

Jan 27, 2012

TO: Sue Pearce, Charter Commission Chair

FROM: Dave Johnson

Sue, I am unable to attend the 1/28/2012 session for public testimony before the charter commission. So I request that these comments be read for the record on Saturday at the hearing.

Thank you.

Dave Johnson Public Testimony to Charter Commission on 1/28/2012

Hello. My name is Dave Johnson. I am a long time Portland resident and a former member of the Portland Utility Review Board (PURB). I am an advocate for the Independent Utility Commission (IUC) charter amendment. I support the IUC amendment because it reframes utility governance to promote transparency, effectiveness, good judgment and long term thinking.

Change is hard. Change means taking risks and facing unknowns. That is scary and requires courage. But without change, there is no progress. Portland prides itself on being a progressive city. But if we are truly a progressive city, then we need to be making progress, we need to be improving things. We cannot rest on our laurels and reminisce about the creation of Bull Run, or Waterfront Park, or urban growth boundaries.

One progressive action we can take right now is to reform our terribly ineffective system for utility governance.

Portland water and sewer utilities spend roughly \$600,000,000 per year. Today each utility bureau is lead by a single city commissioner that makes spending and project choices by themselves with only rare and superficial review and oversight by the other members of the city council. This has led to three major issues:

- First, Utility rates that are among the highest in the USA; (For sewer and storm water alone, a typical Portland customer pays \$420 more a year for service than a similar customer in Denver or Salt Lake City.)
- Second, Growing abuses of rate revenue by the city council; (in response to a pending lawsuit, the city of Portland has estimated there is \$50,000,000 in questionable spending in dispute.)
- Finally, Citizens' low confidence in the fairness of utility rates and the efficiency of the utility bureaus.

The proposed IUC amendment is the smallest change that can fix Portland's problem of a terribly ineffective system for utility governance. The IUC amendment changes the city charter to provide a 5 member independent commission dedicated to provide continuous, public review and oversight of the utility bureaus. All spending and rate proposals would need to be approved by the IUC.

In the end, good governance requires good judgment. The IUC amendment changes the structure of utility governance, to promote good judgment and long term thinking.

Critics of the IUC proposal have said that this new approach will reduce the public's ability to hold decision-makers accountable, will make the budget process inaccessible, and stifle innovation. I want to examine these criticisms.

Accountability: In the current system, city commissioners not running a utility don't think they should be held accountable for the actions of the utilities. Voters can't directly change the utility leadership because there is no position called "utility commissioner". Commissioners are assigned bureaus at the whim of the mayor. Since no one knows who will be running the utilities after the next election, utility governance is not a topic in the campaigns for any city commissioner. Also, accountability requires visibility. Currently, whether it is the Rose Festival building remodel or paying \$800 to policemen for a finger pin prick... the commissioner in charge can do pretty much anything they want without any public assessment of the value of the plan.

In contrast, the IUC will always be the decision makers for utility leadership. When the 3 year term of an IUC member comes to an end, the public can weigh in on their job performance and any changes are guaranteed to impact utility leadership going forward. There is only one role IUC members' play, so the reappointment discussion will be focused and clear. Regarding visibility, with the IUC charter amendment, an independent group of five people will provide diligent, public and transparent oversight of the spending and rate making for the utilities. The IUC will provide a public vetting of the value and relevance of the programs funded by rate payers.

The IUC amendment will bring the light of day to what is currently a very dark and disconnected level of accountability.

Budget accessibility: Today, the city council budget hearings in the spring are only window dressing. The real budget decisions were made more than six months earlier behind closed doors. Yes, there are Budget Advisory Committees (I've served on them) and the PURB (I've served on that too); but they are ineffective at making meaningful changes to utility spending and rates. None of these citizen groups have any paid staff with the time to examine the financial plans in depth. For a decade the PURB has complained to council about the same issues without any progress. Currently, no one outside city hall has any real access to question or change city utility spending or rates.

In contrast, the IUC has clear and direct authority to change and set utility spending and rates. With the IUC charter amendment, an independent group of five people, backed by a professional staff, will provide diligent, public and transparent oversight of the spending and rate making for the utilities. Budget decisions and tradeoffs will move from behind closed doors to public meetings. The IUC could certainly make a decision that some in the city disagree with; but that would only occur after publicly visible discussions on the topic and if 3 out of the 5 members agreed it was best for rate payers to do this. In my opinion there is a light year of difference between the accessibility of the budget in these two approaches to governance.

Innovation: The critics seem to think that innovation only happens if no one is paying attention. That the simple addition of serious checks and balances will bring a halt to all utility innovation. I believe the critics don't realize that Portland's utility innovations occurred in spite of the current system of governance, not because of it. (BES' street bio-swale program is a good example... nearly being derailed last year into a bike lane program that would not have been consistent with the bureau's green storm water management strategies.)

The IUC comes with a broad mandate to do what is best for rate payers. Close attention to costs will drive innovation, not stifle it. Innovative, nontraditional solutions often can transform the cost equation. Southwest Airlines is the low cost leader in the airline industry; yet it is consistently one of the favorite airlines of frequent travelers and ranks near the top in terms of on time arrivals; baggage handling; and customer service. Intel aggressively controls costs, yet has been a technology innovator for decades.

I would expect innovation and cost reductions to blossom with the focused, thoughtful, long term approach that IUC oversight will bring to the utility bureaus.

In conclusion, Portland's current system for utility governance lacks meaningful checks and balances. Behind closed doors even the strongest leaders will make bad choices and be tempted to abuse rate payers. But with the IUC charter amendment, an independent group will provide diligent and transparent oversight of the spending and rate making for the utilities. The IUC will provide a public vetting of the value and relevance of the programs funded by rate payers.

In the end this proposed IUC amendment is not about getting any particular pet project either cancelled or enshrined. It is about reframing utility governance to promote transparency, effectiveness, good judgment and long term thinking.

As a Charter Commission you have the opportunity to give Portland voters the chance to personally weigh in on this important decision to improve their city government.

I strongly encourage commission members to refer the IUC proposal on to Portland voters.

Thank you.