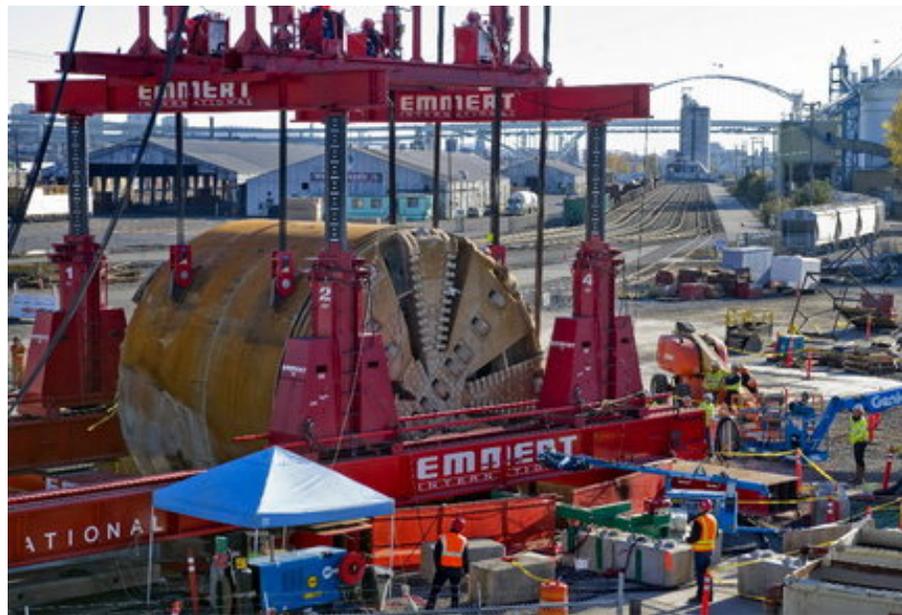


Portland sewer, water rates lack third-party check

By Janie Har, The Oregonian

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Brent Wojahn/The Oregonian

The East Side Big Pipe project, aimed at keeping sewer overflows from reaching the Willamette River, is among expenses adding to Portlanders' sewer and water bills.

The Portland City Council's decision to divert \$20 million in sewer savings may have slipped by quietly, if not for a crushing pocketbook reality.

A typical Portland resident pays \$215 every three months for tap water, toilet flushes and a share of managing the stormwater that spews sewage into the Willamette River after a hard rain.

That's a 64 percent increase from a typical residential bill in 1999 — and it's a figure that could climb 9 percent more in July if water and sewer officials get the rate increases they want through the City Council.

All it takes is at least three votes on the council.

"The only check and balance is if people get mad enough to do something about it," said Sharon Kelly, a member of the Portland Utility Review Board.

"I don't think (city commissioners) like to increase rates, but they also don't like not to be able to fund their pet projects."

Oregon's Public Utility Commission regulates investor-owned electric and natural gas companies. The state constitution limits property tax increases. Any gas tax or income tax increase needs to survive a 90-member Legislature and a governor.

But in Portland, there is no real third-party check on whether water and sewer rates need to go up, or by how much and for what, other than a nine-member volunteer board that acknowledges it's too rushed to carry much weight.

Last week, the Portland Utility Review Board voted to reject a proposed one-year budget for the Bureau of Environmental Services, which is seeking a 7 percent increase in customer sewer rates. The board balked at raising already high rates when Mayor Sam Adams and the rest of the council have voted

How to read your water and sewer bill

Portland's mayor doesn't use that much water at his home, as his most recent quarterly bill shows. The city's four commissioners were billed between \$226 and \$305.

Water volume: Based on how much you use. One CCF equals 748 gallons.

Sewer volume: Based on your winter water use or actual use, whichever is lower, because the city doesn't track how much you flush or send down the drain.

Stormwater off-site: Your cost of treating water runoff on public surfaces. A set daily rate that is the same for all residential homes, about \$23 a month or \$39 a quarter.

Stormwater on-site: Your cost of treating water runoff on your property. Again, a set rate. Discounts available if you manage runoff yourself.

Portland Harbor Superfund: The cost to pay for the city's ongoing participation in a federal investigation of the Willamette River. No actual cleanup has occurred.

Base charge: A set daily rate for administration, customer services, meter reading. About 24.6 cents a day, collected by the water bureau.



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to put \$20 million in sewer contract savings toward helping build bikeways. The board also rejected a proposed budget for the water bureau that calls for a 13 percent rate increase.

"There definitely is a need for a better ratepayer voice, and frankly, a different decision-making structure on the council to set rates," said Jeff Bissonnette, a state ratepayer advocate.

Portland officials defend sewer and water costs as appropriate, in keeping with expensive federal mandates to protect the city's drinking water and keep sewage out of the Willamette River. Randy Leonard, the commissioner who oversees the Water Bureau, said it "foolishly" froze rates a few years ago and received no credit for that from the public.

"So now we're trying to catch up," Leonard said. "And the last thing I want to do is have a discussion with a reporter on why a main collapsed."

Water and sewer are billed together, even though the bureaus are separate and managed by separate directors. But most Portland residents don't care about the organizational chart. All they know is the bill comes once every three months — and it's often large and distressing.

Sewer and stormwater is to blame for most of the sticker shock. The average three-month bill for those has climbed from \$90 in 1999 to \$149 in 2009 as the city embarked on a 20-year program to control combined sewer overflows. The \$1.4 billion program is scheduled to end in December 2011 with the completion of the eastside Big Pipe.

As a result, Portland's sewer and stormwater rates are among the most expensive in the country. A 2007 survey by Black & Veatch put Portland No. 1 on the list, followed by Redmond, Wash., and Fort Collins, Colo.

Members of the volunteer review board argue that the city should adopt a top-down approach when setting customer rates. The current practice is for the bureaus to identify what it needs to do and then figure out rates to help fill that need. In 1999-2000, the sewer bureau collected about \$100 million from ratepayers; in 2009-10 that figure was more than \$200 million. Water collections have gone from \$45 million in 1999-2000 to \$72 million in 2008-09.

Jim Hagerman, business services manager at the Environmental Services Bureau, said a rate increase capped at 1 to 2 percent, which is what the review board wants, would be too restrictive.

The 7 percent increase built into the bureau's budget, he said, easily could be higher if not for bureau restraint. "We do not feel we have a free ride to suggest any old thing," he said. "We've operated under what we consider to be a solid rate constraint."

The Portland Utility Review Board was established in 1994 to provide independent review of sewer, stormwater, garbage, recycling and water rates to the mayor and City Council. But the board's relationship with the council has grown increasingly contentious over the years, as witnessed through annual reports.

In 2004 and in 2005, the board found rate increases to be "reasonable," even justified. The 2006 report was similarly sedate, as was the review in 2007.

In 2008, however, a cranky board warned that rate increases "should be in line with current inflation and cost of living increases" and that "it is inappropriate for the bureaus to continue internal business as usual and to increase their rates to cover their spending."

Last year, the review board exploded, calling the Water Bureau's budget proposal "excessive and inappropriate given the current economic situation."

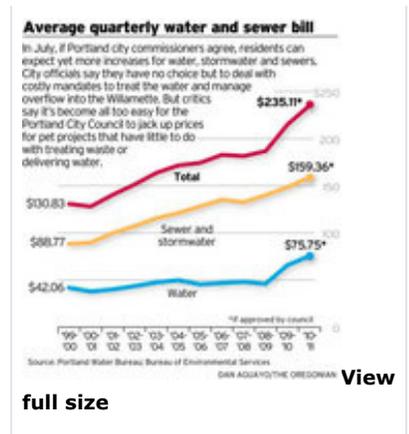
At the most recent board meeting, interim chairman Tracy Marks scolded Dean Marriott, director of the environmental services bureau, for allowing council members to squeeze outside projects into his budget.

The proposed environmental services budget, for example, includes \$148,000 for two engineering technicians at another bureau and \$81,000 for a tree inspector now paid by the city's parks bureau. There's also \$102,000 proposed for invasive plant control at parks and \$69,000 to enforce dog rules in parks.

"The reason council has stuck it in your budget," Marks said to Marriott, "is because they can."

This is the first time in Marks' four years on the board that the panel has rejected a proposed budget. Marks, general manager for the Portland Hilton, will leave the review board next month.

"The system we have here in Portland is somewhat broken," he said this week. "Each one of these commissioners has their own silos, so to speak, and very seldom is there any pushback from the other commissioners."



The mayor said he can understand why the review board members would feel irrelevant or why ratepayers would feel stung. But he said using the \$20 million now for "green streets" projects -- to build out curbs and rain-absorbing bioswales -- will manage stormwater more effectively and cheaply in the long run, and do double-duty as bike infrastructure.

"I'm the first to say I've lost the spin on explaining the multiple benefits of green streets," Adams said.

Commissioner Dan Saltzman, who oversees the environmental services bureau, said he, too, is concerned about the pace of rate increases, but said he's happy to report that citizen board members, for the first time, will participate in the mayor's budget hearings.

Ratepayer outcry over bioswales and bikes has been fierce. Commissioner Amanda Fritz last reported that she's answered about 100 e-mails on this topic.

Linda Berg, 65, lives in the mayor's neighborhood of Kenton. Her last three-month bill was for \$187.28. She lives on a fixed income that continues to shrink, she said. What the council decided nearly brings her to tears.

"I'm livid, but I feel there's nothing I can do," Berg said. "I call and tell them what I believe -- and I know nobody who agrees with this -- and then they do whatever they want."

The bureaus say low-income ratepayers can seek a \$100 subsidy every quarter from the city through a program that's now underused.

There are accountability pitfalls with any kind of utility setup. Private companies want to make money. An independently elected utility board, such as in Eugene or Central Lincoln, could be motivated by the next election. Portland's structure is to allow voters to vote out city commissioners who have the ultimate say on rate increases.

But at the very least, said Bissonnette, the ratepayer advocate, Portland should consider separating the rate process from the budget process so the council could take a hard look at what customers are asked to pay.

The review board's advice is advisory only. The council can ignore the panel's recommendations as it pieces the one-year budget that starts July 1. On Tuesday, the City Council will hold a work session on the Environmental Services and Water Bureau's budgets.

"Sometimes, organizations can be tone deaf," said Charles Rosenthal, who joined the review board last year.

"They don't do it deliberately. They just sort of proceed doing what they have for a long time without recognizing that things have changed."

-- **Janie Har**

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