Bureau*

- *Budget = For report purposes, encompasses CIP, rates and annual budget*
- *CIP= A five- year plan for public works projects*
- *Systems plan = 20-year plan to guide infrastructure investment throughout the City*
- *Debt financing=debt issued by city to finance public works improvements over time*

- *Oversight = Formal citizen input and review of important plans and budget decision impacting rates.*
- *Accountability = Clear lines of authority with the Mayor and City Council, Commissioner-in-Charge, Bureaus, and CBO.*
- *Transparency = Transparency means processes are observable to the public including a three step process: Step 1 clear decision making procedures and notification about decision making timing. Step 2 includes decision making steps with public access and opportunity for input. Step 3 Full communication about the decision in terms of content and the process used.*
- *Communications = Communications primarily are those related to information on strategies to develop and maintain the water and sewer systems, processes of engagement and transparency in budget and rate setting processes, and project focused communication with area residents and businesses impacted by utility projects.*

- *Plan =Participating in creating a plan.*
- *Advise = Providing input at specific predetermined points in a process.*
- *Review = Reviewing and commenting on documents that are in draft form.*
- *Recommend = Making specific and considered recommendations for action to the bureaus, Commissioner-in-Charge and/or the City Council.*

APPENDICES *(To be added into final report)*

APPENDIX A: SUMMARY OF COMMISSION STUDY PROCESS

- **Appointment, Members and Facilitator Support**
- **Commission Charter**
- **Summary of the Study Process**

APPENDIX B: BRC CHARTER

APPENDIX C: MEETING SUMMARIES

APPENDIX D: WRITTEN TESTIMONY