WATER BUREAU BUDGET ADVISORY COMMITTEE MEETING January 16, 2013

SUMMARY NOTES

Attendees: Water Bureau: David G. Shaff, Mike Stuhr, Edward Campbell, Chris Wanner, Cecelia Huynh, Kathy Koch, and Ty Kovatch. Water Bureau Budget Support Staff: Tim Hall, Mary Leung, Susan Bailey, Jan Warner, Nathan Walloch, Stan VandeBergh, Jeff Winner and Robin Hagedorn (recorder); Water Bureau Labor Representatives –COPPEA: David Argast; Non-Rep: Ashley Schaer; Budget Advisory Community (BAC) Members: Citizen, Catherine Howells, Glenn Bridger, Kay Durtschi, Mike Ellis, and Lise Glancy, Port of Portland. Others in attendance: Kathryn Notson, Scott Fernandez, John Gibbon, Floy Jones, Friends of the Reservoir; Kent Craford, Portland Water Users Coalition; Ryan Kinsella of the Office of Management & Finance (OMF),

Agenda:

- Welcome
- Housekeeping
- FY 2013-14 Program Ranking
- FY 2013-14 Utility Guidance & Budget Priorities
- Additional Budget Reductions
- Water Rate Updates
- Questions and Answers
- Public Comments and Questions
- Next Meeting Agenda

Welcome and Introductions

David Shaff
David called the meeting to order.

Housekeeping

David Shaff
David asked for corrections or additions to the December 12th meeting notes. No changes or corrections.

David asked for additional agenda items. Nothing was added to the formal agenda.

David asked for any questions from the December 12th meeting. There were none.

FY 2013-14 Program Rankings

David Shaff
David briefly reviewed the program rankings and noted that the Mayor's office had asked that the previously submitted ranking from late 2012 be reviewed and resubmitted. David asked the BAC to send an email to him and Tim Hall with ranking preferences.

David noted that he will include a note with the new program rankings when they are submitted to Council.

John Gibbon asked for clarification on what "services" stood for on the rankings list.

David explained that Services represented service lines in water distribution and water mains to meters.

FY 2013-14 Utility Guidance & Budget Priorities

David Shaff
David reported that additional budget guidance was received from Mayor Hales on January 9th. David noted that all General Fund bureaus had been directed to prepare a modified zero based budget that is 90% of their current appropriation level adjusted for inflation. Bureaus could then present "add packages" requesting funding back for the remaining 10% of their budgets. David reported that the utility bureaus had received the same budget directive on January 9th. At the Mayor's direction, mission critical and core services are preserved and should be included in the 90% the budget submission.

David reminded the BAC that the bureau had already prepared a 5% budget reduction package. Since receiving the Mayor's directives the Management Team has been working to identify the additional budget reductions.

David noted that a separate presentation will be made to Council on the Capital Improvement Plans that summarizes the development process and risk analysis for the projects included in the CIP.

David reminded the BAC that budgets are due February 4th.

Additional Budget Reductions

David Shaff
David reviewed the additional proposed cuts that will be submitted. The areas identified include reductions for variance monitoring and electricity for groundwater other than the average turbidity run. A reserve fund would be set up with the expected reimbursement of $1.6 million for the McCall Building from the General Fund. If funds were used from the reserve then the money would have to be paid back to the reserve in the next fiscal year. The Interagency (I/A) charges are expected from OMF on Thursday, January 17th. That amount will impact the reduction package depending on how much added backs the Bureau is expected for interagnecies.

David reviewed the staff positions that would be eliminated as part of the reductions. Eight are non-represented positions and remaining are either COPPEA or AFCSME positions. Seven positions are currently filled. Plus additional two positions from the decorative fountain program.

David noted that he does not expect to request much of the reduction packages to be added back except for the fountains program and filled positions. But after adding add backs from interagency is greater than the reduction needed, then removing filled positions from the list of cuts would be explored.

Kay Durtchie asked about I/A from BES. David reported that about $2 million is paid to water from BES for meter maintenance. We currently have a much reduced rate from BES for fountain discharges. The maintenance of decorative fountains expenses are actually shared by the Parks and Water Bureau along with BES.

Kent Craford asked for an explanation of the reserve fund.
David explained the premise for the reserve fund which would basically be used for emergencies that would not be covered within the established program budgets for issues like use of electricity for running groundwater pumps for a longer duration than expected or increased sampling that would be required in the event the bureau had a sample that tested positive for cryptosporidium.

Floy Jones asked for the details of the cuts for Resource Protection.

Edward Campbell details the list of cuts to various programs in the Resource Protection work group.

David also noted the possible ripple effect of positions being cut around all the city bureaus. It is possible that bumping could occur as staff is laid off around the city. As in previous years, the Water Bureau could end up with staff from the bumping process.

Kent Craford asked if all the vacant positions are funded.

David reported that all vacant positions remain funded.

Glenn Bridger asked about the number of positions staffed for the entire bureau.

David provided the breakdown by workgroup. The current total is 611, which could drop to 581 for the next budget year. The Bureau will provide the breakdown of staffing by the work groups and the number of positions proposed to be cut.

Mike Ellis stated that the premise of having a reserve fund was good planning.

Glenn Bridger asked if the reserve fund could be used for other purposes than emergencies.

David reported that other uses were possible, but not likely.

Mike Ellis asked if it's possible for staff to bump into vacant positions.

David reported that the decision to fill a vacancy is up to a bureau. Staff that have been laid off could be recalled into vacant positions if the bureau decided to fill a vacancy.

Kent Craford asked if the Water Bureau was still carrying cost for the Portland Loo program.

David reported that the Loo program and all costs have been assigned to BES.

John Gibbon asked about bureau costs for splitting consulting fees for shared projects with other bureaus.

Both David and Mike Stuhr reported that such fees would be negotiated between the bureaus.

Kent Crawford asked when wholesale partners will begin paying for service from the Powell Butte 2 reservoir project.

Cecelia Huynh reported that wholesale customers pay for capital projects after the assets are completed and placed in service. The wholesale customers are charged based on their use of the asset. In the case

of Powell Butte 2, the charge to the wholesale customers would be begin in the 2015-16 rate year assuming the project is completed and placed in service in FY 2013.

Water Rate Updates

Cecelia Huynh
Cecelia reviewed the recent updates to the 5-Year water retail rates forecast. The update reflects the lower retail demand and how the 5-year forecast is being calculated to address the issue. Although the bureau expects some savings from lower bond rates, and the operating cost reductions, higher General Fund overhead and I/A costs will add to an increase in the estimated rate for FY 2013-14. Additionally, no funding is in place for water fluoridation should the voters pass a measure on the May 2013 special election ballot.

David gave a brief summary of what is expected next. A narrative explaining the impact of the reductions will be prepared for Council. The reduction package and possible add-back packages will be completed and a final review will be given to the BAC. At the January 23rd meeting, the BAC will be asked to provide their support on the Bureau's requested budget.

Questions and Answers

None from the BAC

Public Questions and Answers
Floy Jones asked about the receiving answers for questions submitted in December, including cost of square footage for the Interstate Renovation Project. Floy also asked for information on current vacant positions.

David stated that Floy's request for information will be followed up by Tim Hall.

Next Committee Meeting and Agenda

The next BAC meeting is Wednesday, January 23, 2013 at 2:00 p.m. in the Portland Building, 3rd Floor Fir Creek Room.

Tim Hall will send out a meeting reminder.

- Cost of Service Base Charge