



PORTLAND UTILITY OVERSIGHT BLUE RIBBON COMMISSION

MEETING #1 SUMMARY *July 15, 2014; 4:00 – 6:00 pm* *Room C, 2nd Floor, Portland Building*

Commission Members

Representative	Organization	Present
Dwight Holton, Commission Chair	Lines for Life	Yes
Isaac Dixon, Commission Vice-Chair	Lewis & Clark College	Yes
Barbara Boyd	OR AFL-CIO	Yes
Christine Chin Ryan	Synergy Consulting, Inc.	Yes
Rob Doneker	Consultant	Yes
Bill Gaffi	Clean Water Services	Yes
Marion Haynes	Portland Business Alliance	Yes
Chris Liddle	PGE	Yes
Kendra Smith	Bonneville Environmental Foundation	Yes
Brian Stahl	City of Gresham	Yes
Janice Thompson	CUB	Yes
Larry Wallack	PSU	Yes

Project Team / Staff

Representative	Organization	Present
Mayor Charlie Hales	City of Portland	Yes
Commissioner Nick Fish	City of Portland	Yes
Jim Blackwood	Commissioner Fish's Office	Yes
Sonia Schmanski	Commissioner Fish's Office	Yes
Jackie Dingfelder	Mayor's Office	Yes
Claudio Campuzano	City Budget Office	No
Ryan Kinsella	City Budget Office	Yes
David Shaff	Water Bureau Administrator	Yes
Dean Marriott	BES Director	Yes
Alisha Morton	Cogan Owens Cogan	Yes
Jim Owens	Cogan Owens Cogan	Yes
Bob Wise	Cogan Owens Cogan	Yes

Other Attendees

Debbie Aiona

Kathryn Notson

Tom Liptan

Hershell Soles

Amy Bowles

Kevin Schribner

David Cook

Elliot Levin

Edward Campbell

Introductions / Welcome

Jim Owens, Facilitator, welcomed Commission members, staff and members of the public. Dwight Holton, Chair, asked for a round of introductions.

Commissioner Fish and Mayor Hales welcomed participants and provided opening remarks (attached to this summary).

Discussion on Commission Scope

Dwight Holton led Commission members in a discussion / Q&A with the Mayor and Commissioner Fish. Questions are in italics followed by responses in regular text.

If you had a magic wand, what problems would you like to fix?

- Mayor Hales: The public's understanding of what are the drivers behind consolidated water, stormwater and sewer rates. What can we do about each or any of those individually? How do we communicate to people through their bills? Are we under-communicating? Do we give them the right information on what they are paying for? Your ability to look at this through an informed citizen's eyes is helpful to us. I would like recommendations for direct solutions rather than indirect solutions.
- Commissioner Fish: There are a lot of people responsible for some part of monitoring operations and providing feedback. How might we streamline that? Are people in the right lane? Are we duplicating some functions and missing other functions? Another set of eyes and a different level of transparency and accountability is one reason for this Commission. How do we strengthen transparency and accountability? What kinds of structural changes should we consider to get us there? We need to look at how we communicate to the public and how the public communicates with us. We welcome more than one recommendation.

Are there examples of other places in the country where their utilities function really well and we could use as a starting point to learn from?

- Commissioner Fish: Municipal water services across the country are dealing with the same issues. Your consultant could probably help you find examples of other municipal water utilities that are functioning well. We are slightly ahead of the curve over some

cities to get sewage out of the rivers. Portland is not unique with the challenges we face.

- Mayor Hales: I hear other mayors going through these same issues with more or less horror about what they are facing. Our infrastructure is aging. There are cities that are older than us that have been through this cycle. We might learn more from Boston than from Seattle in this case. I fear that we are frontrunners in land use, transportation, environmental policy which is great but gives us fewer people to borrow ideas from.

Since this is the first meeting, will we have opportunity to ask questions later?

- Commissioner Fish: Yes, key staff will record questions directed to us and make sure they get to us.

Our charter is through November. How set in stone is that delivery date?

- Mayor Hales: This is not set in stone, but allows us to implement things in the next budget schedule. If there are compelling reasons to take more or less time that is ok.
- Commissioner Fish: We recognize it is an ambitious schedule. We have dedicated staff and consultants. The decision about time is ultimately yours as chair and committee members.

Chair Holton indicated that he is eager to focus on what we want to know. He asked participants to review the binders between now and the next meeting and let us know what information is missing. Jim Owens said this will be an ongoing conversation for the next couple of meetings. We also want to hear if we are on target with our proposed schedule.

Commission Operating Charter

Jim gave an overview of the charter and said that if there is a need for additional time to review we can add that to the next agenda. He explained that our communications may be considered public documents. Communication with member's specific interest group is exempt, but written communications of any type within the Commission will need to be copied to Jim and the Chair. If you receive written communication with an outside interest then you need to forward that to us to include as part of the public record.

Dwight asked Commission members to think about how we deal with members of the public wanting to give their input directly to Commission members. One option is that we agree to share what we have heard from people. Chris Liddle agreed with this option. Brian Stahl said we simply need to keep an open mind and vet any input that we receive outside of this meeting. Jim explained that the goal of the language is to stress transparency.

Kendra Smith asked how Commission members should handle situations with staff in these bureaus who may not feel comfortable coming to this setting, but have good ideas and information about the workings of the organizations. Jim and staff said they will look into this further and get back to the Commission members at the next meeting.

Jim asked the Commission members if they were tentatively comfortable with the operating procedures. Dwight said that if we are generally comfortable today we can move on, pending any objection, but if you read it later and have issue we can revisit it. There were no objections.

Shared Principles

Jim gave an overview of the shared principles document that was created based upon his conversations with each of the Commission members.

Dwight asked Commission members if there are any additional or concerning principles. He said that he heard accountability, transparency and trust/confidence as important principles from the Mayor and Commissioner Fish. Lawrence sees this document more as guidelines and would like the principles Dwight identified added as a preamble to this document.

Kendra questioned bureau functions and budgets being off the table. Dwight explained that we are not intending to go line by line looking at the budgets and we are not going to second guess the day-to-day operational decisions, but certain line items might provoke conversation. Lawrence and Dwight agreed that it should be removed from the off-the-table section.

Brian said that capital improvement plans need to be added. It would be good to understand how they are put together, drivers and strategies that affect it.

Jim will circulate a revised set of Shared Principles electronically. He requested that Commission members provide additional comments prior to the next meeting.

Schedule of Meetings

Jim discussed the tentative schedule of meetings that the project team has developed. He said the team is operating under a couple of assumptions:

- Goal is to be ready with our final recommendations for the City Council work session on November 13th.
- We would like to keep the number of meetings to eight or less.
- We propose to conduct two public meetings.
- We want at least a week or two between meetings to prepare.

Christine Chen Ryan pointed out that November 4th is Election Day. Jim agreed that we will look into another day and reschedule that meeting.

Dwight said that while a phone-in option is available, he would prefer that members attend in person. He will need to leave at 8:30 am on July 29th.

Brian Stahl expressed concerns about Meeting #2 and the amount of information. Commission members agreed. Jim Blackwood explained that the presentations for July 29 are in the binders. The Commission members agreed to review the presentations ahead of the next meeting and come with questions / ready for discussion.

Dwight requested adding an additional meeting date to hold for additional briefings. We could also identify other cities that we would like to review at this meeting as well. Janice Thompson said there is enormous variation and Portland is atypical with a simple rate structure. She suggested focusing more on oversight structures of other cities rather than different rate structures. Commission members agreed to hold August 28th at 7:30 am for an additional meeting.

Background Information

Ryan Kinsella, Budget Office, gave an overview of the information in the binders. He said all documents will also be available on the website tomorrow.

Christine asked staff to identify the documents that correspond with each agenda item prior to each meeting.

Dwight asked Commission members to consider what other information they would like to see gathered. Several suggestions were made:

- Historical data on staffing levels and personnel costs
- Comparisons with other utilities, any benchmarking / best practices

Dwight said part of our challenge and puzzle here is that we are concerned that the current system and accountability has lead to distrust. If we had a better system of oversight perhaps agencies would make better decisions. Jackie Dingfelder said if we are interested in capital improvement budgeting in general you will see that every city is unique and will be a hard comparison. She will look into information available through the US Conference of Mayors.

Meeting Recap and Assignments

Action Items:

- Jim Blackwood will further develop the key questions that this Commission should review / answer.
- Jim Owens will revise the Shared Principles.
- Commission members will review the binder materials that are relevant to July 29 agenda items and come prepared with questions.
- Jackie will seek information from the US Conference of Mayors.
- Staff will link agenda items to materials / binder items.
- Staff will work to reschedule the November 4th meeting.
- Jim and Dwight will work on developing an internal email list.

Meeting adjourned at 6:10 pm.

Blue Ribbon Commission
Meeting #1 -- 7/15/14
Mayor Charlie Hales Remarks

Key Points:

- Thank you to all Commission Members, CBO and Office staff, and representatives for Cogan Owens Cogan and Commissioner Fish for your leadership.
- The deeply flawed Water District ballot measure failed 3 to 1, which indicates that ratepayers are not entirely dissatisfied with their water and sewer services. However, we also heard that public trust is lacking. Commissioner Fish and I promised that we would take a hard look at the transparency and oversight of our rate making process.
- Your work on this Commission is part of the City's effort to re-establish trust between the public and their utilities. We very much appreciate your commitment to this process. You bring valuable technical skills along with a fresh set of eyes on this City process.
- As you may know, Portland is a leader on many things including our work to clean up and sustain our natural resources. Just this morning, I gave the welcoming speech at the National Association of Clean Water Agencies to several hundred public utilities from around the nation. They look to Portland as a model for delivering services efficiently while being good stewards of our precious natural resources.
- Twenty-three years ago we embarked on our journey to control our City's plumbing problem....we had to overhaul a sewer system built as a combined sewer system from the beginning. Almost every time it rained we put raw sewage into the river. I am proud to say in 2011 we completed our CSO abatement projects and the Willamette River is dramatically cleaner than at any time in the past century.
- Our protected Bull Run Watershed and pristine water quality is the envy of many cities. We have a highly reliable, protected, and clean water supply thanks for our the forward thinking of Portland's founders.
- In addition, the green infrastructure you see in Portland is not here because they are nice to look at. Our investment in disconnecting downspouts, green roofs, tree planting and green streets allowed us to reduce the size of the CSO tunnel, saving ratepayers hundreds of millions of dollars.
- Our work to keep our watersheds healthy and our water clean is never done. However, maintaining the public trust is an integral part of that work. That's where we need your assistance.
- I look forward to hearing your thoughts and ideas on how we can continue to provide these essential services and ensure the oversight and accountability that our citizens demand.

Blue Ribbon Commission
Meeting #1 -- 7/15/14
Commissioner Nick Fish Remarks

Key Points:

- Thank you to all Commission Members, CBO and Office staff, and representatives for Cogan Owens Cogan.
- I have the honor of serving as Commissioner in charge of Water and BES, and to work with so many dedicated professionals. Mayor Hales gave me this challenging assignment a year ago.
- Here are a few fun facts...
 - I am the first Commissioner since DS to have both utilities.
 - 4th Commissioner in charge of Water, and 3rd Commissioner in charge of BES since Thanksgiving of 2012!
- And in the past year, I have learned that we have a lot to be proud of:
 - The Bull Run Watershed—19b gallons of pristine water.
 - Water Bureau has an AAA credit rating—the best in the country.
 - BES is a national leader in green infrastructure which is good for the environment and saves ratepayer dollars.
 - BES built the \$1.43 billion Big Pipe project on time and on budget.
- During my first year on the job, ratepayers have shared many concerns with me, including:
 - Why are my water bills going up?
 - Why is the City spending so much money to replace the open reservoirs?
 - Why is the Council spending ratepayer dollars on non-essential things, like the Water House?
- These and other concerns lead to a ballot measure to create a Water District and to strip the City of control of its utilities. In my opinion, Portlanders wisely chose in May to reject this deeply flawed ballot measure.
- But, on front porches and in public meetings, they told me very clearly that there was still much work to be done to earn back their trust. Mayor Hales and I promised that we would take a close look at the transparency and oversight of our rate making process.
- This BRC is how we honored that commitment and is an essential part of how we strengthen public trust in the oversight of our utilities.
- Each of you has a thick binder. While those binders are imposing, my team has worked with our bureaus to tell their stories clearly and concisely.
- And, as we have discovered the Portland Water Bureau and the Bureau of Environmental Services both work very hard to provide essential services to our city and region.
- I want to close by placing your important assignment in context. We started reform the way we manage our utilities last year.
- Here are some highlights:

- Sold the Water House and put the proceeds in the Water Bureau's Rate Stabilization Account.
- Directed 2.5% operating cuts in both bureaus to reduce rate increases this year.
- Invited the Citizens' Utility Board of Oregon to serve as an outside, independent advocate for our residential ratepayers.
- Launched a new monthly billing option to help Portlanders manage their utility costs.
- Implemented a new surplus property disposal policy for the utility bureaus to strengthen public notice and involvement. The entire City is now preparing to adopt this policy.
- Held the City's first-ever Rate Review Hearing...
- An opportunity for the public to learn about the utility bureaus' budgets, rate setting practices, and operations.
- This will be a yearly public meeting.
- Held the first City Council Work Session on both utility bureaus' Capital Improvement Plans, helping Council better understand how large infrastructure projects are developed and funded, and how those projects affect rates.
- Set a stricter requirement for bringing any contracts over \$500,000 to Council, ensuring that decisions with large financial impacts are considered and discussed by the Council before they are approved.
- Expanded efforts to educate the public on the cost-savings of combining Green and Grey infrastructure to replace aging pipes.
- Asked our elected Auditor to audit the construction of a BES office building at the Columbia Waste Water Treatment Plant, and... ..provide Council with recommendations on how to provide better oversight of construction projects.
- And this month, we completed negotiations to hand over the marketing of the Loos to a private firm with the city getting a royalty for every one sold.

In conclusion:

- This fall, I look forward to hearing your thoughts on the big question of how we can continue the oversight of our utilities and the rate-making process.
- Thanks again for your service to the City and our community.