To: Commissioner Dan Saltzman
Cc: Dean Marriott, Director, Bureau of Environmental Services
From: Budget Advisory Committee, Bureau of Environmental Services
Re: Fiscal Year 2011-2012 Budget, Bureau of Environmental Services, City of Portland, Oregon
Date: February 18, 2011

The Budget Advisory Committee (BAC) would like to thank Commissioner Saltzman and City of Portland (City) Council for the opportunity to learn about the Bureau of Environmental Services' (BES) budget and provide our insights and recommendations during the March 14, 2011 budget work session. We would also like to thank the BES staff who assisted with BAC's process. Their dedication and commitment to their profession made this possible.

BES staff met with the citizen volunteers that comprise BAC six times since October 2010 to discuss the BES 2011-2012 fiscal year proposed budget. During meetings, BAC received overview presentations on the operating budget, capital improvement program, and the proposed budget. In addition, BAC discussed the BES process for risk-based planning for capital improvements and Audit Report #365 regarding sewer maintenance being housed in BES or the Portland Bureau of Transportation.

BAC understands that City Council has agreed to raise BES utility rates. BAC focused on staff recommendations for projects to add or remove from the proposed budget, staying within the proposed rate increase.

As a result of these meetings and assuming a 6.5% rate increase, BAC recommends the following:

- **Fund the Capital Improvement Program.** As it was explained to BAC, the City's storm and sewer infrastructure—conveyance and treatment—needs ongoing improvements and maintenance to meet customer's needs and to minimize expensive emergency repairs. In addition, green infrastructure has additional maintenance costs that need to be addressed now and in the future.
- **Minimize increases to internal long-term infrastructure costs.** BES should carefully consider the long term costs of new staffing, programs, and/or infrastructure. For fiscal year 2012, BAC recommends BES consider using interns, contractors, and temporary employees before creating new permanent positions to avoid increasing long-term costs.
- **Study strategic opportunities to reduce costs.** For example, BES should work with PBOT to identify opportunities to reduce overall program costs. In addition, there should be consideration of increases in efficiency and staff ownership of system maintenance.
- **Assign costs to the bureaus that incur them.** Assigning costs to BES for projects that are not critical to the mission of BES is questionable to BAC and possibly the ratepayers. This may have the unintended consequence of reducing the credibility of BES expenditures and increasing resistance to mission-critical projects. Projects that are unrelated to the mission of BES should not be charged to ratepayers. The forthcoming Auditor's report on assignment of costs will help

clarify this issue and should lead to improved definitions of allowable costs. Projects on the margins must be discussed and handled transparently and candidly.

- **Clarify the Office of Healthy Working Rivers (OHWR) role within BES.** BAC has two concerns regarding OHWR.
    - **Funding.** OHWR is completely funded through BES (by storm and sewer rates), yet a large portion of the scope of work performed by OHWR is not directly related to BES' mission. BAC recommends the City move to a system that requires additional bureaus to co-fund OHWR. BAC also feels that it is important that OHWR complements, and does not duplicate, the efforts of BES and other bureaus.
    - **Oversight.** OHWR reports to Commissioner Fritz, yet is housed in BES which reports to Commissioner Saltzman. This has led to confusion regarding OHWR's budget review process. BAC recommends that as long as OHWR is funded and/or housed within BES, that OHWR is part of BES' budget review process.
- **Support City Tree Code.** BAC supports the Citywide Tree Project as it appears to improve the protection of the City's valuable tree resources and fairly share the costs between respective bureaus.
- **Utilize BAC to provide insight on strategic actions.** BAC believes that in its current configuration it is not providing the most strategic advice it is capable of. In an effort to better serve the citizens of Portland and meet the needs of BES, BAC would like to continue its work beyond the March 14, 2011 budget work session. The results of this work would be a set of recommendations for Commissioner Saltzman's consideration on how the BAC process could be revised to achieve better and more strategic results.

Thank you again for the opportunity to review the BES proposed budget. BAC appreciates the time that BES staff took to describe programs, policies, and projects. BAC looks forward to continuing its work with BES, Commissioner Saltzman and other members of the City Council.