WATER BUREAU BUDGET ADVISORY COMMITTEE MEETING November 28, 2012

SUMMARY NOTES

Attendees: Water Bureau Management Team: David G. Shaff, Edward Campbell, Cecelia Huynh, Mike Stuhr, Kathy Koch, and Ty Kovatch. Water Bureau Budget Support Staff: Mary Leung, Susan Bailey, Aaron Brown, Greg Drechsler, Stan VandeBergh, Nathan Walloch, Steve Schenk, Melissa Howlett and Darcy Cronin (recorder); Water Bureau Labor Representatives– AFSCME: Mark Gipson; Non-Rep Staff: Ashley Schaer. Ann Richter, Yone Akagi, Jamie Wilde; Budget Advisory Community (BAC) Members: Citizen: Jospeh McGee II, Glenn Bridger, Kay Durtschi, Mike Ellis, Lise Glancy, Port of Portland. Others in attendance: Floy Jones, Friends of the Reservoir; Ryan Kinsella of the Office of Management & Finance (OMF), Patti Howard of the Office of Commissioner Amanda Fritz.

Agenda:

- Welcome and Introductions
- Housekeeping
- LT2 Variance monitoring update
- Maintenance and Construction update
- Questions/Comments on Budget Information presented at 11/13 meeting
- Public Comments and Questions
- Future BAC meetings
- Future agenda items

Welcome and Introductions

David Shaff:

David welcomed the committee members and introductions were made.

Housekeeping

David Shaff:

David asked members and staff for additional agenda items. Nothing was added to the formal agenda. David asked the group if there were any questions from the previous meeting.

BAC member Michael Ellis asked Kathy Koch about the implications of losing five people in Customer Service.

Kathy Koch:

Kathy replied that all of the positions proposed to be cut are currently vacant. Kathy stated she feels "comfortable" with the proposed cuts, although there may be longer hold times. Once the bureau has an IVR system, there will not be as many people needed to answer the phones. There may also be longer time for a service orders to check in on special customer needs. One position is a Water Service Inspector, and longer and more intense issues will be more difficult to handle, since they require more staff time.

LT2 Variance monitoring update

Ann Richter: Program Manager for Bull Run Treatment Variance

Please view Bull Run Variance Treatment Update for all the details, below is a summary on:

- Background – Dates related to the variance and policy implications

- Monitor 2 days a week, plus any time turbidity is over 2.0 NTU. Monthly reports to the State are posted online.
- Human sewage SOP (Standard Operating Procedures)
- Watershed Inspection and Monitoring Plan, approved August 1. Started implementing Oct 1st.
- Field inspections
- In the area of Laboratory analysis:
  - Floy Jones asked about the difference between the companies. Ann Richter stated that TetraTech is the new contractor that will be in place in early 2013. ASI is the current lab, and the one we have been using for the last few years. There is no relation between TetraTech and ASI. Yone Akagi clarified that the bureau has not been using TetraTech for the last few years of monitoring; the work was done with ASI and we are just now switching to TetraTech in the new year.
- In the area of Analytical methods – Matrix Spike Studies
  - David Shaff explained that the methods involving dumping 100 oocysts into water, running them through a filter and see if you've recovered them all.
  - Floy Jones asked if any data was sent to the EPA before the meeting. Ann Richter explained that the comparison data from the Matrix Spike Studies were submitted in advance.
  - David added that all the municipalities are sampling, but our sampling is probably the most intensive in the world. As a result, the bureau is becoming the sampling experts and are giving the Environmental Protection Agency (EPA) advice on the analytical methods. Enough data is collected so the EPA and Oregon Health Authority (OHA) are satisfied, and have expertise about the sampling methods.

A review of the new LT2 positions – five new positions, two filled so far for the Environmental Program Manager and the Environmental Specialist. Three recruitments are still in progress, for a Wildlife Biologist and two Environmental Tech II positions, and should be filled by late January 2013.

- Floy Jones commented that the Wildlife Biologist position was unnecessary spending.
- David Shaff explained the bureau's strategy and how the bureau wants to have as much information as possible to defend the variance, if needed, and hopefully in a few years the bureau will be able to prove that wildlife does not pose a water supply risk.

Yone Akagi:
Yone references the LT2 Variance Compliance Budget Update. The budget is broken out into columns, and the rows reference expense areas. For personnel costs the program is still below the budgeted amount, because the group is still in the hiring process and has not incurred those additional staff expenses. The Cryptosporidium Analysis (PTE) includes lab costs, field samplings, genotype and DNA sequencing for any cryptosporidium hit, and operating a back-up lab. The roughly ½ million dollars is budgeted, but the actual costs are lower because the bureau budgets for the worst case scenario to make sure the bureau has enough funds for active monitoring in the instance of cryptosporidium hits. The PTE consultant funds have not been spent yet, because the studies have not been started without new staff. The bureau has built longer term sampling and is saving money on shipping by tagging on to a City contract. It's expensive because the bureau needs to literally ship hundreds of liters to Vermont. The bureau is also in the process of upgrading the Key Stations at the four tributaries, and will complete two this year and two more next year.

David Shaff:
David asked the group for any questions or comments.

Kay Durtschi:
Kay asked about why the PTE wildlife studies will be developed once staff is hired, instead of before they are hired.

Yone Akagi:
Yone replied that the consultant work will supplement the work of the new staff, and the bureau wants the expertise of the new staff to develop the scope and goals of the studies. Yone stated that current staff did not have the wildlife expertise to determine what the bureau needs to specifically study.

John Gibbon:
John asked if the bureau offered this to satisfy OHA.

Eddie Campbell:
Eddie explained that the bureau made the choice to create internal expertise to demonstrate that it has a scientific knowledge of the greatest risks that may exist within the watershed.

Kay Durtschi:
Kay mentioned that the facts in a study were mentioned, and asked for more information.

Yone Akagi:
Yone stated that so far only scat monitoring has occurred, and this has been limited to only a few animals. The bureau will not know what other animals need to be monitored until the bureau has a Wildlife Specialist on staff. The bureau wants to understand the animal movement in watershed, and to figure where the bureau's risks are.

Eddie Campbell:
Eddie explained that previous work had been done on contract, and the bureau decided to bring someone in house to develop a more holistic knowledge base. The purpose is to help manage and continue the bureau's record of learning about the risk and develop an expertise.

Floy Jones:
Floy pointed out that there are flaws in the methodology, and asked about the added expense. Floy noted her objection to spending this money, and says that it's not scientific and is voluntary.

David Shaff:
David explained that while wildlife monitoring is not specifically required by the OHA/EPA. The bureau does know that any source of cryptosporidium is primarily from wildlife. The more the bureau knows, the better position the bureau will be in over the next decades. Hopefully, with time the research will support the premise that there may be crypto, that it's not infection to humans. It will help convince OHA/EPA that it's not as big a threat. The bureau also wants to be able to respond to new regulations or to help the bureau as the variance evolves. The bureau wants to be able to have more info and data to advocate on city's behalf if OHA rescinds the variance.

Maintenance & Construction Update
Ty Kovatch:
Ty shared that since he started nine months ago, there have been significant changes in the Maintenance & Construction Group (M&C). The changes have been welcomed, and he wants to share the "good story" about this essential bureau group. Ty shared that he has reorganized the division. It was previously organized by the type of work that the crews do: hydrants, main, flushing, etc. The benefit to this system was that the crews got really good at what they do. Yet, over time crew members

lost the breadth of their skills. Ty stated there were also inefficiencies due to geography. The work that M&C does is both reactive and proactive. By May 10, 2012 the group was entirely reorganized with new hires and significant changes. Ty was not necessarily expecting it, but he said crews were thirsting for change and helped implement the changes. The M&C group is now reorganized into geographical zones, which has expanded skill sets, taken advantage of economies of scale, and made more efficient use of time. They now "bundle the work" into geographical zones, which reduces down time. Crews are ready to move quickly to the next project. At any time, there are thousands of work orders, and now those are prioritized in a more efficient way.

Ty referenced a handout, M&C September 2012 FTE Summary. M&C were asked to reduce the base budget by 5%. If M&C had kept the trajectory of spending that was happening when he started in March, Ty said the group would have been over budget by $500K. So, there were significant cuts and changes in priorities as soon as Ty started leading the group. The group was under spending capital and overspending the base budget. By the end of FY2011-12, the group had more than met the required 5% cut. Yet, there was a structural challenge that at the end of the year the group was always shy on base dollars. Now Ty is operating the budget in the exact opposite way by preserving the base budget so that M&C can have more at the end of the year.

Ty stated the changes should give the group more flexibility to manage better, without reducing maintenance needs. Ty mentioned that current cuts are proposed are in training, and that external contracts were cuts. Ty stated that when the group is thin on base, the training is pushed off. For example, the bureau only has one backhoe operator, and M&C initiated backhoe operator training. Training is particularly important because M&C has so many skilled staff that are close to retirement, and M&C wants current staff to be trained to fill those positions. Ty talked about how the group has developed a new "short school" to comply with state certification requirements more cost-effectively by doing the training "in house." Ty wants the bureau to invest in our staff.

Ty referenced the M&C Production Comparison handout. Ty explained that M&C has reduced the base dollars. The reorganization has allowed for more production. The mix of base and capital keeps it balanced. The M&C group now makes decisions about what's the most important thing M&C needs to do, and they do not need to rely on just one team for a specific skill. The feedback from the crews is really positive. Ty goes out on main breaks, especially ones at night. Ty is working to build an environment where there's always work ahead of crews. Ty actively sets personal and professional goals and tracks progress, and he shares this value with the M&C group. Ty is currently talking with engineering about working more systemically, by focusing on each neighborhood's need.

Kay Durtschi:
Kay asked about where the geographic districts are located.

Ty Kovatch:
Ty stated that there are seven districts. There is a North District, that includes a little bit of NE. The NE District goes to NE 82nd Avenue, and an Outer Northeast District to the city boundary. There is a Southeast and Outer Southeast District, which are also divided by 82nd Avenue. There are also Northwest and Southwest Districts to serve the west side of Portland.

Kay Durtschi:
Kay wanted to know how the acquisition of the Sears Building fit into the bureau.

David Shaff:

David stated that the Sears Building is housing the bureau's interim Emergency Communications Center, and that the idea is that eventually the City will establish a fueling center there, because there is currently no fueling center on the west side of the river. PBEM/PBOT have the idea that the bureaus will have some materials and equipment stored at Sears. There is no funding yet, and the bureau is not sure how long term that may be budgeted. The Portland Water Bureau will not use the building as much as the other bureaus. The bureau used the building for the Boil Water Notice in July, but it is more of a temporary facility for the bureau.

Kay Durtschi:
Kay stated that the Sears Building master planning was discussed at her last Neighborhood Association.

David Shaff:
David stated that the bureau has been part of the master planning, but that the bureau is only planning to use Sears for limited emergency purposes, such as fueling.

Glenn Bridger:
Glenn complimented Ty Kovatch on a job well done, and commended Ty on creating the kind of work environment where staff feels proud and enthusiastic about their work.

David Shaff:
David asked Mike Stuhr for a CIP budget update.

Mike Stuhr
Mike referenced the Willamette River Crossing Update handout and the CIP BAC Update 11-28-12. The original budget request presented to the BAC did not have funds budgeted in FY 2013-14 for this project. Mike explained that in order to keep the project moving forward, and with our experience of the time required for Right of Way acquisition and permitting issues, staff requested that we reallocate funds from the distribution mains program to the Willamette River crossing. There is no rate impact made by these changes since the one year and five year budget totals remain unchanged.

Questions and Answers
Cecelia Huynh:
Cecelia opened the BAC questions and answers period.

David Shaff:
David reminded the group that he also wants people to have the opportunity to ask questions about information from last week. Yone Akagi and Ann Richter are not scheduled to attend the next meeting, and members were asked to present specific questions in advance.

Glenn Bridger:
Glenn commented that the 5% cuts are removing a safety net from the managers. It makes managers work a little harder, and makes them more nervous and loose sleep. Glenn stated that he understands that sometimes issues happen and the team will have to pull back. He complimented Ty Kovatch again for reorganizing the group to achieve greater efficiency. Glenn asked how other managers would be impacted by the 5% cuts.

David Shaff:
David stated that the Operations Group has cut supplies for the conduit and transmissions program. This means that if there is another "red barn slide," the bureau would not have supplies on hand and would have to scramble quickly to get rock. The bureau is shaving off flexibility with each cut and the

ability to respond in certain areas. The bureau will have times when things are not working as well as the bureau would hope. Yet, he stated as Kathy Koch mentioned earlier in the meeting, the bureau is relatively confident and "comfortable" about doing it. Ty's training model will also hopefully save money.

Michael Ellis:
Michael wanted to make sure that Ann Richter was formally complimented for her work.

David Shaff:
David thanked Michael for his comment and stated that the bureau was able to hire two of the smartest people who were behind the successful variance effort.

Public Questions and Answers
Floy Jones will submit questions in writing.

Next Committee Meeting and Agenda
David Shaff:
David proposed no meeting on the December 5, 2012, but to still hold meetings on December 12th and December 19th meeting dates.

The December 5th meeting was CANCELLED.

The next BAC meeting is December 12th at 2:00 p.m. in the Portland Building, 3rd Floor Fir Creek Room.

Future agenda items:

- Update – monthly billing
- Washington Park – next steps
- Cost of Service Base Charge

Tim Hall will send out a final agenda and meeting reminder.