



CITY OF
PORTLAND, OREGON

OFFICIAL
 MINUTES

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **7TH DAY OF MAY, 2003** AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Katz, Presiding; Commissioners Francesconi, Leonard, Saltzman and Sten, 5.

Commissioner Leonard arrived at 9:40 a.m.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Ben Walters, Senior Deputy City Attorney; and Officer Michael Frome, Sergeant at Arms.

Item No. 410 was pulled for discussion and, on a Y-4 roll call, the balance of the Consent Agenda was adopted.

TIME CERTAINS	Disposition:
<p>*403 TIME CERTAIN: 9:30 AM – Direct City bureaus to implement Recommended Best Practices for Prevailing Wage Laws and direct Bureau of Purchases to require bidders to provide information of compliance with Prevailing Wage Laws to assist in determining bidder responsibility (Ordinance introduced by Mayor Katz and Commissioner Francesconi; amend Code Chapter 5.33)</p> <p>Motion to accept amendment to Exhibit A, page 1, section 1, bullet 7 should read “send out internet address for BOLI wage certification forms to contractor with contract to be signed”: Gaveled down by Mayor Katz after no objections.</p> <p>(Y-5)</p>	<p>177448 AS AMENDED</p>
<p>404 TIME CERTAIN: 10:00 AM – Accept the Urban Forestry Commission Annual Report for its accomplishments in 2002 (Report introduced by Mayor Katz)</p> <p>(Y-5)</p>	<p>ACCEPTED</p>
CONSENT AGENDA – NO DISCUSSION	
<p>405 Vacate a certain portion of NE Weidler Street west of NE 84th Avenue under certain conditions (Ordinance by Order of Council; VAC 10003)</p> <p>(Y-4)</p>	<p>177434</p>
Mayor Vera Katz	
<p>406 Authorize participation in U.S. Fish and Wildlife Service Urban Conservation Treaty for Migratory Birds (Resolution)</p> <p>(Y-4)</p>	<p>36135</p>

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<p>*407 Amend agreement with Cable, Huston, Haagensen & Lloyd for outside legal counsel (Ordinance; amend Ordinance No. 177371, Contract No. 33228) (Y-4)</p>	<p align="center">177435</p>
<p>*408 Adopt findings, approve an alternate contracting process and create an exception to the competitive bidding requirements of Chapter 5.33 for North Park Square Development project (Ordinance) (Y-4)</p>	<p align="center">177436</p>
<p>*409 Create a new Non-represented classification of Parks Facilities Maintenance Supervisor and establish a compensation rate for this classification (Ordinance) (Y-4)</p>	<p align="center">177437</p>
<p>*410 Grant a ten-year property tax exemption to Station Place LLC for new multiple-unit housing on the southwest portion of the block bounded by NW 9th Avenue, NW Marshall Street, NW Station Way, the Lovejoy ramp and NW Lovejoy Court (Ordinance) (Y-5)</p>	<p align="center">177450</p>
<p>*411 Authorize 2001 Oregon Transportation Investment Act Agreement with Oregon Department of Transportation to provide funds for East Columbia Boulevard to Lombard Street Connector Project (Ordinance) (Y-4)</p>	<p align="center">177438</p>
<p>*412 Revise the legal description to clarify the portion of SE Platt Avenue to be vacated (Ordinance; amend Ordinance No. 174981) (Y-4)</p>	<p align="center">177439</p>
<p>*413 Amend the agreement with Tri-County Metropolitan Transportation District of Oregon to increase the maximum number of coin boxes the City may deliver per day for processing (Ordinance; amend Contract No. 51808) (Y-4)</p>	<p align="center">177440</p>
<p>*414 Amend Abandonment and Retention Agreement with the State of Oregon, Department of Transportation for the jurisdictional transfer of portions of SW Market Street, SW Clay Street and SW Front Avenue and clarify maintenance responsibilities (Ordinance; amend Ordinance No. 176142) (Y-4)</p>	<p align="center">177441</p>
<p>*415 Authorize amendments to contract with Pavement Services, Inc. for testing and analysis of city arterial streets (Ordinance; amend Contract No. 34693) (Y-4)</p>	<p align="center">177442</p>
<p>*416 Designate and assign a portion of Gilbert Primary Park as public street right-of-way (Ordinance) (Y-4)</p>	<p align="center">177443</p>
<p>*417 Amend agreement with The Climate Trust to simplify requirements for property owners who participate in City energy-conservation programs (Ordinance) (Y-4)</p>	<p align="center">177444</p>

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418	Amend contract with CADRE, Inc. for an additional \$76,400 to provide professional services and extend the contract for two years (Ordinance; amend PO No. 1023945)	PASSED TO SECOND READING MAY 14, 2003 AT 9:30 AM
*419	Authorize Intergovernmental Agreement with Oregon Health & Science University for firefighter physical examinations (Ordinance) (Y-4)	177445
*420	Amend agreement with Technical Assistance for Community Services to provide an additional \$5,500 for a total of \$30,500 and modify the scope of work (Ordinance; amend Contract No. 34240) (Y-4)	177446
*421	Agreement with SE Works, Inc. for \$31,950 for Transitions to Housing program and provide for payment (Ordinance; amend Ordinance No. 177402) (Y-4)	177447
REGULAR AGENDA		
Mayor Vera Katz		
422	Approve appointment of Dr. David Willis to the Allocation Committee for the Children's Investment Fund for a term to expire May 1, 2005 (Resolution) (Y-5)	36136
*423	Require business accounts to file an informational return to assess the impact of the proposed revised business license fee structure (Ordinance) (Y-5)	177449
424	Grant a ten-year property tax exemption to Brewery Block Investors LLC for new multiple-unit housing on the full block bounded by NW 12th, 13th, Couch and Davis Streets (Ordinance) Motion to accept amendment that the first time projects are awarded abatements, notwithstanding the term of the project, will have a financial analysis provided to Portland Development Commission annually so at the end of the project, if determined the overall rate return has exceeded what it was to justify the abatement, the City of will get the money back: Moved by Commissioner Leonard and seconded by Commissioner Francesconi. (Y-5)	PASSED TO SECOND READING AS AMENDED MAY 14, 2003 AT 9:30 AM

At 12:15 p.m., Council recessed.

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RECESSED MEETING OF THE COUNCIL OF THE CITY OF PORTLAND,
OREGON WAS HELD THIS **7TH DAY OF MAY, 2003** AT 3:30 P.M.

THOSE PRESENT WERE: Mayor Katz, Presiding; Commissioners Francesconi,
Leonard, Saltzman and Sten, 5.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Kathryn
Beaumont, Senior Deputy City Attorney; and Officer Curtis Chinn, Sergeant at Arms.

<p>425 TIME CERTAIN: 3:30 PM – Transmit Report to Council on Retroactive Stormwater Credits (Report introduced by Mayor Katz and Commissioner Saltzman)</p> <p>Motion to accept Report: Moved by Commissioner Saltzman and seconded by Commissioner Sten.</p> <p>(Y-5)</p>	<p>Disposition:</p> <p>ACCEPTED</p>
<p style="text-align: center;">REGULAR AGENDA</p> <p>426 Tentatively approve the proposal of Albina Fuel Company and the recommendation from the Hearings Officer with conditions for approval of a Comprehensive Plan Map Amendment and Zoning Map Amendment with Greenway Review and an Adjustment for properties located on the south side of NE Broadway between NE 32nd and 33rd Avenues (Findings; Previous Agenda 379; LUR 00-00672 CP ZC)</p> <p>Motion to adopt findings: Moved by Commissioner Leonard and seconded by Commissioner Francesconi.</p> <p>(Y-5)</p>	<p>FINDINGS ADOPTED</p>
<p>*427 Amend the Comprehensive Plan Amendment from Industrial Sanctuary to Urban Commercial and Zone Change from IG1 General Industrial 1 to CS Storefront Commercial with a d Design Overlay Zone for lots abutting NE Broadway Street and approve a Comprehensive Plan Amendment from Industrial Sanctuary and General Commercial to Central Residential and Zone Change from IG1 General Industrial 1, IH Heavy Industrial and CG General Commercial to RX Central Residential with a d Design Overlay Zone for the remainder of the site, south of the lots fronting NE Broadway Street (Previous Agenda 380; LUR 00-00672 CP ZC)</p> <p>(Y-5)</p>	<p>177451</p>

At 6:06 p.m., Council recessed.

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Closed Caption Transcript of Portland City Council Meeting

This transcript was produced through the closed captioning process for the televised City Council broadcast.

Key: ***** means unidentified speaker.

MAY 7, 2003 9:30 AM

[Roll call]

Katz: Please note who's here. All right. Let's take consent agenda, I understand that commissioner Leonard wanted to pull 410, and hear it with 424. And I will do that. Any other items to be removed off the consent agenda? Anybody in the audience wanting to remove an item off the consent agenda? If not, roll call on the consent agenda.

Francesconi: Aye. **Saltzman:** Aye. **Sten:** Aye.

Katz: Mayor votes aye. [gavel pounded] it's all right with the council if we take 410 item with 424? Any objections, hearing none, so ordered. [gavel pounded] then I won't -- we won't listen to it now. All right. We have a time certain, 403.

Item 403.

Katz: I'm going to -- the reason my name is on this is because technically I have all the bureaus, but this is commissioner Francesconi, what he's been working on, so i'm going to turn it over to him.

Francesconi: Since it's also your bureau, you could have kept it on anyway. But anyway, if Tracy Reeves could come up, then i'm going to introduce it, and i'll introduce this ordinance. Then we'll have three people that i'll invite up afterwards. And they'll be Dan Gardner, our elected labor commissioner from the whole state, Keith Edwards and Wally Merins, and then more people after this. This responsible contract ordinance, it was actually Wally, about four or five years ago that first talked to me about this. We're introducing it today, and I want to acknowledge up front the help of commissioner Leonard and Stacy Chamberlain in his office. It was put together in response to complaints over the years about whether we're following prevailing wage laws here in the city, and concern that some city managers lack the expertise and knowledge of prevailing wage. So our goals here today are to ensure that the city is adhering to the law, prevailing wage laws, ensure that we're applying these in a uniform fashion throughout the bureaus, to ensure that adequate training is available to city bureaus as well as to contractors, and to improve accountability by both the city and the contractors. Although we've -- i've stumbled along the way in terms of public involvement process, I would like to thank in advance the work of Sue Klobertanz and especially Tracy Reeves. This actually began three years ago with Madeleine Wessel, who did some investigation in response to carpenter complaints. And then the ball got dropped when Madeleine left, and it's been picked up by Tracy. And I guess I would be to thank in advance Tracy all the work that you did. I don't think you bid on this when you took over the assignment. And then i'd also like to say thanks to Sue for the work that she did to not only improve the ordinance, but to make sure that in the application we actually do what we say in this ordinance. That we promise what we can deliver, and not more. I'd also like to thank Wally Mehrens and the Oregon Building Trades Council for their patience and for their persistence. And i'd like to thank the minority contractors, specifically Andre Baugh, Tony Jones, and Bruce Watts who have actually helped improve this. What this ordinance is not about is getting into the training aspects and the work force aspects. There are people in the labor movement that would like this ordinance to go further in terms much requirements regarding training, there's those in the minority community that would like it to go further in the other direction in terms of guarantees on minority work force, but the problems we were addressing was

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the responsible contractor and the enforcement on prevailing wage, and that's the issue. It's clear, and I think we'll hear this from the conversation, and dan gardner and I had a very good conversation about this, that there's more we need to do in conversations between labor and the minority community, because it's very clear to me that we want the same things. We want better working conditions and wages with health benefits for all of our employees, regardless of what neighborhood, what race, what class. And it's going to take some more conversations to do that. Sue is already doing a lot in that regard. There's more to be done. But this is about enforcing and making sure we're following prevailing wage, and that's what this is about. Tracy?

Tracy Reeve, City Attorney's Office: I'm Tracy Reeve, with the Portland city attorney's office. I want to give you a little bit of history of the best practices and how they were developed and what this ordinance would do. In December of 1999, the Bureau of Purchases coordinated citywide training for the project managers on existing prevailing wage laws. At that time, some questions arose regarding what -- exactly what the city's roles and responsibilities were and how that compared with the actual practices of the bureaus. In response to that, in June of 2000, the city performed and complete add six-month review of city roles and responsibilities and implementing and monitoring prevailing wage rates. That review included a citywide survey of project managers from the different bureaus as to their actual practices, and revealed a lack of consistency among the bureaus in handling our prevailing wage issues. In response to that information, the Bureau of Purchases developed an issue in June of 2000, some recommended best practices to guide city bureaus in implementing and monitoring prevailing wage regulations. Those were issued as recommendations and they were not mandated. Experience since that time in the almost three years since then shows that these recommended best practices have not been implemented consistently. Practices among the bureaus continue to vary. One of the intent of this ordinance is to ensure that these best practices are implemented consistently and applied by all bureaus, and to provide the training that's necessary for that to happen. I'd also like to give a little history of the prevailing wage violations and the city's handling of those. From time to time the city receives complaints of prevailing wage violations. As Commissioner Francesconi mentioned there have been some instances where those were investigated and that investigation has revealed that there was noncompliance. For the most part, the complaints the city receives tend to be very anecdotal. They're dealt with in an ad hoc basis and there has not been data collected to show whether or not those are found to be valid and how they're disposed of. As a result, it's been difficult to assess the frequency or severity of violations of prevailing wage loss by city contractors. Staff experience, interviews with contractors and others does show that in some instances, due to the technical and complex nature of the regulations, unintentional violations sometimes occur. There seems to be consensus among a lot of parties that appropriate training could help avoid the unintentional violations. The intent of the ordinance in this regard is really threefold -- to provide a mechanism for collecting and tracking data on violations to the city will be in a better position to assess the severity of the problem, to implement additional training to avoid or correct unintended or inadvertent violations, and to ensure that nonresponsible contractors who do commit material violations are not prequalified to bid on city projects. Questions have arisen about this ordinance as to whether it duplicates what BOLI already does. That's not the intent of the ordinance. BOLI would still have the primary responsibility to investigate and prosecute alleged prevailing wage violations. The city would, though, require contractors seeking prequalifications to provide information on prevailing wage violations that BOLI has found to have occurred. BOLI would still litigate those, but contractors would be responsible to provide that information to the city. The city would use that information if BOLI had found violations to have occurred, to determine whether or not the contractor is responsible. That's an obligation the city already has. The standard would be whether material violations had occurred, and that would be standard -- violation that's have real importance or great consequences. That's a standard that does involve the exercise of some discretion by the

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bureau of purchases. The violations would be looked at on a case-by-case basis to determine whether they are so severe or have such real importance or great consequences that they demonstrate either a lack of integrity or a lack of satisfactory performance record. And there is an appeals process for any contractor who's denied prequalification as not responsible. Another concern that's arisen about this ordinance is whether it will have a disproportionate or negative impact on minority women and emerging small businesses. And as I already mentioned, due to the complexity of the prevailing wage laws and regulations, inadvertent and technical violations do sometimes occur and this can be particularly true for smaller or newer contractors who have less experience on public projects, less experience dealing with these laws and regulations. The ordinance includes several safeguards to try and ensure it doesn't have a disproportionate effect on these contractors. First, only material violations, namely those having real importance or great consequences, can provide a basis for a finding of nonresponsibility. Second, even if violations are found to have occurred or are reported to the city, the city code still requires the city to make a determination of whether the contractor has taken corrective action before finding the contractor not to be responsible. Third, the ordinance itself specifies that it is not the city's intent to use technical or inadvertent violations as a basis to disqualify otherwise responsible contractors. And in the city's best interest to assist contractors in developing the knowledge, skills, and experience to comply with prevailing wage law and to support company growth and develop local entrepreneurship. Finally, there are protections built into the ordinance to keep it -- the standard from being used. The basis for any finding that a contractor is not responsible must be documented. It's subject to appeal, and it must be reported annually to council, this ordinance would require the bureaus to provide information back to council annually on the data that's been collected. And in a nutshell, that's what I have. I'd be happy to answer any questions.

Katz: Let's hold off the questions. We'll come back to you. We've got a lot of people who have signed up.

Francesconi: If I could call a couple people first.

Katz: I'm sorry.

Dan Gardner, Commissioner, Bureau of Labor and Industries: Thank you, mayor, members of the city council, my name is dan gardner, commissioner. Bureau of labor and industries. I'm here today to testify in favor of the ordinance regarding prevailing wage. I think that the city's done a fine job in putting it together. To me, this is an ordinance that looks at more ways that the bureau of labor and industries and local government can work together to see that prevailing wage is paid to those contractors out there, and we establish processes for that. And I find it of great benefit. One thing I might mention is that as commissioner Francesconi discussed, there are certainly some who might feel that the bureau has not done -- and that there are not enough diverse numbers within the apprenticeship programs out there. Many of those I agree with, that we need to do things to improve those. Let me tell you a couple of things we're starting to do at the bureau of labor and industries. Number 1, what are processes been in the past? We have worked with 188 different joint apprenticeship training programs and constantly set target numbers for women and minority numbers within those programs. We've always worked with them -- we've always talked to them about how they need to bring up those numbers. Over the last eight years under my predecessor, the apprenticeship division has been cut by about 50% of its staff. Unfortunately what we've concentrated on totally was on compliance reviews for the bureau in order that the apprenticeship programs bring up compliance reviews. What i'm trying to do to turn the direction of the bureau is to make sure that what we concentrate on now is those that have decent -- really good completion rates 1 the programs only fill out a compliance review about once every five years instead of once every year, which will give me the staff I need to go out and be a partnership with the community and with those joint apprenticeship training programs so the bureau of labor and industries is working with them to bring up their numbers rather than simply stating that they need to on their

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own. And so those are some of the concentrations. We're working on work force development to get half an f.t.e. Toward that direction. We should have 1 1/2 f.t.e. Within a six-month period, concentrating solely on working with those joint apprenticeship training programs. I think the biggest thing to remember, this is about that everyone gets paid a decent, page -- decent, fair wage within the community. We look forward to working with the city in that area.

Katz: Thank you.

Francesconi: Wally?

Wally Mehrens, Building Trades Council: Good morning, madam mayor, commissioners. Thank you very much for allowing me to speak today. As commissioner Francesconi mentioned, it was quite a while ago when we started working on this process. It may seem to some of you that it's -- i've been here too many times at the city council, but I was just thinking about this, the last time I was here and testified was July 28, 1998. July 28, 1998, was when the city passed its work force program. We've been working with the city and many other people on the city's work force program. What we found out, at least from our experience, is that more needs to be done to ensure that the contractors that are doing public works are doing it under the law, and that there are people watching over their shoulder to make sure that the community standards that are set in this community when it comes to wages and benefits, are paid to those workers on public works projects, so that those investments in public works actually enhance the community. Too often you hear about other states racing to the bottom, and under racing to the bottom, I think it means lowering the standards of living of workers in order to make them, those communities or those states, more competitive. This is a good resolution. I support it, and as the commissioner alluded to, i'm one of those that doesn't believe it goes far enough. But I believe that tools are in this resolution to get where I think all of us want to go as far aspiration -- as far aspiration from the community, in the community, in construction projects, but the key to any program you put together is to make sure that if you make rules, whether it's Oregon's prevailing wage law, or rules as far as work force, that everybody has to live up to them. And did they don't, there's a consequence. And there's a vehicle in here I think for that consequence. The ability to compete is very important for contractors in the construction industry, because under the law it says that a contract is awarded to be awarded to the lowest responsible bidder. Now, we can follow that track if we just use that first word, the lowest bidder, we can follow that track to the race to the bottom. Because the easiest way to be, quote unquote, the lowest bidder, is to take from the workers that are on a project in the form of wages and benefits. The law doesn't allow that. The law says no matter who you are, the color of your skin, your gender, your race, if you're performing a task on a public works project, you get the pay. That's what the law says. The only way you don't that has been established through surveys is if you're in a training program. Well, there are training programs and there are training programs. I think most of the state, most of the country understands in construction industry the training programs that lead you to a career as a productive construction worker are apprenticeship. And I will continue to work with the city, along with the rest of the council, on doing everything we can to make sure we have a skilled, trained, work force. We spend \$15 million every year on apprenticeship and journey-level training. We represent 16,000 construction workers. Right now, 15 to 40% of those construction workers are out of work -- construction workers are out of work. One of the reasons they're out of work is on public works there's no protection. Or, on private works there's no protection for the wages and benefits of workers, and they're being imported. We've heard the story all the way back to when we had the module issue in 1985, they were being imported from Texas and Arkansas and Alabama. That got turned around. Well, they're being imported from Argentina, from the care bean on private works projects. It's imperative that we enforce the law as it stands, and do everything we can to make those good contractors that are paying area standard wages and providing those benefits competitive. And this resolution does go along -- a long way to try and get that done. On behalf of the building trades council, I want to

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thank you for your efforts and I would hope all the commissioners and mayor can support this resolution. And come back in a year when the review happens and see how we're doing.

Katz: Thanks, wally.

Keith Edwards: Thank you for the opportunity to speak this morning. Let me share first a little bit of my background so you have a better idea about who I am. I've lived in northeast Portland since 1958, attended vernon and woodlawn schools, graduated from jefferson high school in 1967, attended Portland state college two terms, and dropped out. Floundered for about a year, and then I found out about the apprenticeship program. Joined that program in 1969, completed that program, became a licensed journeyman. After working at my craft for 20 years working here, tacoma, Washington, new york city, and new jersey, I became a steward, executive board member, business rep, assistant business manager and elected business manager, financial secretary of my local union. The reason I share this with you is because I want you to know that over the 33 years of my electrical career, i've pretty much run the gamut, and I pretty much know a lot about the industry, about construction, and i've worked across this country. Everywhere I worked, I worked for the prevailing wage. And that was important to me, because I was able to still take care of my family here at home while I was working even though I wasn't working here at home. Some might say i'm an anomaly. That's why i'm here today. I'm a worker. I've enjoyed the benefits of a living wage, health care, and pension benefits all of my life as an electrician. Yes, i'm a union electrician, and i'm blessed to be a union electrician. But all workers don't have that luxury. They don't receive a living wage because their benevolent employer didn't receive health care benefiting for them and their families because their employer -- and they don't enjoy pension benefits because of their benevolent employer. All workers enjoy better wages, benefits and working conditions because of union action. The bar is raised, benefiting all workers and the community where they live. I've shared with you this morning three documents of statistics that show that workers, because of unions, receive better wages. All workers receive 28% higher wages. That means they have more disposable cash. That means they also can buy homes. That means they also pay more taxes. Something we're not all fond of, but at the same time it's a benefit to the community. African-american workers receive a 30% higher wage because of that. Women receive a 31% higher wage because of that. And latinosaurs receive a 55% higher wage. Now, by no stretch of the imagination is this ordinance going to make these people that work for the city union members. At the same time, it's a step in the right direction. This ordinance again is not flawless. But again, it's a move in the right direction. I would hope the council would adopt this ordinance as a starting place to the benefits that all workers should enjoy. Thank you very much for your time and the opportunity to speak before you this morning.

Mehrens: I appreciate the opportunity. One point i'd like to make, we came down here, there was a contractor representative association representative that represent as multitude of contractors from small to medium, to large, to super large. I thought was going to be plugged in with us too, and I didn't get him signed up. I'm not sure if he did or didn't, but he's a representative from masonry and ceramic tile institute of Oregon. And I think he has some good things he'd like to be able to say too.

Francesconi: I think what we should probably do is just open it up here. We'll make sure -- how many people want to testify? Let's just open it up and we'll make sure he gets to testify, wally, rather than show preference on my part.

Katz: So let's -- there is an amendment that should be before you. It's a technical amendment. Do you all have it before you? Instead of sent out sample wage verification forms, It should read sent out internet address for boli wage certification forms to contractor with contract to be signed. Does everybody understand? Supportive? Ok. [gavel pounded]

Katz: Bring the mike closer to you.

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Rocks Ruud: Everybody is talking about prevailing wages, but no one is talking about the business owner. And for the business owner to be able to pay prevailing wages, he needs to be getting a fair pay. And you can't get more than \$50 an hour in this construction. So when you asked us to give our -- 50% of that, you're putting us out of business. And we can't function, pay all the responsibilities and function on \$25 an hour with a 50, \$60,000 truck investment. So if you're going to -- if you want us to pay prevailing wages, then make sure that the contractor pay us 60, \$65 an hour so we can pay prevailing wages. You can't say work for \$48 an hour, \$50, \$47 per hour and expect prevailing wages to be paid out of that. All -- you're putting us out of business, and eventually, the employee is going to be sitting at home without a job. Our counterparts just across the river is making \$65 per hour. Is we're making top wages here for a dump truck is 50. And we cannot pay insurance is going up, fuel, everything is constantly going up, wages going up, and you are just setting us up for a failure if you say work for 50, pay your drivers 27. We can't live that way. And that's -- we don't have anybody speaking out for the business owner for him to be able to pay prevailing wages. I'm not against prevailing wages, but if I got to pay prevailing wages, make sure the contractor pay me enough money to pay prevailing wages and make a profit. It just don't make sense to start at the bottom and say you got to pay all this, but this is all you got to pay it out of. So you got to look at both ends of it. Are we just setting me up to put me out of business. I can't pay all this stuff and everything, maintenance, and workman comp, and employees' taxes out of \$25 per hour. The driver's making more than the person that owns the business. I'm good if i'm making \$10 an hour off a \$50 -- a \$50,000 truck once I pay all my expenses. And you can't replace the equipment, you can't keep up the maintenance on it with \$10 an hour. That's all I have to say.

Katz: Thank you. James, pick up the mike.

James Posey: Good morning. I appreciate the opportunity to speak with you this morning. I have a written testimony i'd like to pass out.

Katz: Why don't you give it to --

Posey: Ok.

Katz: -- the council clerk.

Posey: I'll just read what i've written here. To me -- you know, this ordinance is a distant cousin to the old Oregon sundown laws. I don't know if you all know what the Oregon sundown laws are, but basically these laws basically prevented african-americans from being in the state of Oregon. And essentially the whole davis bacon concept and the prevailing wage issue has been historically used to keep people of color from working on jobs that would pay a decent wage. And it's been exclusively for white males, frankly. And your own records testify to that. Plain and simple, both the federal and state wage laws are racist in origin. In 2003, it is still an effective barrier to black participation in the work force. Don't take my word for it, look at your own records. Look what you have. Look who's working on these prevailing wage jobs. The proposed ordinance works to enhance its impact and supports its exclusionary goals. The real message of this ordinance to all contractors is that if you fail to hire a union-sanctioned -- if you fail to hire union-sanctioned workers, you will be subject to more scrutiny and possibly sanctioned, or even precluded from doing work with the city of Portland. Forget about hiring low-skilled workers seeking training or those minorities long excluded from participation in union-skilled crafts. This ordinance will try to superimpose its provisions by making the city, its staff, and processes auxiliary policemen to carry out the union's special interests. That special interest, as the record will show, always involves the nine black workers participation at any meaningful level. I'm also embarrassed by the city's willingness to outrageously be two-faced. In the community we talk about people being two-faced, speaking out of both sides of their mouth. On the one hand you want to strictly -- you want strict adherence to high prevailing wages, but on the other hand you'll try to beat down prices in the low bidding process to make sure struggling businesses can't make a profit. I think it is ironic that the -- that some writing articles in local newspapers are proposing an ordinance that is designed to limit

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minority participation on city contracts. I think you all have the context of that. I'd be happy to answer any questions.

Katz: Thank you. Grab the mike.

Connie Ashbrook, Executive Director, Oregon Tradeswomen Inc.: Good morning, I'm Connie Ashbrook, executive director of Oregon Tradeswomen Incorporated. Our mission is to promote the success of women in the trades through education, leadership and mentorship. I'm here to speak in favor of this ordinance because I believe in prevailing wage. And the importance of prevailing wage to our community of strong prevailing wage laws, and in my 17 years of working the trades, I have been the beneficiary of prevailing wage laws. I was also the beneficiary of the Urban League's Leap program in the early 1970's. We need more programs like that. I challenge the city, my labor brothers and sisters, and our communities to work together to develop effective strategies to achieve diversity in our public works trades work force. Of 2,200 new apprentices in 2002, only 4.8% were female. That is not acceptable. Our enormously successful women in trades fair we just held over the last weekend, reached over 1,000 middle and high school girls and adult women, including significant numbers of minority girls and women. Despite the success, our efforts alone are not enough. Oregon Tradeswomen is ready and willing to work with interested parties, to -- parties to develop long-term and effective strategies similar to the Leap program to open up opportunities for all of Portland residents to work on our public works projects. Thank you.

Katz: Thank you.

JoAnn Bowman, African American Chamber of Commerce: Good morning, madam mayor, city council members. For the record, I'm Joanne Bowman, with the African American Chamber of Commerce. And I am here this morning to speak in opposition to this resolution. Though I would be the first one to say that I absolutely support a prevailing wage, I think everybody who works for public contracts should make a decent living wage. Having said that, looking at the city's own record, going back to the disparity study of 1997, it is clear that putting the Bureau of Purchasing in charge of enforcing the state's prevailing wage law makes absolutely no sense. Because this is a bill that has such a very poor record of contracting with people of color, contractors, that I can't imagine it would be any benefit for the community by putting them in charge of prevailing wage. Another issue that I'm very concerned about as this resolution relates to is what it will do to minority contractors that are seeking to obtain public contracts. I'll go back once again to the disparity study that showed 97% of the city of Portland's construction contracts go to white union shops. If you go on any construction site within the city of Portland, you would be hard pressed to find people of color in or -- and/or women working on those construction sites. There are many, many reasons why that is so, but basically, we are not represented in our apprenticeship programs, we're not being hired by union shops, and we're not being promoted and retained. And -- in those positions. Therefore, this ordinance does nothing to correct a long-standing problem, and in fact, in my opinion, does just the opposite, which would close out the 3% of minority construction contractors that have found the way through on the job training with their employees to be able to hire people of color and low-income communities give them the skills to be able construction contractor trainees, and then have them available for prevailing wage jobs as they come up. And I don't think anyone can say that 15 to \$25 an hour for someone who is unemployed is anything to just \s your shoulders about. People low-income communities and minority income communities would love to be hired and retained in union construction shops. That just has not been the experience in my time in Oregon, nor has it been reflected in any records that you have developed for the city of Portland where you have looked at this issue in detail. And your own records tell you that we're doing a very poor job, and nothing in this ordinance would make it better. Thank you.

Steve Hubbard, Director, Masonry Institute of Oregon: Morning mayor, commissioners. My name is Steve Hubbard, I am the director of the Masonry Institute of Oregon. I am speaking today on behalf of the mason contractors association. The mason contractors, we do embrace and do pay

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the prevailing wages to our employees. It's a very important aspect of what the mason contractors are all about. It enables them to pay decent wages, health benefits, pension, and more importantly, our apprenticeship program, which enables us to cycle some of that money back into training of employees, increasing their skill level, which is very important for our industry nowadays, so with that in mind, we wholeheartedly do support this ordinance. Many of my contractors are small business operators, and they are struggling in this economy nowadays. They do pay prevailing wage, and when they're bidding on projects and going up against somebody who is a little unscrupulous and isn't following prevailing wage on -- bidding in the city of Seattle -- in Portland, it makes it very difficult for them. And it doesn't level the playing field. So we'd like to see some teeth in this law to help level the playing field, but let's get prevailing wage out to everyone. That way everyone has a livable wage, will increase the benefits, it just cycles that -- all of that money back into the community. We increase our training, and it's just something that's -- we feel is very positive for the industry. So again, we do support the ordinance, and thank you for the time. Do you have any questions?

Katz: Thank you. The council has questions, we'll hold them until the very end. We'll also need to get a lesson on prevailing wage laws.

Katz: Dick, why don't you start.

Dick Springer, Director, Fair Contracting Foundation: Good morning. Honorable mayor, commissioners, thank you. My name is Dick Springer, director of the fair contracting foundation. Our address is 1820 Southwest Vermont, Suite F, Portland, 97219. I've asked your assistant to distribute to you a book that we published approximately two years ago, which is some of the background information I hope you find helpful on prevailing wage laws in Oregon. Their history. It may answer some of the questions you have and some of the questions raised in this morning's testimony. It also takes -- talks about our interface with the federal Davis Bacon Act, and a brochure that talks about us, and a training aid, which is a rule and a plum. Fair Contracting Foundation is a 501(c)(5) joint labor management incorporated in Oregon. In 1989, our purpose is to promote compliance with prevailing wage laws through education and enforcement. Our board of directors are equally represented by A.G.C. Contractors and construction trade contributors, primarily carpenters, laborers, teamsters, and the finished crafts. We're funded pursuant to a collective bargaining agreement from workers and contractors. Our territory includes the state of Oregon and southwest Washington, where we work with contractors, public agencies, and workers on federal Davis Bacon Act issues as well as Oregon and Washington state prevailing wage laws. Last year question recovered over \$835,000 in wages and benefits for workers, more than twice their annual budget. Our goal as you've heard, and as our materials indicate is. To maintain a level playing field so contracts are awarded on the basis of quality, performance and productivity, not by cheating workers and public agencies. We've long worked with public agencies, contractors, and workers to provide information, solve problems informally, and when necessary, file complaints with BOLI and other regulatory agencies. We have three field investigators who are out every day visiting job sites to accomplish this task. One of our investigators is bilingual, Spanish-speaking, visiting job sites where a fair number of the workers in construction, public works, including city projects we visited, you have many non-English speaking workers. We partner with local and state agencies, department of transportation at the state level, the Oregon Economic Community Development Department, Portland public schools, we participate in annual meetings of the Oregon School Board Association, League of Oregon Cities and Special District Associations. We coordinate enforcement with the contractor construction board, workers' comp, building codes, U.S. Department of Labor, and we refer workers to private attorneys when appropriate. In the past couple years, we have monitored several city of Portland projects at the request of our contributors and board members. Our investigators visit job sites to observe work, interview workers and supervisors, review certified payrolls, request compliance documents regarding work force training and apprenticeship.

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We would welcome a chance to work with you and provide the training you think is appropriate, and be glad to respond to any questions you may have. We support this ordinance. Thank you.

Katz: Thank you.

Bruce Dennis, President, Carpenters Union: Madam mayor, commissioners, i'm bruce dennis, I live at 2948 northeast 88th place. I'm also the president of the carpenters union, and in that regard represent hundreds of carpenters and their families, but to -- in another regard, i'm here on behalf of the working class. This resolution calls for the enforcement of the laws of the land. Prevailing wage law were originally enacted so that the governmental buying power could not be used to erode the wage standards that exist in the community or prevail, hence the term prevailing wage. The city is on record as wanting to preserve and enhance opportunities for Portland residents to have good family wage jobs with benefits. And we're in agreement with the city on that. Unfortunately, i'm also a representative for the union, and we have found that the oversight on behalf of the bureaus has not been adequate to ensure the enforcement of these laws. So hence the need for this resolution. And as has been said by some -- by wally and the rest of the building trades, this is just a first step, and we believe there are -- i'm one of those also that believe that other things need to be done. A meaningful commitment to apprenticeship and training still needs to be made on behalf of the city. The current program unfortunately in many ways is a failure. Exemptions have continually been given to contractors that come up with excuses for why they can't be involved in training, and the city, through the work force program, is actually offered support to programs that have an absolutely abysmal regard in records to graduating people from a training program and leading them towards that good family wage job with benefits that the city and we agree with the city's opinion that we should be supporting those types of jobs. Additionally, we believe that the fringe benefit portion of the prevailing wage should ultimately be used for fringe benefits for the workers that hold these jobs. So in that regard, we intend to advocate for a better commitment to training, and also for fringe benefits for the workers that work on city jobs. But as I said earlier, we are in support of the resolution. Would I like to thank commissioner Francesconi for not dropping the ball on this issue. I was one of the people that brought some violations to him several years ago, and thanks, jim, for not dropping the ball, and thanks commissioner leonard for offering some encouragement to the commissioner to move this forward. Thank you.

Andre Baugh: Mayor, commissioners, my name is andre baugh, and I live in northeast 59th, Portland, Oregon. After working with commissioner Francesconi's office, the ordinance before you today is acceptable to me. I would describe it as neutral to minority interests. My concerns are, one, ensuring minorities are involved in the development of methods for monitoring and collection of data for the enforcement. And most importantly, review by council after one year, which is part of this ordinance, with interest in who complained, areas of complaints, type of complaints, and when they complained and the types of contractors that received the complaints. There is a strong suspicion from minorities that the complaints will be from interest groups or groups who traditionally complain about minority companies. We'll just need to see what the facts say after a year and see what the information is. All minority groups that i've worked with on this ordinance would like to see a companion ordinance on work force. I'm asking the council to provide the leadership in working on an industry problem, support of a local, diverse minority work force. This is not a measure of inadequacy of the current work force program at the city, it is not a union versus nonunion, it is not a large versus small, minority versus majority company issue, it's an industry practice. Over the last two years, the city has had city-funded construction projects over a half million dollars. I received the information from purchasing that had less than 5% minority workers on the project. And some had zero diversity. That's no minorities on a project. Over a half million dollars. This is a practice that has -- this is historical information over the last two years, but I think if you look today you'd still see the same type of practices. If diversity support of a willing work force is important, I would ask council to do the following -- with council's leadership, bring all the

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parties to the table, and they're in the room today. I think the testimony from the people, you've got the people here, just get them to the table. Look at the policies, the local policies. Look at the rules, enforcement, look at the programs, and develop something that gets diversity on the work force. Why this is an immediate issue, minority companies, both union, nonunion, large, small, have told me consistently, local minority companies would love to hire minority workers that they know can do the job. The rules prevent them. They just can't get there. The programs, the policies, it's not a matter of county, it's a -- not a matter of counting them, it's a matter of finding them the tools. I've also heard this from large companies. It's a time that public dollars are being spent and you're not looking at the representation of the work force at a level from minority companies.

Katz: Thank you. Your time is up.

*****: Thank you.

Jerry Auvil: Thank you for this opportunity to speak, madam mayor and commissioners. My name is jerry, I live out in east county within the city limits. For over 20 years, i've worked in the trade as a drywall metal stud accuse call mechanic. That's what we call ourselves. In the last five years i've been an organizer for the carpenters union. The -- many of those hours have been spent walking the streets of downtown Portland, talking to workers and I am here to support this ordinance because what I find is that in spite of good laws that set standards for prevailing wage, yet still violations occur. And some of those occur within the minority community against minority community. The very issues i've heard opposing this ordinance I think -- I don't understand, because the -- some of the worst exploitation occurs with minority members of the minority community --

Francesconi: Wait, wait. I think it's across the board. Let's not go there. Go ahead. Sorry.

Katz: Go ahead.

Auvil: As an ordinance, I believe that internally scrutinizing the prevailing wages are a good thing, and I believe that this ordinance goes in a good first step to being able to ensure workers on the job site receive the fair wages they deserve. Thank you.

Maceo Pettis: Good morning, mayor, my name is macio, i'm speaking on behalf of the Portland coalition of black men, former chair of the coalition, long-time community resident. Also previous union member with o.e.a., I worked as a teacher for the state of Oregon, i'm familiar with union issues and the needs for support for unionized workers. And the benefits of being part of a union. However, I am here to speak in opposition to the proposed ordinance on behalf of the coalition of black men. And this is an issue that has had tremendous discussion, healthy debate over the last several years in our organization. However, we feel we have to pose this for the very same reasons, former representative joanne bowman spoke. And that is a concern about undermining the strength and the capacity of small minority businesses to compete effectively for city contracts for public dollars, we're also concerned about the historic exclusion of african-americans, we're speaking on behalf of african-americans as far as our organization is concerned, at getting to the table in terms of apprenticeships, in terms of decent positions on jobs, contracts, and jobs through the craft union industry, and I -- i'm not going to talk about abuses, i'm going to talk about the record. And we're not seeing black negotiation folks in those jobs and getting opportunities for apprenticeship. What we would propose and expect and desire to see happen is that the unions change and we see some changes in terms of the numbers and access for folks of color. So we're concerned about that exclusion. We have no choice, essentially but to pose this position and go on record in doing so. Thank you for your time.

Katz: Thank you.

Moore: That's all who signed up.

Katz: Anybody else want to sign up? All right. Sue and tracy, come on up. Why don't you give us a shorthand on o.r.s., I don't know the number, I can't remember it, but certainly we've had a lot of discussion on it for those of us who have been in the legislature.

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Reeves: The state and federal prevailing wage laws require the public bodies to pay prevailing wages on public works or public improvement contracts. And there are classifications of all kinds of different job classes set forth that identify for specific locales what those prevailing wages are. The -- and those don't apply on private projects.

Katz: It does not?

Reeves: It does not apply on private projects. It applies to public entities on public works or public improvement projects. The ordinance does not change the scope at all of prevailing wage requirements. It's in the framework of the existing state or federal prevailing wage requirements. So it does not impose prevailing wage requirements anywhere they don't currently exist. It has to do with monitoring and implementing those existing legal prevailing wage requirements.

Katz: Ok. So let me see -- let me be very clear. So we contract and then the subcontract, both the main -- the contract and the subcontract must follow the o.r.s., which is the prevailing rates on public --

Reeves: Correct.

Katz: Ok. And so the issue is the enforcement.

Reeves: Right.

Katz: Ok. Sue, did you want to add anything to that? No. All right. Further questions? All right. Thank you. Roll call.

Francesconi: Just a couple things. One is, there's no new obligations to corey -- created under this. That's why i'm a little confused by some of the testimony, because we're just trying to enforce existing laws. That's number 1. Number 2, there's no preference for union contractors in any of this. It's, again, enforcing law. What we need right now are good jobs in our community that benefit our citizens. I think everybody in this room agrees with that. So when we do the construction on north macadam, for example, there's the best opportunity to jump-start our economy with construction jobs that set us up for the future in the knowledge-based economy. To sustain economic development efforts when good times come, and hopefully they many come soon, we have to do it in a way that benefits our own workers. What this is about is just making sure we're following existing law. The reason that there was not agreement on this that some wanted me to push us to push further, is because some folks wanted the apprenticeship program and the training program built into this ordinance. And I would not go there. The reason I wouldn't go there right now is because I do think right now that would have created a barrier to minority contractors, and would not have been neutral as testified by andre baugh that this ordinance is. Having said all that, it is very clear to me on the work force training side, sue and purchasing have made some very good efforts, but the whole training component about how we're going to get all of our citizens trained into being able to access some of these good jobs, is the big unspoken economic development and justice issue out there that we have not as a community adequately addressed. This ordinance has nothing to do with it. But that's where we do need to come together with effective training programs that employers can access that benefit all of our workers. And that's the next step that we need to collectively do with you. But there is no barrier in this. We're going to enforce existing law, and there's all the appeal mechanisms in this to do this. What we really need is to create some relationships, which unfortunately are not there, that we can benefit each other in terms of going out and getting those good jobs, keeping them here, and benefiting all of our members of our community. That's the real work that we need to do. Aye.

Leonard: I think some valid points have been made with regard to the work force being accessible to everyone. And i've long recognized that as an issue in my prior profession as a firefighter. And as a result, I sat down with the former fire chief, bob wall, in 1994, and presented him a plan known as the apprenticeship program. The fire bureau at that time struggled to be able to attract enough women and minorities into a system that I believed at the time was inherently discriminatory against working class people who couldn't afford to go to college, who didn't have the tools to get to

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the competitive level that these candidates we were hiring were at. So we implemented -- bob wall and I came into this chamber and testified jointly in favor of that program, the council adopted it, funded it, and as a result of that program, we have hired more women and minorities than any other program combined in the history of the Portland fire bureau. It has been fabulously successful, and I had defended it to those who are not happy with it within the fire bureau as a means to diversify our work force. And get qualified people. So I recognize that as an issue and I want to work with this council on that. I might also add in my public life, I have not worked with a group of people more committed to diversity and treating people fair as the four poem to my immediate left. So I know we're committed to that. Having said that, there is no excuse in my mind not to pay working people a fair age. I can think of no legitimate reason for that not to happen. The way we address affordable housing, the way we spur the economy, the way we allow people to have dignity in their lives is to pay them fairly. And I am very, very committed to that. I thank commissioner Francesconi for bringing this issue. Aye.

Saltzman: I think this is an ordinance that we need to move ahead with. It's important that we do have mechanisms in place to ensure that our contractors and subcontractors are following the law of the land. What's evident certainly about the debate today and probably no secret to anybody here is that the unfortunate tension that's have developed over the years between trades unions and the minority community, between organized labor and minority contractors, and it's regrettable, and it's unfortunate, because -- but it's true. It exists, and I think this city -- we're in a position to try to make sure that our jobs are as diverse as possible to work with unions to make sure that apprenticeship programs are as diverse as possible with minorities and women, and to make sure that we can foster a small business climate here that does allow emerging small businesses to in fact emerge and become sustainable. It's all tough against a backdrop of a distressed economy, and certainly if we were in a different situation, a lot of these proms would -- problems would take care of themselves. When there's baylor shortages, hiring knows no color boundaries. But in a situation like this, we have to look at these tension that's have been here for a long time and try to deal with them as best we can. This ensures people will get paid a fair wage, but we still have work to do, and I have confidence in our purchasing department that they share the commitment that this council shares to ensure that minorities and women are part of our work force and are part of the work force that we hire with our public dollars through city contracting dollars. We have to redouble our efforts, but these efforts are not lost on any of us up here, and certainly I believe in our purchasing department, who will be responsible for making this work, and we'll know in a year how we're doing. Aye.

Sten: I'm going to support this, and I guess I think for me this is kind of working on two levels. I want to address one. One is the simple and I think straightforward intent of this ordinance. I completely support that, a did representative bowman in the start of this, who was against this. Or against some pieces of it. I want to talk about that a little bit. I think section 1 says the city of Portland has a compelling governmental interest in facilitating the full intent of the purposes -- state -- I have no problem with that. In fact i'm proud to support that and I think that's what we're trying to do here. And I think we have although I do as andre said, would like to see this after a year. I was a little nervous at earlier versions of trying to set up a whole other look to do what boli needs to do. When you have a government agency that's there to enforce the law, we should back them up, but I think having a clause where we ask people to state if they have violations, and some of those things are reasonable for to us do to make sure we're doing what the law -- make sure the law is followed. And I support trying to get wages up and I support unions unionizing. On the other level, it's very distressing to me to hear the quality of people I know in the community who are against this when that's what it says on its face. And that says to me that we don't have an unspoken problem, we have a very spoken problem. And i'm -- I wish that I had, I was trying hard in the last couple days to come up with concrete things I could say, let's amend this and try and address that

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issue, but ultimately the reason i'm supporting it, they are two different issues. And I think I support what this ordinance says, but I think we have work to do here, some serious work, and i'm looking at some of the union leadership who I know are working in good faith and I think commissioner gardner had to leave, but I was very pleased when he started his testimony talking about the work force issues that have to be dealt with. Because I think when we have a climate in which people of goodwill and of the brains and energy of mr. Posey and others are coming in saying we've got a problem here, we do have a serious problem here, and I think our economy isn't going to get right until we can address some of those things. So I would like to make a commitment to address these things. There was something that said -- I don't think this would be the case as won't westbound most of our contractors, but should we have a similar clause that says if any organization is shown to be not in compliance they should not get work with the city either. There were interesting things that were thrown out as ideas that if this is the approach we're going to take we probably should be thinking about it from both sides of the aisle. I don't however think we have to make a choice on this particular one. So i'm going to support what the intent and words of this say, but would like to kind of look to people to help me understand some ways to get at some of these spoken issues today, because I think they're very serious, and when we have trouble getting consensus around something like this because of other historic call practices, that means we've got more work to do. But on the ordinance itself, aye.

Katz: I think it's all been said. It reminds me of what my mother used to tell me when I was a little girl and had a terrible, terrible cold, maybe pneumonia. Drink a little chicken soup. It might help, it won't hurt. And I think the issues that have been identified by the minority community, women and minority community, are issues that we've been trying to address. But they're tough ones. There's no question about it. We'll continue to work on it. I think each and every one of you have made a commitment to meet the goals that we have set after doing the disparity study in early 1995. But there's a lot more work that needs to be done. This basically just says we need to enforce what the state and federal law says. Period, end of story. And that's a good thing, to make sure people are making a good wage, living wage. Aye. [gavel pounded] all right. Let's move on to 404.

Item 404.

Katz: Let's do this quickly.

Moore: I read the item.

Katz: I can't hear karla, so please take your conversations outside.

Brian McNerney, City Forester: My name is brian, i'm the city forester for the city of Portland. We're here to bring to you the annual report of the you're want forestry commission, and i'd like to take it to dave johnson, the chair of the commission.

Dave Johnson, Forestry Commission Chair: Thank you. My name is dave johnson, i'm a forester with Portland general electric and I act as city of Portland's urban forestry commission chair. I appreciate the opportunity to share our very first annual report with you. It's in the ordinance. We by ordinance are directed to present to council an annual report of the state and status of the urban forest. So that's our attempt to do so. We've designed this this year around some meaningful objectives and goals that we wanted to accomplish this year, and that's the document that you have before you. I'd just like to highlight a couple of these. Probably the one that we're most excited about is establishing meaning performance measurements for Portland's urban forest. We want to take urban forests that we're so blessed with in this city beyond some of the traditional values that we look at trees, aesthetics, and providing shade and even oxygen exchange, into some of the new research that's being done about the capabilities trees have of helping us manage storm water. So we entered a project with Portland state university, Portland general electric, brian's group, to do a canopy study of Portland's trees. This is using satellite and aerial photo imagery going all the way back to 1972 to look at trends by land use types, how are we doing in our residential area, how are we doing in our commercial area. And we're excited about some of the

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findings we have seen. Especially as it relates to some of the work that friends of trees has been doing that we see an increase in some of our forest canopy and some of our neighborhoods. So we're excited about that. The other thing that gives us an opportunity to do is to actually put a dollar value on the capabilities trees have to help us manage storm water. That's exciting for us as we look towards the future of working at -- looking at some of the work best is doing right now -- b.e.s. Is doing, but also in planning as we think the design of our streets of the future to incorporate trees to help manage storm water on site rather than continually focusing on piping it off site. So we're excited about that. And I guess just the only one i'd like to mention is the support for public education and outreach. We have a great mechanism here in the city to regulate the planting and care of trees, but there was a real need for us to try and reach out to our citizens to encourage them to see the value of trees. And that was done through the neighborhood tree liaison program, which is in its fifth year, and that's quite a commitment working with our neighborhood associations to identify somebody in the neighborhood that's willing to act as a liaison, receive training over a course of about two months, and then to carry forth some of the issues that have to do with trees, low-limbings, for example, and planting, and coordinating projects. We're excited about that this year. We held our very first neighborhood tree liaison conference at the world forestry center, where we talked about the diseases and insects affecting our trees, the value trees bring to our community, and we hope that that's just the first of many. Thank you for the time this morning.

Katz: Thank you. Anybody else want to testify on this? Thank you, gentlemen.

Linda Bauer: Linda bauer. We took a vote in east Portland, and want to support the collaboration of all the bureaus that went into this report. We think it's excellent. Thank you.

Katz: Thank you for coming down and sharing that with us. All right. I'll take a motion.

Francesconi: I'd move to approve and accept the report.

Katz: Move to accept the record. Do I hear a second?

Leonard: Second.

Francesconi: I just want to take a minute to thank the citizens. Let me start with brian. It takes good staff work to allow citizens to do their job. But I mainly want to thank the citizens on the urban forestry commission. We don't thank you enough. You've got other jobs, you've got families, but you care about not only the urban canopy, which is shrinking, and we've seen some pictures of this, but you care about the environment, and the quality of life in our city, but -- and how we move economically and environmentally at the same time. So from citizens, the first thing was using good science and data. And that came from the citizens. That's the approach we have to take, and it's really terrific to see that. Then developing an education campaign. We don't do enough to mark it to involve our own citizens and taking that approach as opposed to the regulatory approach. On the regulatory side, which is also necessary, you prioritize looking at the conflicts in the code. And this all came from citizens. And finally, developing the partnerships to be able to do more with flat resources. So those are exactly the right priorities, and they came from the citizens who spent a lot of time and effort on the urban forestry commission to move it. So i'm sorry I told you I was at your retreat I was going to spend more time with you, I lied. I'm sorry. But from this work, it's obvious you don't need me. But i'd like to try to help you implement some of this. Aye.

Leonard: Aye.

Saltzman: Good work. Aye.

Sten: Thank you. Aye.

Katz: Thank you for all your work. Aye. [gavel pounded] 422.

Item 422.

Katz: Does anybody want to testify?

Saltzman: I'd like to say something.

Katz: Ok.

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Saltzman: What we're doing today is as you recall, the children's investment fund has a five-person allocation committee to make decisions about how to invest the \$10 million a year in early childhood development after-school mentoring programs and child abuse prevention and intervention. As you know, county commissioner Lisa Naito are the two members surfing on the committee. The Portland business alliance appointed Ron Belts to the third spot on the committee, and today the mayor and I am asking the council to appoint Dr. David Willis to the fourth spot. Tomorrow the county board will appoint Professor Samuel Henry to fill out the committee. Unfortunately both Dr. Willis and Professor Henry were unable to be here, but I'd like to tell you a bit about them and I'd like to ask Ron to come up for a few seconds to say anything he'd like to say. Dr. Willis is a pediatrician, he specializes in developmental and behavioral pediatrician at Legacy Emanuel Hospital. His focus is promoting healthy mind and brain development in early childhood. He's a nationally recognized expert on early childhood issues. And he doesn't just talk about the chat evenings we face, he also addresses them. He's the founder and medical director of the Northwest Early Childhood Institute and has published numerous articles and books about the critical importance of the early childhood years. He'll bring the allocation committee a research background as well as a thorough understanding of the issues in the field. I think he'll be a tremendous asset to the children's investment fund and I hope you'll join me in supporting his appointment. I'd also like to tell you about Professor Samuel Henry. The county's appointee. Professor Henry has a masters degree in curriculum development and a ph.d. in urban education. Before coming to Portland, Professor Henry was a tenured administrator in the California State University system. After moving to Portland, Professor Henry served as the first executive director of the Portland Educational Network, and currently he is chair of the curriculum department in Portland State University's graduate school of education. And he's also a member of the state and local commissions on children and families, and I'm sure he'll make a terrific addition to the committee too. Last and by no means least, I'd like to introduce you to Ron Belts. Ron was appointed to the committee by the Portland business alliance. The alliance's appointment was designed to provide a business perspective to the work of the committee, and I think you'll agree Ron is well suited to do that. Ron is vice-president of Louie Dreyfuss Property Company and most of you probably know Ron from his previous role as the past president, the last president of the Association of Portland Progress. He's a public school parent and deeply committed to Portland kids and I'm thrilled to have him serving on the committee. I don't know if you want to say any words or if the members of the council wanted to ask Ronnie questions.

Ron Beltz: I would just like to mention -- Ron Beltz, 10642 Southwest Inverness Court. I was born in the city, I have two kids in the public school system. I was appointed by the business alliance. I also see myself as a representative of children, my wife and I do a lot of nonprofit work with kids. I do a lot of coaching, so I'm going to bring a kids' perspective I think to this program too. And this is a lot of money, and I think it's something that's going to make a difference, but I hope we can leverage it out a lot more. I view it as an equity fund, as a business person might raise and leverage it out and I hope we can do that with other nonprofit that's they can raise money and leverage out our funds and trusts and we can really make a big difference in this program. So it's not just a business perspective of making sure the money is well spent, but my number 1 goal is to make sure that we reach a lot of kids and make a difference.

Katz: Thanks. Anybody else? Roll call.

Francesconi: Actually, Commissioner Saltzman, you're to be commended not only for creating this fund, especially at a time when we're desperate for government resources to level the playing field for kids and give them equal opportunity, but also in the selection of these people. This is quite a combination. When you're first going for this I was wondering how did Belts get into this group? But listening to what you just said was terrific. Not only the man -- the money, but the equity fund idea. And leverage, which is why Commissioner Saltzman originally designed this, one of the

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reasons, in the beginning. So this is a great combination and an opportunity. I guess the other challenge I would add is how do you integrate it with what else is already out there? And -- because in government -- on the government side. So it's seen as not something separate, but integrated with the other efforts. But you have the group to do this and the leadership. Aye.

Leonard: I am very thrilled that commissioner Saltzman sits on the committee and that ron is going to be a member, having known ron somewhere between 25 and 30 years. He brings a working class perspective notwithstanding the fact he's a very successful businessman, he grew up in neighborhoods here in Portland, and squeezes as much as he can out of a buck. And that's just exactly what we need and want to get the best programs possible, and the most services possible to kids. So i'm -- this is -- there is no doubt this will be hugely successful. Aye.

Saltzman: Aye.

Sten: Looking forward to seeing you get the job done. Aye.

Katz: Aye. Thank you. [gavel pounded] all right. I'm impressed with all your connections that go back 30, 35 years. We add names to the list every week. [laughter] all right. Let's take 423.

Item 423.

Katz: Ok. Come on up. As you recall, this was part of the discussion when we passed the measure to begin work on the business income tax reform. And we're ready to start, and i'll turn it over to terry.

Terry Williams, Bureau of Licenses: I'm terry williams with the bureau of licenses. As mayor Katz just mentioned, on march 19, the council passed a resolution number 3612-a that established the general framework for reforming the current business license law, and the Multnomah county business income tax. As a part of that framework, one of the things that you directed the bureau of licenses to do was to collect payroll information from our businesses so that we could analyze for council and the county commission the impacts of changing the business license as it currently is to include a payroll calculation component. Without that data, your decision come september is going to be very difficult, and we're not going to be able to advise you very well without it. After discussing with the city attorneys office, we determined that in fact there are -- our current business license law did not authorize us to get this data directly under that authority. So this ordinance is before you to grant us that authority to collect that data, and to require the businesses to provide that data within a very short time frame. And that's what's before you.

Katz: I met with the Portland business alliance today, and they were concerned within the short time frame that you might not have enough time to do all of the returns. So if that's the case, then are you thinking of doing a random sampling based on sick titles, or six categories?

Williams: We're trying and putting a lot of resources behind getting as close to 100% return as we can. We've got temporary staff coming in, we're establishing four different ways that businesses can provide us with that information, online through a telephone interactive voice system to take that data, faxing, e-mailing, we have staff dedicated to that. After the first five weeks, when the requirement of june 30, all that data is to be collected, we will then have those staff directly contacting those businesses we haven't heard from, and again, trying to get that data from them. So we actually have a seven-week period where we have significant investment by staff in collecting that data. If in fact we do not believe at that time that we have collected enough data, then we'll look to what statistical analysis we can do to get that analyzed.

Katz: Does anybody else want to testify? Why don't you come on up. Stay here, terry, because there will probably be questions.

Greg Peden: Mayor, members of the council, greg peden. The mayor articulated our concerns. I don't want to tell you terry and jim at the bureau have been absolutely fantastic and have done a tremendous amount of work. They are people of cape -- people capable of doing a tremendous amount of work. We're talking about 45,000 returns here. That seems like an enormous amount of work. To the extent that they are having difficulty collecting that information or processing it or

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analyzing it, we want to be there to help. As you all know, we've worked with the bureau over the last year, we've had private consultants assist them in analyzing numbers in the past, we're standing ready to help in that process again.

Katz: Ok. Questions by the council? Anybody else want to testify?

Francesconi: I've got a question. I think commissioner Leonard does.

Leonard: I met with county chair Dianne Linn, because we're partnering on this. And she expressed concerns that were just echoed by Mr. Francesconi to me, about the \$500 fine. If businesses don't send back the return. I share that concern.

Williams: I can talk about it.

Katz: Why don't you talk about it.

Williams: Both the business license law and the county's business income tax law have a variety of penalties for noncompliance. One of which is a civil penalty that can be assessed in a couple of different instances. One is not meeting information requirements. This has been in these codes for over 10 years. This is not any different than any other regulating ordinance -- regulating code that we have that requires some kind of consequence for failure to comply. What this ordinance is -- right now that civil penalty is assessed after a 90-day period. So all this ordinance is doing is moving that 90-day to a 30-day to more match the collapsed time frame to give us a little bit of a push to help those businesses that find it a little more difficult to comply to give them an incentive to comply. It's not our intention -- we don't want the dollars. We want the data.

Francesconi: But here's the problem I have. And I understand in normal circumstances why I have to have a stick out there. Here we're asking them to do us a favor. By giving us information to make sure we pass the right policy. That's problem number 1. Problem number 2 is, it's really in their best interests to do this, because they could see -- there's an incentive already because they could see a tax increase. I just think at this very sensitive moment right now, we've got to be careful about what signals we're sending. So I would ask that that be removed from the ordinance.

Williams: The only thing you're removing is the collapse of the 90-day to the 30-day.

Katz: We're not going to remove the -- I think if I hear everybody telling you, you have discretion on this, do you not? And the discretion is that you not use it. On this.

Williams: We have always had discretion with penalties, no matter where it is. And we weigh --

Katz: And Jim is sitting there nodding his head that that will be -- that is the discretion that you have and that you will not exercise.

Williams: That's correct.

Katz: But we need to keep the stick for other issues.

Williams: Yes.

Francesconi: Thank you.

Leonard: And I will commit to making sure that an assessment does not happen.

Katz: I know. Ok. I think we took care of that.

*******:** Ok.

Katz: Anybody else? Roll call. Oh. You got a question. All right.

Saltzman: How much effort is this going to be for some companies? Do we have any idea?

Williams: Well, we believe that it is big international companies that have their tax departments at different -- back east, that might be a little more detail work for them to get it down to city of Portland and Multnomah county. For local companies, it should be pretty stared forward and right off their books, and it should not be too terrible of an effort. And their accounting departments should be able to handle the requests. They should not have to look to paid professionals to assist them with that.

Saltzman: A lot of businesses don't have accounting department and they rely on hiring accountants to do tax forms.

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Williams: Whoever does their books, their bookkeeping should be able to handle this request. It's very straightforward.

Saltzman: You don't think it will require having to hire a tax --

Williams: They shouldn't have to. That's who they have doing their bookkeeping on an ongoing basis.

Saltzman: I can imagine, I guess i'd never quite realized we were going to really compel everybody to do this. I thought we were going to mightily encourage as many people as possible to do this, but frankly this could be a financial burden of having to do your tax forms all over again.

Williams: It's not the whole tax form. I guess that's --

Saltzman: I realize that. You take a certain line from your state and federal returns, but there are going to be more sophisticated calculations i'm assuming for the payroll part of this.

Williams: But not by the business. All we're asking for them to give us is total payroll information and if that's different for the city and county, and the number of employees. So there isn't any calculations that they're doing. We are going to do all the calculations.

Saltzman: We're asking for just total payroll and --

Williams: And if there's -- total number of employees, full-time, part-time, and if there's a difference to -- for example, if they work in three counties we'd want to know what's in Multnomah county, not the three-county area to help us. But they're not doing any calculations. We are collecting that, we are doing all the calculations.

Katz: Thank you.

Jim Wadsworth, Director, Bureau of Licenses: I'm just wadsworth, the director of the bureau of licenses. We broached this with the small business advisory council, and the subcommittee that I work on, which is reducing the cost of doing business with the city, we broached it again. This piece they believed was something that they already had all the information available on, that they would just have to describe it onto a form, and if there was a way for them to be able to go online and fill it out online, which we developed for them to do or to use their telephone or to call it in, which we have both of those, that it would take them a matter of minutes. So this -- they were less concerned about this than we were.

Saltzman: Do we have a telephone help line?

Williams: We do. We have an interactive -- interactive system that can get help with operators standing by, we also have an online form that can be filled out at their convenience that will get fed into a database for analysis.

Leonard: I'd also add on getting the payroll information, one of the concerns i've had is that tri-met already levies a payroll tax on these same businesses, and there should be a way to extract that information to find that out. We've learned that there was a legislative -- statutory problem, I went to salem yesterday, spoke with the committee chair of the bill that you had identified for me, and he's agreed to amend the bill vehicle to allow us to access that payroll information from the department of revenue. They will receive tri-met payroll tax. So what i'm hoping is that we develop a really solid base of information to make a really good decision on, combining these surveys and possibly verifying those with tri-met payroll tax data.

Katz: I just want to add that this information is not to be shared --

*******:** Absolutely.

Katz: I just want everybody to understand. We are not going to be sharing, because that's prohibited. You will classify the size of the companies and the types of the companies.

Williams: Right. We'll match those against our database and we'll give you industry types, we'll give you size information, but no individuals will be identified.

Katz: All right. Roll call.

Francesconi: This is a good thing, because we're getting information out to people ahead of time. They'll know exactly what it is. A side, i'm really concerned about the instability now that we've

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created in our tax structure, where people have no idea what they're paying, and they're assuming they're paying the worst. And therefore, it's affecting relocation decisions. Whatever we do, we have got to stabilize this tax situation. And we've got to do it fast after may 20. Aye.

Leonard: Aye. **Saltzman:** Aye. **Sten:** Aye.

Katz: This will give certainly commissioner Leonard, who I've asked to see how he can put all of this together, the information that he and we will need as well as all of you sitting in front of us, to make the right decisions and close the book on this issue. Because there are people in the community, and commissioner Francesconi is right, who think this is already in effect. But I can also -- well, yes. So we need to deal with that. Aye. [gavel pounded] all right. Well, I was seven minutes off. All right? Item 410 and -- let's read 410 -- how do you want to handle it? You asked to hear 410 with 424. Let's read both of them.

Item 410.

Moore: 410. Grant a 10-year property tax exemption to station place l.l.c. For new multiple unit housing on the southwest portion of the block bounded by northwest 9th avenue, northwest Marshall Street, northwest station way, and the Lovejoy ramp and NW Lovejoy Court.

Katz: Ok. Go ahead.

Barbara Sack, Bureau of Planning: Before -- I'm talking about 410. I'm Barbara Sack from the Bureau of Planning. This is dahi good from p.d.c., and also present are Dee Walsh and Doug Lancy from Reach C.D.C. Recommended is a 10-year limited property tax exemption for a project called the Power at Station Place. The applicant is Station Place l.l.c., and the application has been submitted by Reach C.D.C., a nonprofit housing developer. And an affiliate of Station Place C.D.C. This is an affordable housing project with participation by p.d.c., the Housing Authority of Portland, and the State of Oregon. Portland City Code Chapter 3.104 permits the granting after limited 10-year property tax exemption for newly constructed rental or condo multifamily projects within the central city plan district or designated urban renewal areas. This exemption applies to the improvement value only, the land value remains subject to taxation. This project is within the central city plan district and the River District urban renewal area. The Portland Development Commission is responsible for initially reviewing the application. The Development Commission recommended approval at their April 16 meeting, based on a finding that the tax exemption is necessary for the financial feasibility of the project. The Portland Planning Commission reviews this application at their April 22 meeting and unanimously recommended approval. Proposed is a newly constructed 176-unit apartment project for low and moderate income senior households. And this is to be built just north of the west end of the Broadway bridge on a block bounded by northwest 9th, station way, Marshall Street, and the Lovejoy ramp. The project will be a 14-story residential tower, and will have 1,530 square feet of commercial space. The project is part of a larger development called Station Place that will contain 26,000 square feet of retail space, which is intended for a full-service grocery, and a 400-car parking garage. Reach C.D.C. Will develop the residential tower and the large commercial space. The Portland Development Commission will develop the parking garage. The entire Station Place project has received design review approval. The notable public benefits of this project include the introduction of 176 units of rental units for low and moderate income senior households within one block of the Portland streetcar. 76 of these units will be made available for households at 30% of median family income or lower. A single person household at 30% of median income is living on about \$14,000 a year or less, and an affordable rent for this household would be \$345 or less. 81 units are -- will be available for households at 50% of median family income, and for a one-person household this, would be someone at about \$23,000, living at \$23,000 a year or less and their affordable rent would be \$575 or less a month. The public benefit recommendation of the Portland Planning Commission includes a requirement that the units in this project stay affordable to households in this income range. The

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units in this project are also subject to the city's 60-year affordable requirement because the project is being subsidized by the city.

Katz: Thank you. Are you finished?

Sack: There's just a couple more public benefits if you want to hear them. This project will also incorporate tenant services to help maintain housing stability for residents and they'll have a full-time tenant services coordinator. The project also meets green building threshold criteria, and will be using -- we'll be using rain water for flushing toilets.

*******:** Good morning. I can supply additional --

Katz: Identify yourself for the record.

Dahe Good, Finance Coordinator, Portland Development Commission (PDC): I'm sorry, dahe good, finance coordinator with the Portland development commission. And underwriter of this project. I can provide additional information if you'd like about any of the details you just heard, or I can continue talking about the public benefits and the approval process that we went -- undertook to approve the project.

Katz: Why don't you briefly describe that and you're going to be doing the same for the next item as well?

Good: Another staff person will be.

Katz: Let's finish this one, then we'll move on.

Good: I just wanted to add another point about the affordability of the units. In addition to what you heard, there are 19 units of the building that will be set aside and affordable to households earning less than 80% of median income, and for that -- for your information, that is about 37,000 in annual income, and about 921 maximum rent for that type of unit. That's relevant in this case because this is what we consider a mixed income affordable housing project serving both very low and moderate income housing. It's also relevant because in this particular case, this project is eligible for two different tax exemption programs, and what we anticipate is that the tax exemption program you're asked to approve is most likely going to be affecting only those 19 units that are between 51 or -- 61 and 80% of median income. And that is because as a nonprofit developer and because the units are affordable, because most of the units are affordable at or below 50%, another tax exemption program is eligible to be used for those units. So what we have is a layering of programs that allow tax exemption for both very low-income housing provided by nonprofits, and as well as housing in general meeting public benefits in the central city. And I -- it's a little complicated, but I think what is relevant here is that most likely the tax impact of this particular tax exemption program will be seen only applying to those 19 units.

Katz: Ok.

Sack: And also the ground floor commercial space.

*******:** Correct.

Katz: Ok. Thank you. Anybody else on this item? Who just called me? I'm going to hold off, because I know you want to talk specifically on tax abatements. [inaudible] ok. Fair enough. Let's bring reach over. This is player project, right?

Leonard: Could I ask a question? At some point I wanted to clarify for everybody here what it is that i'm proposing to do and why we're doing one thing with one and not doing it with the other.

Katz: Ok. Let's finish the testimony -- do you want to do that now?

Leonard: It might help clarify and reduce the need for testimony on this one.

Katz: Go ahead.

Leonard: As some may be aware, I have been trying to analyze better the criteria used in giving tax abatements. It's a tool that I have supported throughout my career. And I think makes a lot of sense, but also is in says in essence an investment of the city of Portland dollars, school dollars, county dollars, into a project. And I have felt just as in budgeting here, we ask for accountability from the bureaus that we need to have some accountability as to how those dollars are spent this.

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Project is a nonprofit that will according to the data here, even with this subsidy, have a cash flow of minus 1.7%. And as a nonprofit, it is required to submit certain kinds of information during the operation of the project, that would reflect this other amendment that i'm going to propose on the next abatement. So it's different in character, it's different in the goal it's trying to achieve, and I don't think this amendment that i'm going to be proposing on the next one would be appropriate for this abatement. So if that can help you not bring further testimony to justify the need for -- i'm there and I think the council the is there and we understand that this project needs to happen and it needs to have the abatement for it to happen.

Andy Welch, PDC: Andy welch. For those projects that already receive direct public investment, such as the station place towers, station place, those projects report to p.d.c. on an annual basis anyway, all the financial statements. Currently projects receive only tax exemptions do not have a reporting requirement. But any other project is receiving public investment will be reporting on an annual basis anyway. So that's the delineation between projects that are just tax exemption projects and projects that are a multiple of public investment.

Leonard: The next project we're going to be talking about, the second ordinance, is dealing with the brewery blocks. And the amendment that I will be proposing to that abatement in essence includes a look back feature. In other words, during the term of the abatement a new requirement will be that these financial statements be submitted on an annual basis to the Portland development commission, and what the idea in mind of making sure that the economic analysis that was done originally that justified the abatement in fact is what is happening. That the project isn't performing better than what was projected, and thus we're spending public dollars not as wisely as we could. I developed this language not on my own, but with a tremendous amount of assistance from the p.d.c., they were very helpful in developing this. And bob is here to testify about what it is. We need to do this in a way that didn't frighten the financial institution that's loan on this project and we wanted to do it in as inobtrusive a way as possible, still with the goal in mind that we need to have some accountability of how tax abatement dollars are actually being spent and make sure they are needed for a project to succeed.

Katz: Ok. Andy, were you going to be testifying on the next one?

Welch: Only if needed.

Katz: I just want to -- if I recall correctly, the commission itself raised some of these issues, did they not? And does this work very well with what they're going to be doing? I want to make sure that we're working together for the same goal.

Welch: You are absolutely correct. The commission on multiple occasions asked staff to educate the commission in particular on the nature of the tax exemptions and what the administrative role was for p.d.c., also the commission raised questions about how do we know going forward that the level is something that's warranted throughout the course of the 10-year period. We viewed that as a policy discussion, which clearly this is a policy discussion. We have worked with commissioner leonard's office and we believe the intent of reviewing projects over a period of time that are receiving only tax exemptions, that this proposal will do that.

Katz: Ok. Let me ask the next question. When if -- I remember that the question was raised why 10, why not seven, why not five. When is the commission going to be dealing with, and from your answer, this is going to help them deal -- this is a piece of that -- piece that would help them deal with it?

Welch: This is ongoing compliance and monitoring over the 10-year period. Assuming the tax exemption has been awarded for the full period. The commission instructed staff, and we made this change -- at which year a project hits that 10% i.r.r., which is the financial test, and if it's in year eight, the commission would only be recommending an eight-year tax exemption, which is allowed within the ordinance.

Sten: Did you want to discuss the amendment?

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Katz: No, I just wanted a clarification on what it actually does. We'll -- no question about it. Now, reach, since this -- the amendment is not going to be impacting you, do you still want to testify?

*****: [inaudible]

Katz: Are there questions of reach? All right. Go ahead.

Leonard: I'm going to have ty and bob come up -- ty and bob come up.

Katz: I don't usually leave you guys in the lurch, so let me work through this. Come on up.

*****: Am I addressing 410?

Katz: Anything you want, because I think what you're going to address is going to be the same issue on both of them. Maybe not.

*****: I think that my name is liz --

Katz: Why don't you just do 410.

Liz Callison, 6039 SW Knightsbridge Dr., Portland: Thank you very much. Today I have a message for Portland city council regarding this development corporation tax abatement. A local political organization, the east side democratic club, has a message for you today, and the club designated me to bring you the message. The following motion i'm about to read for the record was adopted unanimously at the may 6 meeting, that's yesterday. Of this decades-old nonpartisan organization, which probably endorsed one or two of your political campaigns in the past. Quote -- the east side democratic club opposes the granting of tax abatements for certain special interest development corporations as listed in this city council agenda as items 410 and 423 -- 4 -- which number is it? Scheduled for council's may 7, 2003, meeting. The motion continues -- it would be particularly unfortunate for the city council to grant millions of dollars in tax exemptions in light of the county's already inadequate budget and the proposed tax increase for schools. That ends the motion. As an individual and a -- and occasional freelance writer for the community news media, I have some questions. These are question any journalist should be asking you. Who, what, where, and why? Start with why. Number 1, why was this item put on the consent agenda where it wouldn't be normally read publicly or discussed at this meeting, and I want to thank commissioner leonard for making sure that this case was moved to the regular agenda so it could be discussed at least minimally. Two, who are the owners of that housing corporation? Who benefits? We have to give our names when we testify here, so who are the owners of the brewery blocks development and the station place development, who are the partners, the financial partners, who would be the beneficiaries of this overly generous public gift which allows them to contribute nothing to the tax base. I realize this is -- you can slice and dice it however you want, but long after some of the current counselors are gone, and third, which of you on council have taken money or gifts of money or other influence from the owners or partners in these corporations in light of the school tax measure now before voters, again, I would like to ask why should people vote to raise taxes until these tax give-aways are stopped? In ending my testimony, just this observation, some journalists in Portland seem to demonstrate less courage in their writing as their salaries go up, but this is a challenge to Portland journalists to address the questions raised today. People have been very reluctant to speak out about special influence exemptions or corporate welfare as some people call it, even as our schools and social services are cut. That brings me to the final question, where is the cost benefit analysis for the public for these heavily subsidize and tax exempted urban renewal projects? The usual excuse for these urban renewal subsidies and exemptions is they will pay off in some way later. Let's get that benefit analysis for the public.

Katz: Ok.

Francesconi: Just one question, liz. Let's assume, if this tax abatement is needed to do this low-income project for reach, just assume it is for the purposes, because of the opinions you just stated, would you say we should not do it in order to -- and forgo the low-income housing project?

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Callison: Well, I appreciate the question, but it's kind of circular. On one side you're saying it's needed, and then you're saying is it needed or not needed? You've just assumed it is needed. Could you narrow that question down a little more?

Francesconi: I didn't want to put you on the spot.

Callison: That's all right. I'm on the spot.

Francesconi: To do low-income housing projects in the central city, we need tax abatements to make them happen, or we have to subsidize them in some way with dollars that come out of parks, police, fire, after-school programs. So --

Callison: You've already made some assumptions where I wouldn't necessarily go there. And I want to see a broader discussion of the whole question. Who are we building these for? And where are the jobs for the people that are going to come to Portland to live in this housing? We've got -- i'm seeing for rent signs all over the city. But all i'm asking is that we have a full and open disclosure of the costs and benefits. And what's the hit to the tax base? Can we afford these hits? And is the central city the right place to be building them? That's the highest real estate value in the city. Is this the right place to be taking off the tax rolls? But I thank you for your patience. I really think that this is ready for public debate, and in the -- the sooner it happens, the more polite of a debate it's going to be. As the -- as we get more and more tax proposals in the future to cover bay sir -- basic services, the debate is going to be less and less polite.

Katz: All right. We'll get to that issue in a second. Let's vote on 410. Anybody else want to testify on 410? Roll call.

Francesconi: Aye. **Leonard:** Aye. **Saltzman:** Aye.

Sten: Just a quick comment this. Is a great project. I think the council and reach and the developer should be very proud. I don't think there's another fast gentry identifying, high-end residential area like the river district in the country where we're doing as much work as we have already integrated with low-income housing. And just a couple things, this is important to me as the conversation is going to come up in the next one, there's three or four different tax abatements that the city gives for housing. The primary one in this case would be that one for low-income housing owned by nonprofits. The nonprofits do have to certify every year on a unit-by-unit basis that they meet that requirement. So it is clearly -- it's a much more efficient way actually to help make low-income housing possible, and keep in mind you're going to have to do things in low-income housing as long as the city is economically sound. I want to thank reach for doing a great project. Aye.

Katz: Aye. [gavel pounded] already. 424. Let's have -- you did read it, karla? Let's -- come on up. Make your presentation then i'll take the amendment.

Item 424.

*******:** This will be very brief.

Leonard: I'd also like ty and bob to come up.

Katz: At this time or when you have the amendment?

Leonard: When I do the amendment.

Katz: Ok.

Mike Saba, Planning Bureau: Good morning, commissioners, mayor. Mike saba, city of Portland planning bureau. With me is sioban meadow. Barbara did a good job of describing the program. This project before you is simply reflecting the recommendation for approval from the p.d.c. and the Portland planning commission for approval of the 10-year tax abatement for a project called the brewery block five project. I think it's sort of exemplary, this shows the range of large-scale projects that this program has assisted for nearly 25 years now in the city in the central city area, or urban renewal districts. The proposal you're voting on today is a 246 rental project, we call it a market rate project in that it's not receiving any kind of affordable subs did I beyond this tax exemption. This is part after five-block mixed use project which will also include a condo tower to -- right next to it, which is not coming to you for any kind of tax exemption. I think the developers

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and p.d.c. can explain the financial underlying justification for the abatement. The planning commission's recommendation is that under current program guidelines and approval criteria, this project meets the test and thus they voted unanimously to recommend approval for this 10-year project. 24 of the units will be affordable to a household of two earning 80% or below of median income. Otherwise we call the project moderate, middle or upper income rental project. It also -- we would also point out the project is one of two, along with the station place project, that was cited with -- by the office of sustainable development in terms of its pioneering energy efficiency construction and management techniques. So again, the planning commission recognizes that as a public benefit justifying this. I think the bottom line too is the planning commission recognizes that housing of this scale for this market is an appropriate place in this portion of the river district, helping to bridge the gap between the west end and the pearl district in downtown Portland. So they come to you with a recommendation for approval. If you have any other questions on the features of the project itself, I would be happy to answer those. Sioban is here to talk about the financial backing for the project and the justification p.d.c. Brings to you, and also ms. Kellison's statement of monitoring is something I can address later in terms of the types of monitoring or on this projects or the tax abatement program in general.

Katz: Why don't do you that right now.

Saba: There are at least three levels of monitoring that take place. At the state level, the governor's office is required every two years to review these programs and come back to the state legislature with recommendations on each of the 350 programs with a recommendation that they do or do not continue to achieve their original purposes. So i'm called every other year by the governor's office to report on what we do as a city in doing this. And they always meet that test, at least at the state level. Hence, the continuation of the enabling legislation that allows the city to carry out these programs. The most recent in-depth assessment of the exemption programs in terms of the city's overall housing policy was conducted by the city's auditor, city's auditing office, which looked at the years 1996 through 2000, including tax abatement as a housing subsidy with the conclusion that this single subsidy affected more units than all -- every other program we have, and probably on the most cost efficient basis as a per unit basis. And then we also conduct periodic monitoring of these projects in the central city, not on the financial performer, hence the amendment is appropriate in something new we would be doing, but on the compliance with the conditions of approval of the ordinances you've passed. So there is ongoing monitoring, whether that's efficient I think is something you need to direct us to.

Katz: Thanks. Go ahead.

Siobain Beddow, PDC: My name is siobain beddow, i'm with the Portland development commission. I'm just awaiting any direct questions regarding how the i.p.r. was evaluated, if you have any.

Katz: Why don't -- thanks. Ty, why don't you come on up, and commissioner -- with bob. Randy, why don't you make your -- put your amendment on the table.

Leonard: Shall I read it into the record?

Katz: Yes. We need copies of it. Go ahead.

Leonard: Do you want me to read it into the record?

Katz: No. Tell us -- [laughter] tell us quickly what it does.

Leonard: What this does is requires for the first time that projects that are awarded abatements, notwithstanding the term of the project, will have a financial analysis provided to p.d.c. annually so that ultimately at the end of the project, if we have determined through those financial statements that in fact the overall rate of return has exceeded what it was to justify --

Katz: Projected --

Leonard: -- the abatement that the city will get the money back. Or I should say, the project will begin paying taxes that it would have otherwise paid to the extent that it exceeded that agreed-to

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rate of return. I'm going to let -- ty and bob work order this language and i'm going to let them explain it.

Katz: Do you want ty to add anything? Identify -- this is your first time.

*****: This is my baptism.

Katz: All right.

*****: Go easy.

Katz: Identify yourself. You do not need to give your address.

Ty Kovatch: Ty kovatch, commissioner leonard's office. The 10% internal rate of return is sort of the standard that -- is the standard that p.d.c. Has used to grant or -- it's one of the first criteria involved in whether a project is going to be qualified for one of these abatements. And so what we wanted to do is this measure is ensure that over the course of the project, we're not subsidizing windfalls for people that are going to have a rate of return that's greater than that 10%. Currently there's really no check within the 10-year period to ensure that's not going to happen or any recourse should that happen. So what we've done here is created an annual financial analysis with the information that the p.d.c. Would need to extract the internal rate of return, and as bob would tell you, maybe in year four it would be 3%, but -- and year six it could be 12%. So we wanted to look over the course of the abatement, if the internal rate of return was greater than 10%, then the brewery blocks investors l.l.c. Would be subject to back taxes for the difference to restore the 10% internal rate of return, because we certainly want to make these projects happen, and we want to be reasonable about what the returns are for the investor. But we also need to be responsible with these taxpayer dollars. So what we've developed here is an annual analysis of what's going on at the end of 10 years, or if in year seven p.d.c. Is responsible to be communicative and consult with the applicant, if in year seven it looks like they're going to end up over the 10% of internal rate of return. So I guess i'll just wait for questions. We wanted to set a precedent here and hope this would apply to all future abatements where the only -- there's only the abatement and no other city subsidies.

Katz: All right. Before we let bob testify, commissioner Sten --

Sten: I have more questions on the bigger piece.

Katz: Now is the time.

Sten: I want to start by saying i'm in come polite agreement, I think, we haven't had a lot of time to talk about this before it came up with the intent of what commissioner leonard is trying to do. I'm just looking at this quickly and am not sold on the mechanism. So I at least want to offer up some opposite thought to -- not opposite, but say I would be interested in if we could put a finite time line on this rather than adopting this approach. If bob wants to do this on this project, I don't have any problem with that. But to ask the development commission and mike or somebody to bring us back a couple options on how to get at the intent. Let me get after that a little bit. I spent a lot of time revamping our distressed area tax abatement a few years ago. I think the tax abatements need to be revamped much more often than they are. I -- here's my concern. The original goal of this tax abatement, and this will be a little -- i've always been unsure about this one, whether we're getting our goal, but the original goal comes to when we were not getting much downtown residential development. The goal was to get a subsidy to spur that to happen. And theoretically you can look at this as free taxes, you can also look at it as revenue that we were never going to get. It was the age-old question, was the high-rise going to come in or not. If it wasn't, giving a tax abatement on a building is a heck after good deal. If it was going to come in anyway, it giving it away. Hence the 10% return. Look -- the problem I worry about on this is two things. One is that -- I don't mean any offense, but the internal rate of return is a very arbitrary number that's going to change depending on what you consider to be the equity in the building. And how you're going to look at different things. And trying to track that every year is going to be a lot of administrative work, and I think it begins to undermine the intent of just trying to innocent develops to do things we want.

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So I think the better way to do is try to look at what are the requirements, make it hard I and tighter to get this abatement, but once you get it, you get it. I think developers and financiers and also bureaucratic staff this, is going to take a lot of time, would be better served with a harder bar to get through at the front end, and if the developer performs better, good, if they do worse, bad for them, as opposed to trying to catch it every year around a number. So i'm interested in, should we require more density, should we require more affordability, should we get rid of the program if we don't do it, but taking the old program and trying to monitor it every year around what I think is a pretty arbitrary number makes me nervous, because I think eventually you'll have a program that doesn't really meet the goal, which is to provide a simple incentive. The other place which is much grayer when this becomes an excellent program, i've been skeptical in the past, if in fact -- this is trickier to get there, if the developer using that cushion in the first 10 years, and I think this was the case when I studied the pendergrass one a few months ago, builds 20% more units because they can afford it on front end, we win very quickly on that versus -- because 10 years is not very long. So I think we don't have very tight -- in a time where the economy is bad but the actual development potential for downtown is way, way better than it ever was when this program was in place, i'd like to see us tighten up the requirement as opposed to assume the old tax abatement is the right one and then go into a monitoring phase. So I would be personally interested in more options on how to tweak this abatement rather than going go with this amendment, but I think i'm with the intent.

Katz: All right. Let's hear from -- this particular amendment just applies to this one project. So what I think I heard is -- i'm right? Ok. What I think I heard is a request for a little bit more discussion between p.d.c. And -- did mike -- mike and the planning bureau to begin thinking about why 10 years, why not a shorter period of time.

Sten: More affordable units.

Katz: So reexamining it. I think that's the issue you raised in terms of the public policy. I think that's very legitimate. We can talk about it a little later on. But let's turn it over to --

Leonard: I'd like to address a couple things.

Katz: Ok.

Leonard: This proposal was written specific to this project, so as not to create another policy to give us time to analyze precisely the kind of things you're asking, which are the kind of questions i've asked p.d.c. For me, this is -- this is consistent with the concerns you've raised. It gives us some more information, and I think bob will tell us it's information that's readily accessible, it isn't very labor intensive and they developed this in other formats anyway. So it shouldn't be that hard to get. But I think it's entirely consistent with the issues -- what -- the issues and concerns you've raised, given that 0 a project in today's criteria that p.d.c. Uses, the developers have to have some certainty to get to the place where they are now. That this project is going to happen, that the finance will line up, and I think we have to be sensitive to that in this discussion as well, that we don't want to -- as we discussed in the pendergrass abatement before upset their applectart here towards the end of their process in putting this thing together. And I don't want to do that. I don't want to frighten off investors or any -- or the financial institutions. So this amendment is intended to be narrow, deal with this project and give us the breathing room to do that bigger thing you're talking about.

Sten: I think that's right. I was just -- I gave ty a little bit of a hard time, I was reacting to the statement, maybe we'll do this for all projects. But for example, if I was faced -- I might, if I was a developer and in year six I was going to owe a tax rebate and I was managing the building myself, I might move my -- I might spend more money on maintenance. It just -- it's a pretty impossible task. I think we've got to set a much tighter sieve on the front end so it doesn't get through and say great, you qualified, you don't pay the taxes for five or 10 years or whatever, and -- because I think it's going to be -- it is straightforward, but it's -- there's a lot of gray area in there.

Katz: Go ahead.

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Saltzman: I have questions on the amendment itself. I guess first, we talked about it not necessarily being a policy that will apply to future abatements, yet it does say this requirement shall apply to tax abatement periods of any duration.

Leonard: The intent definitely is to develop a -- just as commissioner Sten said, a list of specific criteria that a developer would agree to in an abatement process. It is my intent for this to apply to all projects, but this one was written specific for this project because of the peculiarities of it. This is a 10-year abatement, some of them may not be, they may be seven-year abatement that's are 50%.

Saltzman: So the last sentence applies to number 3?

Katz: That's -- is that the legislative intent? Do you want to include that in the amendment, or is that --

Sten: Are --

Saltzman: Are we also saying there will be no more than a 10% internal rate of return --

Leonard: No.

Saltzman: I guess the mechanics of how you do this, we're going to start doing an annual internal rate of return assessment, but then at the end of the 10 years, do you then average the internal rate of return over those 10 years, and if it exceeds 10% --

Kovatch: Right. The idea is that in some years, typically during the earlier stages, the internal rate of return is often lower. So, say it's three, four, four, and then by year eight maybe you're hitting 11% or 12%. But that in combination with the prior lower rates of return is --

Saltzman: A simple average of the 10 years, it's not what the rate of return is --

Kovatch: Correct. And in doing this annual analysis allows p.d.c. to communicate well with the developer so they can prepare if they're going to potentially owe something in the final year, or the developer has the option of ending the abatement should that balance with what their goals are.

Saltzman: You mentioned you have this sentence about the p.d.c. Shall diligently communicate at any time throughout the course if the rate of return is exceeding 10%. In your testimony you mentioned only doing that at the end of year seven.

Kovatch: No, no that was an example. I apologize for -- if I seem -- it seemed only in your seven - - if in year two it looked like they might protect if they kept it the same rate to exceed the 10% threshold, then they would be in contact with bob and his partners saying, hey, it looks like this could happen, we're inclined to adjust the abatement down from 100% to some other percentage that would be the sort of the correction for that. It gives p.d.c. Some more tools to help each of us, the city and the developer, achieve the goals that we have laid out without -- as a lot of people have expressed, subsidizing some major windfalls for these developers. Because that's the perception and we all know that's typically not the reality. But we want to have some things in place so we can point to them and say this is the way it is.

Saltzman: Ok. Great. I know mr. Gerding is going to testify. He has been way out in front in terms of building certified green buildings in this city and this project is no exception to that. I'd like to know obviously we support what you're doing, your leadership in this effort, and would anything in this amendment affect decisions, do you think, by potential recipients in the future of such abatements about whether they would in fact do certified green buildings in these types of projects? I'm just looking for your comments on that when you're talking about this.

Katz: Ok. Let me just clarify before we get to bob. The legislative intent language is not part of the amendment. We don't usually do that. All right.

Bob Gerding: Bob, 7404 southeast reed college place. I'm really here to answer questions. I've been consulted in this process by commissioner leonard's office, and been trying to help meet the intent of what we -- what I believe the intent of this abatement is. It isn't meant to line the pockets of developers or investors, it's meant to make projects feasible that would otherwise not be feasible, and hopefully to stimulate the building of high quality products that will last for a long time and be

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on the tax rolls for a long time. There are a lot of jobs created in the construction of the projects, and there is housing needed in the central city still for many, many, people, and we haven't met our goals at all yet. So we have a long way to go. This project in itself would not be feasible without the tax abatement. It -- even with the tax abatement, it is negative initially, has a negative return, and it has a very, very low return. One or two percent in the first few years. So it is not a high return project. Although different projects will have different returns, as we're talking about. So we're not concerned about our rate of return over the 10 years exceeding 10%, but if it did, we're willing to give the city back the taxes that would bring it back within the target range that the abatement was set up for in the first place. This should help alleviate people's concerns about excessive profit or the abatement system being abused. And we agree with that, and we don't want to use it for any purpose other than making it feasible to build the buildings. So this is a look back internal rate of return, a tax assessment would be made in the 11th year if the rate of return was in excess of 10%. It's a simple mathematical calculation used the same calculations that p.d.c. Does initially in their projections, and we just supply them with our tax return data if we give them the wrong data, then we're federal felons, I believe. So this is just the normal data that we would provide every year for our tax returns. It is not extra work on our part, and it should be fairly straightforward and -- in putting that data into the p.d.c. Model. I don't know whether this is good policy for all future projects. It was meant to start the dialogue and to I guess be the guinea pig project to accept the reality that public subsidies are meant to stimulate public policy or to implement public policy decisions, and that's what we're doing here, and we don't want any more than that. And we think the project will work that way. As far as green building is concerned, I don't think it would make any difference. It certainly wouldn't make any difference to us. Sometimes green building initiatives are -- have long paybacks that are longer than 10 years, perhaps some of those would be looked at a little more stringently because -- if abatements were not available in this range. But I don't think overall it would decrease people's interest in doing that. And i'm here to answer any questions you might have.

Katz: Ok. Questions? All right. Liz, did you -- p.d.c., did you want to comment on this? You feel -- all right. Thank you.

Andy Welch, PDC: Andy welch, Portland development commission. In as much as the goal stated by the commission has been to provide greater oversight on the tax exemptions to -- from our administrative role, which I think we've talked about here before, what our role is, that -- any financial information from the projects that we do not receive that from currently, which are tax exemption only projects, would help us to calculate over a period of time each year what that internal rate of return is. One of -- one of my concerns, and I mentioned this to commissioner leonard's staff in a myriad of meetings this week, I suspect that two things will happen -- a developer in year five will realize their upside is so high that they're going to be above that 10% i.r.r. For the duration of their tax exemption, that they would, and my advice to them in all candor, would be to opt out of the tax exemption rather than have a tax liability in year 10. Which I think once again if they opted out and they'd gotten the benefit to get their project seasoned, that would be I think consistent with the intent of using the tax exemption for the period of time. For those projects that are at or above the 10% internal rate of return for some preferred of that 10 years, but stay in the tax exemption until the end of year 10, then they have that tax liability to pay, I did raise the question, i'm not certain how a developer or a lot of developers may be able to pay that tax liability, and that was a question I raised. But with regard to tracking the internal rate of return of the projects over the 10-year period, the reporting on an annual basis would provide that information for Portland development commission in our administrative role to reconcile the financial feasibility on the building of the projects.

Katz: Thank you, andy. Questions of andy? No? Ok. Liz? Anybody else want to testify?

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Liz Callison: Liz Callison, returning on this item. I would like to read for this one also the motion from the east side democratic club, because it also applies to this item. The east side democratic club opposes the grabbing of tax abatements for certain special interest development corporations, as listed in this city council agenda item scheduled for may 7, 2003. The motion continues as it would be particularly unfortunate for the city council to grant millions of dollars in tax exemptions in light of the county's already inadequate budget and the proposed tax increase for schools. That's the end of the motion. Regarding financial feasibility as raised by the developer, I would just like to ask who's looking out for the taxpayers. They're footing the bill. How about their financial bottom line? I have a couple questions. One has to do with the value of city and other government agencies as landlords or partial owners of these projects. I think there's a certain perception I think it's justified that the city isn't necessarily or the government agency is the best landlords. And an ideal like this that probably started out as a good idea and small, has kind of grown way beyond what I think is being controlled properly. It's kind of running amok. And I think that's also the popular perception. That there is opposition growing to this that people feel like there isn't proper accounting. Both in the nonprofit sector, nonprofit housing sector, that they have disclosure that favors them, exemptions from disclosure, now p.d.c. is asking for more exemptions from disclosure, and that's not healthy. I think in our culture here. The -- there's a kind of an almost endless strain of -- train of special subsidies, a lot of this development in the pearl has already been heavily subsidized with infrastructure. Now having tax abatements on top of it, that's I think a way -- way too much. We do need full disclosure in monitoring of the arrangements for both the nonprofit housing corporations such as reach, and the public housing corporations, and the housing and urban development corporations such as p.d.c. Just one last thing. In the question of the public benefits analysis, I think we need kind of an independent group to look at that. When you ask p.d.c. to do the public benefits that sis they're going to favor their own position. And let's get a reasonable look at what the costs are to the public, the long-range and the short-range, and what are the benefits going to be, and don't ask the cat to tell you what those benefits are. Ask the public. Ask the public what those benefits are. Thank you very much.

Katz: Liz, let me just say, I -- my entire legislative career I didn't support tax exemptions. But I focused on where the real money is, and that's the billions and billions of tax exempt totally tax exempt properties that don't pay anything, and nobody could tell us what their benefit was to the community at large. So I -- if I had to take this as an issue, that's where I would be looking, at changes in Oregon statute.

Callison: Well, I appreciate that, and I hope that we can -- like I said before, open up a wider dialogue of this question, and bring in what you're talking about and what i'm bringing up today, and open it also not just to special interests or government bureaucrats, but members of the public that don't agree. That don't agree with what's going on.

Katz: Ok. Thank you.

Kevin Montgomery-Smith: Kevin montgomery smith, Portland business alliance. I just wanted to talk about three things. Number 1, public accountability. Obviously we want the developers to be more accountable for any kind of subsidy that they might receive. We recently had a meeting with commissioner leonard who's gracious enough to come to a round table meeting at the Portland business alliance where we had 12 different residential developers sit around the table and say if there was a more stringent means test set up for tax abatement, that they believed that based on public good, they would win every time. A little concerned primarily because i'm woe fully unprepared, learning about this this morning, that this particular criteria is not particularly well thought out and I love it when commissioner Sten does the bulk of my testimony, which is why I didn't come up with any notes. But that it needs more thought balancing public good, balancing what is desired by the community. We're in the middle of doing a long-range study on middle-income housing, doing what liz is talking about, looking at the public investment, looking at the

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number of units that can be produced to balance the central city right now, which is terribly out of balance, with middle-income housing that was called for by the receipt tail strategies, and look at how many jobs will be produced, what the public good really is to things like tax abatement. If you look at the auditor's report, 2100 units from 1996 to 2000 were produced with nothing but tax abatement and they specifically targeted families and individuals making between 80 and \$150% median family income. Those would not have been produced in any other way except with tax abatement. There's two projects currently going on, one in the pearl and another one in the lloyd district, which is still an untested market, that if not for the tax abatement, it would be 20% higher on rents. If that were true, there would not be people filling those vacancies. If you're talking about the difference between a one-bedroom renting at 900 and renting at 1100, I think you can see the market drops off. It just goes away. And you can do the same kind of analysis in seattle, denver, cincinnati, all over the country and see where that break point is, and the break point is being absorbed by tax abatement. Are we in favor of a broader conversation to talk about what the best method is to award tax abatement? Most definitely. But again, woefully unprepared to really discuss the merits of this criteria primarily due to the fact we just learned about it at 9:00 a.m. this morning. Thank you.

Katz: Thank you. All right. Anybody else? I need a motion on the amendment, and as I said, it is without the legislative intent language that follows.

Leonard: So move.

Francesconi: Second.

Katz: Roll call.

Francesconi: Well, this is a good project, and I think this is a good amendment. You know, we need more housing, period, in our central city, and our neighborhood business districts. We need high-end housing to support the retail and to support services in the city like schools and parks and everything also we have, and have high-end folks pay for it. They don't need any subsidy. And -- of any kind are, or tax abatements. Then we need low-income housing that need subsidies and deep tax abatements to have it happen. And that was the project we talked about before. Then we have projects like this in the middle, and we need middle-income housing, and housing to support our workers. Right nearby. Not only from a transportation standpoint, but also from a schools standpoint, speaking of schools. Our inability to provide housing for the middle group is one of the things that's driving the Portland school numbers down so low. So the question is, how do we do it in a fair way? And that's what I like this amendment about. I'm not saying -- because I don't see I as inconsistent with commissioner Sten's approach. His approach is at the front end, when do you need abatements at all? And I think that should be always reviewed. I think that the economics in some of our areas, as bob testified about, is these projects don't happen without them. I'm open to that review, but we need -- this would give 246 moderate and middle-income housing units in the heart of our city. And that's a good thing. Now, there is a public perception, and maybe an occasional reality, where the return on investment is too much and people -- the public is being taken advantage of through the abatements. So if you have a claw-back provision, like in this, this is a good thing. And it's not inconsistent with looking at all the abatements themselves. In fact, this is exactly what we did on the tax abatements on the jobs issue in the enterprise zone, which I put in. There's a claw-back provision to look at the number of jobs, the wages paid, and whether those provisions actually work, and this is that same principle in the housing side. So i'm a little confused about kevin, your testimony, because I think if you have some claw-back provisions in this, it makes it easier to retain tax abatements for the middle income group as opposed to not having it. Because then you can -- the public -- there's some protection to the public. And that's not enough, we should look at the overall policies. But I like this project, and I like this added provision. Aye.

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Leonard: Thank you. As i've said a number of times, abatements make a lot of sense as a tool to spur economic activity. Or it -- where it might not otherwise occur, and for sure every time you have a project, every time bob breaks ground, we're creating jobs. And people who have jobs buy goods and services in this city, which help businesses throughout the city. Particularly the kinds of jobs this project generates, family wage jobs. So I love that all bay itself. But that that happens. That we get more information that allows us as council members to explain to the east side democratic group, who are all friends of mine, why we did this and why it makes sense makes the project stronger, just as kevin and I heard at the round table, the almost unanimous consensus was, this is a good thing, because it allows us to tell our story. And why we're doing it. And it allows us to justify what we're doing. So bob, I appreciate very much your help on this, and bob is an example of good business people in Portland, and their concern that the city do the right thing. And his help in this was invaluable. Aye. And the p.d.c. was fabulous to work with, thank you very much. And I think this is the kind of thing that I want to be a partner with p.d.c. on and work closely together with in the future.

Saltzman: This is a good project, and for many of the reasons already stated, it's going to provide good middle-income housing that we need in the city. It's going to be state of the art green buildings, which we need in the city too. And this amendment looks like -- is a good amendment for this particular project. It may be in fact a good amendment for future projects as well, although i'm not ready to say that yet, but I think it makes a lot of sense to have this no more than 10% rate of return for the duration of this project. And I will support it. Aye.

Sten: I certainly support the amendment. It's been a good discussion. I wanted to provoke some, as commissioner leonard did, the developers are willing to do it, this will be a good test case. I just want to take more looks at what to do. I think that first off, I don't -- it's a little politically incorrect to say perhaps, but I think the city should offer incentives to things that we want done. We do it all the time. If you want people to have less parking spots, you incent to go -- them to go to transit lines. I don't think we should be ashamed to say we invest money to get good results for the city. We should be accountable. Are there good result and are things working? I think when you get into what I fear about these kinds of things is the unintended consequence of the work, i'm on loan for the mayor that liaison of the housing department, and we have a lot of things to track. And I worry about the staff time it's going to take to track all these things as opposed to tightening the project out. You -- my objection has been, and i've been on record since i've been on council, that there are no income limits to them. So i'm interested in saying, can we get a tighter abatement project that -- look at it yearly to make sure, and change it. And some markets I think you have to offer incentives that you don't in others. And this has been on the books forever, so i'm interested in saying -- but then I want to say, look, if you deliver this product under these rules, like we did on reach, on reach it worked like a charm, and I even think that my friends at the eastside democratic club would be ok with the project, they're looking at the concept and saying the concept needs to be tightened down. Then by god, you get a five to 10-year tax abatement. And i'm ok saying that and i'm ok taking the attacks. I just don't think we have tight enough things. Instead of trying to -- i'm not saying this is what we're trying to do on the whole, but justify we exactly got everything right, we got to relook at these programs and make sure they're incenting the right prongs. -- project. This gives usa chance to look at it with one project, see if this approach works, maybe having annual monitoring of the return is the best approach. I just want to look at the big picture and say we say to people, if you catch the bus under -- we ask employers to give their employees a break. I sigh this in some ways like that. If somebody is building a green building, it's possibly, but I can't no 100% for sure, but i'm 80% sure it's more dense than it would have been. I'm 70% sure that it's a little more affordable than it would have been, and i'm beyond a shadow of a doubt that's going to pay taxes for a century giving them a five-year or 10-year running head start is ok. But that criteria has to be clear. One other thought I had. I was looking at ty. Maybe we say it a five-year abatement and you have to

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reapply after five. So we don't get into all of the staff time to try and make sure we catch them. I'm not positive we'll be able to always know for sure whether it's 9 1/2 or 11 1/2 kind of numbers. So clear rules, but I think this will be a good project, and I appreciate everybody's work on it. Aye.

Katz: I'm going to vote aye, but i'm going to address the bigger issue. In terms of what it means to be a great city. This council made a decision a long time ago, some people are no longer on the council, that the vision for this city was going to be to make a strong commitment to maintain the urban growth boundary, to grow up rather than out. We also had a vision that we were going to try to maintain the character of our neighborhoods, and I doubt there are very many neighborhoods in this city that would like a 14-story tower or 15-floor, huge condo or rental unit. And so the vision was to take neighborhoods that were brownfields, turn them into greenfields, and meet the vision for this city. For a great city. A city that makes a decision to support public transportation by bringing people to live here. And by bringing them to work here. So that the land use and the housing and the public transportation makes sense. And that we provide a toolbox, and this is one, just one small tool, there are tax credits, there are other tools that we have, to make sure that we provide the incentives for people who do this as a business, they're developers, to make this city the way this city looks today. And so you've got the pearl district, you've got the river district, you'll have the south waterfront, you have all up and down northeast Portland, you have old town, chinatown, where this tool worked. The other reason for doing this, we don't want to isolate the poor just living in one particular section of town. There is nothing wrong, in fact it should be our policy to make sure that well-to-do people have the opportunity to live closer to people who are less fortunate financially. That's what makes a great city as well as opposed to segregating the population. We're trying to do that in old town, chinatown, river district, and pearl district. My hope is that we'll achieve that in the south waterfront. I think two weeks ago the mayor of seattle, with about 20 or 30 people came down and couldn't believe what happened on the streetcar line in the river district and the pearl district. Couldn't believe what this city, what you council members, what policies you supported and the tools you supported made all of that development possible. Finally, there are only a handful of developers in this city that are willing to take on these tasks. Yes, sure, they make a return on their investment. But they are also taking the risks. And to the extent that we can have them apply some of those risks closer to the values that we have, which is more affordable housing, then we're all winners. But we have to provide them the tools to make that happen. So this is part of painting the picture of a great city, and painting a picture of a great downtown. Commissioner leonard, it's always nice to have somebody come from another governmental body and take a look at what we've been doing, taking it for granted, and then making a decision, well, maybe we ought to question it. So you've done that, ty. Next time, ty, make sure the legal shop checks your language. But otherwise, you did a good job. I did that on purpose, ty. [laughter] he knows that. And p.d.c., thank you for working with ty and commissioner leonard, and bob, this is your -- you're our guinea pig on this project, and I appreciate your patience with all of us and your willingness to make it work. Aye. [gavel pounded] this will pass to second reading. And we'll vote on it next week. Just want to remind the council that we'll come back at 3:30, and tomorrow I will be reading my entire budget message, and -- just the message. It's long. Just because I want at least the public to understand what i'm proposing and I want to thank all of you for your efforts in putting that budget together. We stand recessed until 3:30.

At 12:15 p.m., Council recessed.

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Closed Caption Transcript of Portland City Council Meeting

This transcript was produced through the closed captioning process for the televised City Council broadcast.

Key: ***** means unidentified speaker.

MAY 7, 2003 3:30 pm

Katz: Council will come to order. We will take the 426 and 427 first. Duncan, do you want to come up? Before you come up, I need to let -- I need to let -- come on up. I need to let everybody to know that, that duncan retires at the end of this month. So, this is going to be your last visit with him. He read the tea leaves.

*****: Maybe. [laughter]

Katz: Ok. Well, I am going to do your obituary anyway, and if you stay, so much the better. At least people will know a little bit more about you than they know right now. Why is it maybe?

*****: Excuse me?

Katz: Why is it maybe?

*****: Because with any luck, we will be back with the powell butte --

Katz: All right. Well, let me do this anyway. Duncan retires at the end of this month, and he worked for the city for 19 years and a planner for the county for 10. So, he has put in a lifetime of service for this community. As a land use review planner for us, he processed 105 subdivision reviews, 85 environmental reviews, and 40 cases involving zone changes, master plans and the like. He also, in the 1980's and 1990's was involved in the city's periodic review of the comprehensive plan, and he drafted the city's first set of historic code amendments to address goal 5, historic preservation goals that we needed to meet. He also worked on helping the city come into compliance with goal 5 natural resources, and he was one of the city's chief architects of a huge undertaking -- and I am laughing, that lasted eight years and literally hundreds of public meetings and hearings. He is also outside of his work for the bureau, is viewed as an expert in a lot of areas and is asked to serve with neighborhoods and citizen groups and businesses on a variety of environmental issues and working with the port of Portland, the drainage district, the army corps of engineers, d.e.q. and probably e.p.a. on other issues. So duncan comes in here very quietly and very methodically does his work. He's done it for us for a very long time, and he has probably seen a whole slough of new faces and old faces before him and probably has stories that some day I want to hear with council members and mayors that you are all familiar with. But for now, at least for now, duncan, thank you for your years of service, much, much luck on your retirement and your plans for the future.

*****: Thank you. Thank you. [applause]

Katz: Yes, you can clap now.

*****: Ok. [laughter]

*****: On that note --

Katz: Did you read --

*****: Yes --

Katz: Why don't we wait.

*****: To do the roll call?

Katz: Yes.

Francesconi: Here. **Leonard:** Here. **Saltzman:** Here. **Sten:** Here.

Katz: Mayor is here. All right. Let's read item 426 and 427.

Item 426 and 427.

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Katz: Ok.

Duncan Brown, Bureau of Development Services: Before you are the findings and decision of, of council hearing from a couple of weeks ago, the findings have been modified from the hearings officer's recommendation to add the city council conditions requiring type 3 design review and limiting the dwelling units that are allowed on the site. We also added findings to support condition -- the conditions of approval and to include testimony received during the city council hearing.

Katz: Ok. Kathryn.

Kathryn Beaumont, Office of the City Attorney: I have reviewed the findings, and I recommend the council adopt them.

Katz: Ok. Thank you. I will take a motion on 426.

Leonard: So move.

Katz: Do I hear a second?

Francesconi: Second.

Katz: roll call.

Francesconi: Well, thank you for all your good work on this and everything else. On this, and I appreciate the developers -- two things, one is agreeing to put design review on this project, and the second is agreeing to limit the density to the minimum allowed under the zone, which could mean as much as from 600 units to 300 units, so I think both of those changes will make this, with some difficulty because of the transportation and traffic issues, work in the neighborhood, to compliment other goals, which is having housing nearby with the storefront commercial, so I think this could be a good project, but I appreciate those two changes. Aye.

Leonard: I want to congratulate you, too, and -- on your retirement. I just want to offer a small recommendation if you are considering doing another job after you retire, you might want to reconsider that. [laughter]

Leonard: You should enjoy your retirement. Aye.

Francesconi: That was a good thing.

Saltzman: Thanks, duncan, for all your service. Aye.

Sten: Well, I think you really made a difference, and that's ultimate, and you have done a gracious -- you have done it in a gracious and classy way. Aye.

Katz: Mayor votes aye. Before we get to the next item, I didn't ask you what your plans were.

Brown: Little of everything. I would like to retire, but not quit working, really. I think that one should have a transition into retirement, but aside from that, do a little camping, sailing, skiing, cycling, and volunteer work.

Katz: What advice do you have after us for all the years of service? Now is your chance, duncan.

Duncan: Keep the faith.

Katz: Keep the faith in what we have done all these years?

Duncan: Yes. I think the city -- I was born in Portland. I live in Portland -- I have lived in Portland virtually my entire life, and I think that almost without exception the city has improved in every way since I have been here, and I am very proud of what the city has done, so --

Katz: Thank you. Ok. 427.

Francesconi: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Sten:** Aye.

Katz: Mayor votes aye. Thank you. 425.

Item 425.

Katz: Ok. Let me turn this over now to commissioner Saltzman.

Saltzman: Thank you, madam mayor. We are here today to consider granting stormwater discounts retroactively once the stormwater discount program begins, which is now July 1 of 2006. So I just wanted, before we launch into this, give a brief historical context. In April 2000, the council adopted a set of performance initiatives, including a commitment to offer stormwater discounts. In December of 2000, the council adopted the discount program, and it is now in the city

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code. Unfortunately, the city was still having serious problems with the utility billing system and was unable to actually predict when the discount program could be started. So, because of the delays, the council agreed to consider a set of retroactive discounts when we were ready to start the program. At that time, the council was unwilling to raise stormwater rates indefinitely without? Assurance about the time needed to fix the billing system. In september of last year, we made a decision to replace the billing system. The project expects to hire a new system vendor by september of this year and to start up a new system between january and july of 2005. So, the launch, the official launch of the discount program is projected, as I said, for july of 2006. After the new system is successfully up and running -- we meet here today because the system delays were longer than anyone imagined in 2000 and the cost of retroactivity, depending on how retroactive we go, are growing, so if we delay a decision on retroactivity any further, we will run out of time and resources to consider any retroactivity at all. If we act now, if we make a decision in the next -- by acting now within the next several weeks, we can begin to plan for the future based on a reliable time line for the new billing system and the start of the discount program. I do believe that it is time to make a decision on this issue of retroactivity. It has involved -- we have had public hearings. We are having this hearing today -- I think you will see what the options are, and there are a finite set of options. There is probably four or five options that make sense for us to consider. I don't think giving it to any other committee or to the purb is going to reveal any more insights or options than we already have or will hear today in this hearing. So, I really do urge us to, after we have had this hearing, we will have some time for deliberations before we consider future action, but I do think that it's time for us to zero in on a decision on retroactivity, and I will now turn it over to Dean Marriott and Dan Vizzini of the bureau of environmental services to give a brief presentation of what our options are on retroactivity.

Dean Marriott, Director, Bureau of Environmental Services: Good afternoon, mayor Katz, members of the council, I am dean marriott. I am the environmental services director. With me is dan vizzini, also with the bureau of environmental services. As commissioner Saltzman indicated, we were charged to come back and report to you on some options regarding regarding retroactivity. We are prepared to do that today. We have a very brief presentation, and then we will step aside, but remain available for your questions. Copies of these -- of this slide show are available. I hope everyone in the audience wishes one, has found a copy. If you don't have one and would like one, please let us know. I know I saw some on the table outside when I came in. Just for your information, we also had a public meeting -- the bureau hosted a public meeting a few weeks ago to begin again to bring people up to date on just where we are, and we hosted, I think, about 50 people next door. The purpose, again, of today's presentation is to talk to you about the estimated costs of retroactivity and to present to you some estimated financial impacts on stormwater rates of those options. Just a word about some assumptions, as the commissioner indicated, we are assuming the discount program would actually begin in july of 2006. We would expect to begin to make -- to receive applications in the spring of 2006. We do expect about 110,000 residents and businesses to qualify in one form or another for the discount program, and stormwater rates would be expected to increase in july of 2006 when the program actually went online. Stormwater rates, we would expect to increase by about 32%. The retroactive credits would then be applied in that fiscal year. We have taken a look at three periods of retroactivity. A one-year retroactivity period, which we are calling a lookback to july 1 of 2005, so again, assuming the program started in july of 2006, you would look back and provide credits of one year for those who qualify for the discount. We estimate the cost of that at \$7.8 million. We looked at a three-year retroactivity period. That's the lookback to july of 2003. That would cost \$20.4 million, and a 5.5-year retroactive period back to january of 2001 would cost \$33.4 million. For those of who you like to see bar charts, we have shown a graph -- it graphically in that way, one, three, and 5.5 years. Here are some financing options for those different scenarios that we just described, and again, these percentage increases

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that you see on this chart reflect not the total wastewater bill or sewer bill, it's the stormwater portion of a customer's bill. Just assuming for a moment that there was no retroactivity, we project the stormwater charge will increase in July by 5.8%, just to give you a frame of reference.

Katz: And why don't you also add the proposed rate increase for the next year as you do this.

Marriott: Yes. Actually, that is the proposed rate increase --

Katz: That's embedded.

Marriott: For next year. That's the first line under no retroactivity.

Katz: I am talking about the remainder. Is that embedded in the remainder ones, as well?

Marriott: Yes. I will explain that in just a moment, but that's a very good question. The next line is the one year of retroactivity. We believe you can do that -- you can actually pay for that starting in 2006. The rate increase of the stormwater charge would have to be 12%. Now, we are assuming roughly 5.8% increase in the stormwater charge as a base case, so the, the additional cost of the retroactivity would be roughly 6.2%, so the total increase of just paying for the cost of retroactivity for one year would be reflected in that 12% increase. Am I making myself clear there?

Katz: Is that -- does that include the 5.8?

Marriott: Yes, it does.

Katz: That's all I wanted to know.

Marriott: And the same is true for the other two scenarios you see there. The three year and five and a half year scenario, so the 19% increase does include the base rate increase as well as the 44%. We are going to show you in the next slide -- we will start to break these down for you. Here are some options. Here is the discount program as it will happen without any retroactivity. This is just a scenario. You can see the current charges. They are the same because no one qualifies right now. Next year there are the store-proposed stormwater charges. We skip down two years to July of 2006, assuming the program is then up and running. You can then see the, the split occurs, the 35% discount then occurs in the central column -- we labeled ineligible homeowner, someone who does not qualify for the discount, their stormwater charge would be slightly over \$18 a month. Those that do fully qualify, it would be \$11.79. Let's assume for the moment in option two, a one-year retroactive credit. You can see what happens there in 2006. It jumps up from what was \$18.14 a month to \$19. What was \$11.79 is now \$12.36. That's the cost of having it for one year. Option three, the increases start earlier here, so what's before you were back around \$12 a month starting next year, we would have to jump it to \$13.55, and it would accelerate right through until July of 2006. You would be at \$18.54. So, you would have to start stepping up the rate increases next July and each July thereafter. Then option four is the five and a half year package, and the same thing holds true here, although the step -- each step along the way would be even higher starting next July. You would have to jump it up to \$16.41. Now, in order to make complete sense out of this, you have to look at not only this chart, but you have to keep in mind that for the one year to pay for one year of retroactivity, it's the \$8.5 million, and -- \$7.5 million. The other years, it's \$23. It's a little hard to tell by looking at someone's typical monthly bill what the aggregate cost for the whole building is, but I think if you look, if you look at them together, you can get a good idea of what the impact will be. So, that's what we have tried to present for you. The total cost of the program for three options and then the sort of typical bill impact for a residential customer for those options. With that, we would like to stop, respond to any questions you might have of us, and we will be available for questions as you go through them.

Katz: Yeah, I will have some questions with regard to drywalls and e.p.a. Rulings and how they will impact that, if at all, and what does that all mean. Issues have come up. I need to understand the technical aspects of that and what the consequences of all of that is. So, we will hold off on that, but I just want to flag that to you.

Leonard: Could I ask a question?

Katz: Sure

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Leonard: And this kind of goes to why the system hasn't been implemented yet, as it has been explained to me, it's a function of the current program, the billing program that will allow the discount to be programmed into it. I have -- a question that's come up that I think is a good one is why -- why wouldn't we be able to segregate those homes that aren't connected to the stormwater sewer system by geographic area and implement the discount that way? In other words is it possible to look at a geographic area in the city and infer from that that those, those buildings and houses aren't connected to the stormwater sewer system?

Marriott: Commissioner Leonard, that's a very good question. As a matter of fact several years ago those that were on the council at the time will recall we wrestled with that very question of do we just create a district, sort of a stormwater district. What's interesting about it is we have been very active in the last five to seven years with changing the way we manage stormwater, including disconnecting people's downspouts from the sewer system. If you look to the map of Portland now, as is in front of you right now, you can see where we've been successful at getting individual homes and businesses to disconnect their downspouts from the sewer system. So, it's literally -- well, perhaps not in all neighborhoods, but it's all over the place, and that's a good thing. It makes setting geographic boundaries for districting awfully hard.

Leonard: If people assume that, for instance, just for the sake of an example, that all areas east of 82nd are disconnected, and if you just didn't have those structures qualify for the stormwater discount, it would not include people in other neighborhoods who have disconnected from --

Marriott: Yes. As this map shows, there are a lot of people in north Portland that have disconnected --

Dan Vizzini, Bureau of Environmental Services: If I can -- if I may describe this map. This is actually a map of the separated sump systems in the city, so all the blue dots are sumps, public sumps, and if I was to go -- if I was to toggle -- watch what happens if we add the sumps that we have put in place. So, what happens is that much of north Portland and the northern tier of the central part of Portland now looks a good deal like east Portland in that it is served by sumps -- we have attempted to take the stormwater out of the street, the combined sewer system in the street, put it in the sumps, and at the same time we have attempted to disconnect people's downspouts from the combined system and put it on the ground. The problem with the geographically designated rate structure is that you have ratepayers in north Portland who would argue that they are in the exact same position as somebody in cherry blossom park or out in linn park, and so the idea of an exemption, an automatic exemption now would mean that we would need to find some way of identifying all of these similarly situated people, otherwise we would run into a problem with the 14th amendment of the constitution, among other things.

Marriott: And I apologize. I was looking earlier today at a map that showed the homes that were disconnected, and I thought that's what Dan was putting out, but he's right. This is -- these are the sumps that we have installed.

Leonard: Can we quantify that? Do we know how many homes we are talking about in different parts of the city?

Marriott: We do. We have all their names and addresses and our plan was that when the discount program began, we would actually -- actually prior to that, we would invite them all to apply.

Vizzini: The problem with a program of an exemption, if we were to apply it to all of the similarly situated areas, assume that we could accurately identify them all, and if we were to use this map as a template for that, you would be looking at a rate increase in July of 2003 for everyone else of about 83% or more. So, in other words, you are shifting the burden in a very dramatic way in one year, assuming that we had the ability to identify in a fair and accurate way all of the property owners that would come into the exemption and all the property owners who wouldn't. That's, I think, the challenge.

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Katz: Ok. Further questions? Maybe I ought to have dean respond to the question with regard to meeting e.p.a. Standards with sumps. Where are we on that and what, if the rule against us, what does it all mean?

Marriott: Mayor, we -- we are meeting -- actually, we spent six hours with the e.p.a. And the state d.e.q. On this very topic. As members of the council know --

Katz: Why don't you let them know --

Marriott: I was going to say the state adopted some new groundwater protection regulations about a year ago driven by a federal rule that have to do with the stormwater sumps, among other things, and the city has thousands -- over 9,000 of these sumps, many of which we inherited from the county. Many are very old and have been in the ground a long time. They are all subject to these regulations. We are struggling as state and federal government is struggling, with just how to apply these new standards to new, not so new, and really old sumps. Some of them are actually quite protective of groundwater, and some, we don't know when they were installed and how they were installed. So, we continue to meet with them. It's a thorny issue for us because to some extent, it is slowing down, development and redevelopment in the city, at times. We are working hard to not have that happen, but that is an unfortunate consequence of it. I can't tell you today that I know the outcome of this, but other than to say that we are working very diligently with them --

Katz: What's the implication if e.p.a. Says that these don't work any more? E.p.a..

Marriott: The worst case, I always hate to speculate because people then hold you to that, but theoretically someone could say all of the existing sumps that are not in compliance with the new regulations have to be removed, and we could be looking at substantial costs to do that. They could say you have one year, five years, 10 years, 20 years -- a period of time in which to do that, which obviously helps, or they could say, you know, the evidence that we have, the data of water quality data of groundwater indicates that although these -- some of these technically don't meet the new standards, the water quality is adequate. There is no apparent threat to the environment or public health, why don't we continue to monitor that situation without forcing to you spend a lot of money to go and retrofit.

Katz: Let me ask you that question. Who would be responsible to retrofit?

Marriott: Well, the public facilities, the public would be responsible, probably this agency. The rules do, also, apply to private facilities, so there's quite a bit of uncertainty about just what the future of those might be, but for now, we are working hard to try to make a sort of -- a common sense result be the end of this discussion so that we have some certainty about what the future looks like, we have some certainty about what facilities are allowed to remain, and what new facilities will be allowed to put in so that people who want to invest in Portland are not dissuaded from doing that because of this problem.

Katz: I guess educate -- you know where I am going on this.

Vizzini: Maybe one way to answer that is Portland has a unified stormwater utility, and we finance it primarily through rates that are applied uniformly across the city. During rate reform, we discussed the possibility of geographically differentiated rate areas, and the council rejected that in part because there is a strength in having risks covered over the entire city, that is all the risks shared by all of the ratepayers. It provides greater stability and economy over time for the entire system. If, if the stormwater utility is responsible for changing out the sump system or upgrading the sump system to meet a higher environmental standard that is imposed by d.e.q. And e.p.a., then that typically would be the responsibility of the entire utility, which means all of the ratepayers. An example that I could give would be at the time that we were building out sewers and sanitary sewers in mid county, the city -- the city made a decision to upgrade, replace, and in some areas, add sumps in east Portland. The combined total of that was about \$23 million, and that was -- that was and is still borne by ratepayers city-wide in much the same way that work we do in other parts of the city is borne by ratepayers everywhere else. So what we have is a unified utility with uniform rates.

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The idea is that that's, that gives us the greatest strength, the greatest ability to deal with risk over time.

Katz: Ok. We have representative merkley here. Representative merkley, I will give you 15 minutes first. Since you are not doing very much in salem, maybe we can give you a little bit more time.

Representative Jeff Merkley: Thank you very much, madam mayor. The presentation you have just seen was devoid of historical context. I think it's important as you make this decision over retroactivity, to recollect the historical concept and context. For east Portland, that was primarily in 1994, 1995, during annexation when the issue came up over stormwater fees, would this portion of the city need to pay city stormwater fees? The city said no, you will receive 100% discount because you have to maintain your own private drywalls and we are not going to provide you with a combined sewer stormwater system. Shortly after an ex acres the city won a law case that it did not expect to win, and that was that it anticipated that if there was a differentiation in service but a consistent fee applied, it would be considered a property tax and would be covered under measure 5. It turned out the court sought differently and said no, even if you differentiate service, provide some people with stormwater services and some not, you can still charge a consistent fee. The city then canceled in 1998 its stormwater discount, sent letters out to people who had signed up to that discount and said no more. That produced quite a reaction from people who had that discount because it really was an understanding with the city and an understanding that had been years in the making and part after deal on coming into the city. So, with that background, this issue is not simply one of an exercise in maximizing revenue or minimizing cost. It has to do with a fair provision of services to citizens of the city and charging them what we said we would charge. Now, we went through an exercise as a community in restructuring with this issue in 1998 and 1999 and decided by the end of 2000, december of 2000 that you know what, we won't give the full 100% discount, but we will give a 35% discount under the argument that everyone uses all the roads and some of the stormwater costs are attributable to use of the roads and to treatment of water that comes off the roads. So, that was the deal that was struck, 35%. The thing that frustrated immediate implementation was the computers. The expectation was that within a short period of time we would be able to implement that discount, and there was a provision that the city council adopted that kept the door open on retroactivity at that time, and that was much appreciated by the citizens who were involved. Thank you. The question, of course, that we now have is, is before us, because the problem with the computers prove to be much more complex and difficult than anticipated, so much time has passed. Here we find ourselves with all of 2001 and 2002 passing well into 2003, and we are looking at implementing a program in 2006 and deciding now. I think it's good to have this decision now. I commend the commissioner for saying we need to struggle with it now and not postpone that to 2006. So, my argument would be to make january 2001 the date for retroactivity for this 35%. For several reasons, the city wrestled with this decision and decided in 2000 that this was the fair and right discount. If you think of this in terms of -- and they anticipated applying that discount in the very near future at that point as soon as the transition in the computers were able to handle it. If we think of this in terms of, for example, if I sell a house and someone is going to make payments to me every month of \$1,000, and for the first two years the electronic transfers don't work, so they come to me and say, hey, I don't owe you the first two years of payment because the computer never worked. It would be a rather ludicrous argument, and in fact, when we talked to citizens now who didn't receive a bill for several years because of the failures in the system, we say to them, well, you do owe us for the water that you used during those several years. You knew you were using water. You should have set aside funds to help pay when you finally got the bill figured out. The same deal applies here. We talked about the issue of setting aside a reserve to pay for the discounts retroactively when we got up and running and were able to make them. Citizens shouldn't be told that they won't get the discount because we didn't set

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aside a reserve or because the computers continue to give us trouble. So, my strong suggestion, recommendation is we made a decision in december of 2000. The 35% was one-third of the original deal. That's a bargain for the city, but to honor that decision we need to have retroactivity to january of 2001. Thank you.

Katz: Thank you. Questions? [applause]

Katz: No. No. No. No. No. No. We do not clap when we do city business. If you insist upon clapping, we will clear the chamber. If you agree with what somebody says, we have an alternative because we always try to problem solve, is this. We know you are supportive of what you have heard, but we are not going to have demonstrations here with applause. Questions of jeff? Ok.

Merkley: Madam mayor, if I could add another point I was asked to bring forward that I forgot about. That is in relationship to schools and churches and corporations that they not be left out of due consideration as we wrestle with this factor.

Katz: Ok. I don't know if we are going to get to those details, but I thank you.

Leonard: I want to thank jeff for his advocacy in Portland in general at the legislature. The legislature does have a bad reputation, but there are people there that they could use more of, and jeff is one of them.

Katz: Well, absolutely and has been for all these years.

Merkley: Thank you very much.

Katz: When we control again, some day. [laughter]

Merkley: And we miss you all down there.

Katz: I bet you do. All right.

Francesconi: As well as -- as well as your advocacy right here in Portland. I want to thank you, as well.

Katz: I asked dan what a typical monthly bill with the stormwater, the sanitary sewer charge and the service charge -- is that for the retroactivity -- without the retroactivity? What it is today? Ok. I want him to figure it all out for us so that we have truth in pricing when, when somebody is going to get a bill because we don't look at, at one charge without the other charge. So, you have got option one, two, three, and I don't know how many more. Why don't you go ahead and do that. This is, I assume, for residential. Ok. All right. We have perb. One of the members come on up. Purb come on up. You have dealt with this issue, and then we will open it up to the public here. You are all expert members.

*****: Expert members.

*****: There is no purb present --

Katz: There is a purb, but we have ex-purb members.

*****: It's in limbo.

Katz: Not for long.

Jim Abrahamson, former PURB Member: Good afternoon, madam mayor and members of the council. My name is jim abrahamson and I live in the sellwood neighborhood in southeast world. The discount program by itself is solid and already proved by council. It contains several beneficial elements and several challenging elements. Amongst the beneficial elements that conforms to the purpose that the utility customers should not pay for services they do not receive, the original intent was for a program that adjusted stormwater charges for a group of customers living in a specific geographic area of the city. One has to ask if maybe we strayed a bit too far from that intent now that we have \$110 -- now that we have 110,000 eligible accounts. It's approved by council as the final phase of rate reform. One of the elements is that the discount program is only loosely based on economics to the bureau of environmental services. The discounts provided to program participants do not reflect actual cost savings to b.e.s., but rather reallocates costs from one set of customers to another. The program can place burdens on customers who lack on-site stormwater management options. The costs may fall disproportionately upon local business and industry,

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placing further economic pressure on this city's generators of employment and economic wealth, and it presents programming challenges that will need be overcome by the new c.i.s. to support the program. The city's flawed utility billing system is the sole cause of the delay in implementing this program. Had the open vision system accommodated this program, it would have been implemented two years ago. Retroactivity at this late date is a bad idea. It exacerbates the above-mentioned challenging program aspects and introduces others. Why should customers pay for something which they may or may not benefit from for several years? A long period of retroactivity requires the imposition of a larger surplus that adds a substantial element of rate shock to all customers, possibly leading the great cost shifting and rate shock to customers who do not have the capability to participate. Finally, let me knock wood here, but there is no guarantee that the new c.i.s. will come in ontime, so if we have a program of retroactivity and we are currently charge something sort of a surcharge, if the new system doesn't come in on time, that will add to our problems. I urge the city council to reaffirm a commitment to the discount program, allowing the reformed purb the opportunity to review the current state is probably a good idea. Reject retroactivity payments all together. If the payments are adopted, the period of retroactivity should be as short as possible, and finally, require that the discount program be explicitly included as a core element of the utility billing system.

John Wish: Mayor and council members. Thank you. My name is john wish. I live at southeast 7 -- 72nd in Portland. I want to thank commissioner Saltzman for choosing a new billing system sooner rather than later. I think, though, it is time to make -- and jim and I have disagreed now and again, and we are going to disagree here today. I think it's time to make good on the promises council has made to the citizens of east county and to the citizens of Portland who have disconnected their, their downspouts. It is not bad to disconnect your downspouts. It is not bad to run sewer -- to run stormwater onto one's own property rather than run it into the sewers. That means that we are going to have a smaller sewer plant down the road. We are going to need less big pipes than we would need otherwise. Admittedly it has not been quantified. I would urge to council to rebuild some of the trust and follow through on a rebate program. There are two things that, that were not considered in the short handout. One, there is no consideration of bonds as a way to pay for the discount program and thereby lower the rate impact in any one year. There is no consideration for the possibility of paying the discount as a rebate to those people who have already applied once or twice or three times for a discount program. Maybe a review with all due respect, commissioner Saltzman, maybe a review from purb, if it ever gets going again to look at the effect on different classes of customers, the time of the rebate, and alternatives for financing the rebate would be useful. Thank you very much.

Katz: Thank you. Ok. Let's open it up.

Katz: You all have three minutes each. You know that shall don't you?

*******:** Am I the leadoff?

Katz: Go ahead.

Dr. Howard Horner: My name is howard horner. I have lived out in the east county area since 1956, and as the commissioners know, have been involved in this stormwater controversy since it began. I was very interested in hearing jeff's remarks because he made the comments that should be made. The promise of a discount was made by the bureau. They should be held to their promise. We know they will not be. There's no way I can express to this council the disgust I feel for the way people in the new sewer area have been treated. It would be nice if we could go back and get the discount, but I think that, that this proposal is absolutely ridiculous and would not meet the needs of the people who reside out in that area. As I said, the bureau should be held to the promise they made. I think that there may come a time, and the council would want to consider an alternative to that. I just don't see the fact that people will accept the fact that we are going to be charged more and more and more and finally in 2006 there will be discounts started. That doesn't

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make any sense to me at all. I would like to suggest to the council that you consider one more time the matter of making the discount available to all those people who are in the new sewer area. The bureau does have that data. They might not want to use it, but they do have it. They know who those people are. All of us who live in that area are contributing a great deal right now to the cost of what Portland has in many other areas, but I think that instead of going back and trying to retroactive the discount program, that they should say, we will give the discount that ought to be made to all customers in the new sewer area. That will include residents. It will include business, schools, and churches. One of the things that would be very good about that, it would save thousands of hours of secretarial work, and there would be no question, then, about do I apply or should I apply or all of that kind of thing that garbage that would go with it.

Katz: Thank you.

Horner: I would suggest to the council that they give very serious consideration to this. And incidentally, it's not a new idea. This was the plan that started originally, and it should be followed through.

Katz: Thank you.

Francesconi: So, doctor, since you were the one that really helped call attention of this whole issue, so the idea of collecting money now but not giving a discount, doing that in the future, you think that that's ridiculous?

Horner: I don't, I don't like that at all, and I don't think that people will like it. Incidentally, it's my feeling, and I was a school administrator for 2,000 years, and I think that people have to be treated fairly. [laughter]

Horner: I think people know whether they are being treated fairly. Right now, they know they are not being treated fairly, but I think this kind of a thing saying ok, let's do a discount program, have it go all for those who are living in that you are and start it as soon as it's possible to do so.

Francesconi: Ok. So I got your second point, which is you would like it done for all, but what I need to understand is do you think that the fairest way to approach it now is just begin it and then kind of go forward without ever going to any retroactivity?

Horner: The absolute fairness would be to do it retroactively, yes. It would be fair to do it retroactively. I think, though, that -- I think it would be almost an impossible program to do it. There's 55,000 hookups out there. You are going to get 55,000 applications to be verified, to check on -- all that kind of garbage is going to take an immense amount of time, and I just think that this is something that council should bypass.

Francesconi: Thank you, doctor.

Katz: Go ahead.

Mildred Gayle: My name is mildred gayle, and I live two blocks north of division on 130th. I am real close to david douglas high school. My place is up for sale. It's got a big sign in front of it. Partly it is because I am disgusted with the sewer business. I want to move to idaho or Washington some place and get away if Portland. I have lived here for over 65 years, and I have loved Portland, but what I see going on now, I do not like. I do not approve of, and I am not proud of.

Katz: Go ahead.

Tamara Blackford: I would like to firstly say thank you to representative merkley and dr. Horner for being here today. Good afternoon. My name is tamara blackford. I live in arlington. I am the chair of the arlington chapter of acorn and the secretary of the board of acorn. I am here today to tell you that raising rates is not on option in any size, shape, or form. There are four options for the refund. Two of them directly include rate increases, and we support the one that does not. In all the newspaper articles I have read or heard about, there has been no mention of option five, which doesn't involve rate increases and would come from the general fund. Why is this not an option? We had a meet it would go weeks ago with metro counselor rob monroe where he looked over the budget. He has much experience with budgets. While we don't care where the money comes from,

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his advice was that the city spend the money to give the retroactive refund and implement the discount from the funds that were going to be used to cover mount tabor reservoir. If there was a flood downtown in all the -- and all the streets were filled with water, there would be a disaster relief program. The city would find the money to fix the issue and repair the damage. Why is it that the city has been taking our money for a service we haven't been receiving and is going to take years to do it? Why isn't this a disaster worth the effort to find the money for? Do you think that we are stupid? We want to see a workable plan not involving rate increases. It's crazy for me to give you my dollar, you go and invest it and then turn around and give it back to me. It's unacceptable. We do not need -- we don't need this, period. The people of east county feel disenfranchised by the city. We were voted the most livable city, so let's step up to the plate and prove that to our citizens. Mayor vera, I would like to say, please forget the baseball team, too. Let's take care of our citizens and the issues at hand in our city. Thank you.

Katz: We don't have a team.

Blackford: You have been considering one.

Katz: We are not buying a team.

Blackford: That's good to know.

Katz: All right. Thank you. Let's go on.

Hayden Johnson: I am hayden johnson. I have lived here since 1941. Lived in southeast Portland. That was since 1967. I understand when the people came out here, we really didn't want to be annexed. We didn't want to have the city of Portland bother us, but they made certain deals and issues and said that they wouldn't do this or that. But, they are doing it, and it's a lot of concern of the people in southeast, and mr. Horner was -- mr. Horner was talking about the school districts and so forth, and I think all the commissioners and so forth, including mayor Katz, is interested in education of the children, but how can we have education for the children when the schools can't get enough tax money from us because we can't afford the tax money. We can't pass tax issues because we are not making it. Complete is bad to start with. Then the schools are being overtaxed, like us, with the sewer water issue, and so there is down our schools are going down more and more and more because of this. One question that I asked at the meeting two weeks ago was in rate increases, ok, where do you justify the rate increase? Do we have new pipes? New sewers? What's being done to upgrade this or whatever to create these new rate increases? I haven't seen it. I know myself if I do any employment for myself, I have to justify to my customer why they are being charged more. They want to see it. Well, I think that awful us should be able to see why you want rate increases. Why these things are costing so much more. Thank you.

Mike Brady: My name is mike brady. I live in southeast Portland. Southeast 99th. I am here as a member of the acorn to address the council and wondering why we haven't got our discount, which, which had been promised to us. After years of working on this campaign, we feel vindicated that the decision is on the table finally, but it's taken long enough, and we want to see immediately -- immediate implication of the discount. We want the discount to be added to the new system while it is tested instead of later on, just put it in there as they put the system in be so we can, you know, not have a problem here coming up. We want them to refund the retroactivity when it was promised originally. Geographic application of this count and the refunds. We support option five to finance refunds, to finance the refund, not a new one. I do have a present for the council, also. I would like to give a turtle to say that we have been very, very slow with coming about, about our program. Thank you.

Bob Cornett: My name is bob cornett. My family has lived in Oregon since the late 1,800s. Since the late 1800s. I am with the acorn group, but for what I have to say that I don't want to involve the group in my opinion on it. People are saying that, that, you know, we were -- we were taken into the city in this and that. Well, I am going to say it like it is. The people of east Portland were blackmailed. Into joining the city. Now we are not only being -- we were not only blackmailed

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into it, we were blackmailed into joining the sewer system that nobody in east county wanted. Nobody in east county needed. We were paying for a service that we don't get. We have been paying for a service that we don't get, and I don't know anybody here that tops pay for, for -- I don't know anybody here that would go to the grocery store and take a bunch of groceries out without paying for it. I am sure those people wouldn't approve of it, and I can't see any difference between that and what you people of Portland are doing. I used to be proud of Portland. I thought when I grew up in Portland, I grew up in east county when there was went nothing there but berry fields and apple orchards. I used to be really proud of it. But, I can tell ya since this became a big city, or what you people consider a big city, it is, as far as I am concerned, it's gone downhill. You have stolen from the people. You have taken from the people. You have coerced people. You have done everything against the people, and I always thought that the government was for the people. Evidently, i've been sadly mistaken over my entire life. I raised my kids to be honest, and they are honest. My grandkids are honest. They all live in the area of Portland. I don't know how to teach them to be honest any more. People in government steal from the people. How do you say that it's ok for the people to steal from the people? It's ok for government to steal from the people? It's not ok for you to steal from other people. I just think that, that instead of all this, why don't you just let us disconnect from the sewer? Go back to our septic systems. Keep your city, and let us go back to being east county. We had a great place. We had great police, which we don't have now. We had septic systems, they were a grade -- they were a great idea because we don't have them now. We have a city that dumps them into the river anyway. I want to thank each and every one of you for listening to me. I appreciate being able to come down here and say my peace.

Ron Clemenson: You want me to start? Ok. Good afternoon, I am ron clemenson, it's nice to see you folks again. I wish it were under better circumstances. Live at 840 southeast 156th place. I am also the vice chair of the centennial community association and chair of our church budget and finance committee. On tuesday, april 29, my wife, jan, and I attended the b.e.s. public meeting by dan, who, by the way, did a great job of keeping our discussions in order and allowing everyone their say. A lot was said. Rightly so. The stormwater fee issue was, and still is a very hot issue for outer east residents, including businesses and schools and churches, but it obviously isn't just an outer east issue. According to b.e.s., as many as 110,000 customers out of 165,000 city-wide may qualify for a discount when and if that ever takes place. For customers who recover their own rainwater run-off, the discounts made in the 1990s when the annexation took place seems remote. So, when you propose a surcharge to provide any retroactive discounts on top of the high sewer and stormwater rates, you merely add insult to injury. For example, our own residents, our water bill from rockwood, two months, \$42 versus \$117 for two months, same period, sewer service bill. So, what's wrong with this picture? This is pretty much the way it is on, on a monthly, year-around basis, something needs to change, and it's not our water bill. The folks who attended last tuesday's b.e.s. meeting expect interest in the surcharge so they can turn around in three years and pay representative active discounts. As one resident member said recently, I may not be around then. We hope he is, but this applies for many seniors and others who have moved on, etc. What people want is relief now, not three years down the road. What I related to the others is that b.e.s. needs to bring forth an equitable solution that all ratepayers can live you. You are city officials, you can help make that take place. Broken promises are not easily forgotten, but you can make decisions now that will remedy the situation. I can't speak for my fellow citizens, but I do believe that most would say reduce our costs of sewer service. Do what is right for all ratepayers. Therefore, I suggest the following -- drop the surcharge option. It literally and figuratively stinks. Two, apply an across-the-board minimum 5% reduction in the sewers and stormwater charges for all customers effective july 2003. This would do basically the same as the 35% discount for residents.

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Put aside the rate increases for 2003 and 2004. In summary, use the ideas of the employees and businesses, which we heard last week, and residences to make for efficiencies within the bureau, anything that can be done in that regard would help. Thank you very much. We want to see the city that works, work.

Katz: Thanks.

Ann Gardner, NW Industrial Neighborhood Association and Portland Business Alliance: I am ann gardener, and I am here representing the northwest industrial neighborhood association and the Portland business alliance. Our message to you in this very, very complicated conversation is please don't rush to a decision. Both the Portland business alliance and nina concur with the sentiments offered by the Portland water user's coalition, and you have their letter, which basically says delay making a decision on the discount program until you fully evaluated the impacts. Also, we suggest that the Portland utility review board take a hard and close -- excuse me -- look at this. A couple of points, in the presentation that you received just a few moments ago showed you the rates for the residential customer. I encourage you to look closely at the literature that's provided to the bureau on the rate increases to the office and manufacturing customer. By example, the b.e.s. information tells us a customer -- a manufacturing customer paying \$3,400 a month for utilities for stormwater charges would be paying up to \$4,900 a month, depending on which of the choices. That's a very substantial increase, and I think we very carefully need to evaluate the cost on business. The other point that I would like to make is having worked at the wastewater treatment plant for five years, I think that I have a little bit of a sense about how the rate structure works for b.e.s. And the system works. I do not believe that the discount program will in any way actually reduce or will substantially reduce the flows sufficient to reduce the cost of this system. The cost of our sewer system is largely dependent -- a function of the, of the bonding capacity, our bond commitments to the capital infrastructure. So, the discount -- the disconnecting from the system doesn't appreciably change the size of the system that we need. So, in closing, just ask you to take a little more time. Look carefully at the impact on business. Have the public utility review board give it another look. Thank you very much.

Katz: Thank you. Dan, do we have -- or dean, do we have what anne has in her hand?

Marriott: I think in the material we sent you last week, they received --

Katz: I don't see it in here. At some point, I don't want to hold up the public testimony, but let's see -- we have -- we don't have that -- ok. Let's continue then. Go ahead.

Selma Smith: Thanks. My name is selma smith, and I live out in east county a couple blocks from david douglas. I have lived out there for 28 years this july. Having heard the prior testimony of the people attending this meeting, I agree with most of them in that a promise was made to us in east county that we would get a discount on our sewers. The discount amount has been changed twice. I believe that the city knowing that they were going to give us a discount, should have set aside a reserve fund. They would not be in the position they are today by adding increases to the bills in order to give east county residents a refund. I think that this whole, this whole process should be reviewed again and that possibly the suggestion of, of making everybody eligible for a refund by a flat discount on the bill would simplify matters and could even be incorporated into the current water billing system. Rather than wait until 2006. Thank you.

Rick Riosa: My name is rick. I live by david douglas high school. This seems to be quite a problem, and the homeowners are quite under a pickle. It was very, very convenient that when the voters decided to vote for the salmon recovery, which I am for, as well, that's all great and good. What that means cleaning up our water before it reaches all the rivers. What I find with that, it's been completely unfair to the homeowners. People in the homes still rely on trucks and things to deliver goods and streets get used by everyone. It's the responsibility of everyone, this problem that we have. It shouldn't have been put on the backs of homeowners only, and that's already done and we can't get out of that. The problem -- it should have been a tax for everybody in the east county

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or whatever is involved living here because that's what it takes to, to save our salmon, was everybody, not just homeowners. I think it's been long enough, and like everybody has been saying, you promised us something, and we do need something now, not three years from now, especially when you are talking about a rate increase of a third more, people are paying \$3, \$400 a bill. Their bills go up to \$500 or more, and they will get how much back, \$15, \$30 or something in three years from now on, on those rates, and it's, I was incredibly wrong. You are finding people are wanting to move out, leave here, if you want to go -- if you want a ghost town, if you don't want anybody to live here that, you know, that can afford to live here, that's what you are, you are creating, you know. You have raised electric rates when the water was low. We have plenty of water now. Those don't go down. Nothing goes down. All the bills go up. People on fixed incomes are having hard time. Anybody with a growing family has a hard time with this. It is completely unfair. I work in the construction field, and I hear what goes on. I know about all the plans, all the water reclamation that's going on, st. Johns, and all of these other places. I am aware of it because I am out there doing some of the work, myself. A lot of those things have been completed. A lot of those plans have been done, and I just don't see how this increase can keep going up and up and up to pay for all that. It should be more across the board, more fair to people, more accountability. I can't understand how it's taken over four years for the sewer and water systems to figure out their, their, their billing. All you have got to do is go to the meter and figure out how much you use a month of water and then bill it that way, not your land, not your cost, not your, your downspout, not any of that. If you are losing money, I am sure the problem would get fixed right away. Computers are only as smart as people. All it takes is the right people to get those things done, even if they have got to do it long hand, at least get this over with, get the right billing to the right people and make it fair. One other thing i'd like to say is, I want everybody to be aware that the bull run is probably up for sale to this group here wants to sell our water to the highest bidder, so now we are going to have problems with, with getting water, as well.

Katz: Thank you.

*******:** Thank you.

Charles Rosenthal: I am charles rosenthal. My wife and I live on fairmount boulevard in Portland. My home is on a steep hillside parcel at 920 feet elevation. Average rainfall is about twice that recorded the official station at the airport, so we get between 60 and 100 inches of rain depending on the year. Run-off is a terrible problem, and we have ameliorate this had by using a dry well at each of our four downspouts, plus a rockfill drainage trench at the other. Our parcel is pie-shaped with 208-foot arc on fairmount boulevard, and we get extensive run-off from air mount boulevard, itself. To ease this, we have built trenches to direct and absorb the water. Across fairmount from our parcel, the city of Portland maintenance department constructed a ditch to collect water from the upper slopes. About 400 feet of this ditch is connected to a culvert beneath fairmount boulevard, and it empties into a seasonal stream bed which runs across my parcel. I think it's fair to say that we are too familiar with run-off. From its announcement I tried to join the discount program. If I recall correctly, I completed an application form. It was -- I was disappointed that mismanaged development of the billing system prevented my getting a discount. I was trained as a computer engineer in both hardware and software. I have been developing my skills and applying them to a wide variety of computer applications since 1951. My projects have ranged, though, for lots of different things, from, from telephone system billing to telephone system connections to electronic design automation. I was a project manager on many projects.

Francesconi: Are you applying for a job at the water bureau and b.e.s.?

Katz: Your time is running out. You might want to tell us what you feel.

Francesconi: You have got to give him some time back.

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Katz: I will give him some time. This is a gentleman who has served this had community is on the fpd&r, so if he has to sit and listen to some of the cases we have been sitting through, we can give him a little bit more time. But, go ahead because you described the situation up in southwest.

Rosenthal: Right. I have tried to follow the work underway to obtain a fully functional, reliable water bureau billing system. A provider has not been chosen at this point. The full requirements and specifications have not been documented. Testing is not designed, and the costs are not negotiated. Carefully consideration shows that it is too early to make a confident estimate of the delivery time. It is too early to estimate the risks involved. It is too early to estimate the functioning of the discount features. A prudent action for Portland is to await the delivery and test of the discount features and then to initiate the program. For my personal point of view, I would like to discount now, but I think that's being selfish. From the point of view of an experienced professional computer system manager, I strongly recommend postponing the discount program until the facilities are working reliably. To do otherwise would risk repeating the failures and disappointments we have already gone through. Thank you for your attention.

Katz: Thank you.

Francesconi: Do you think that there should be any -- once it's in place and we know that we can deliver on the promises made, do you think there should be any retroactivity even for a brief period of time? In order to try to honor the spirit of the commitment? I think you need to get your, to get your infrastructure in place and make your commitments when you know when you can make them reliable. Until you know that you have got your system working to make promises will turn out to be as idle as they were just a few years ago, and that's what I am concerned about, that you lose the confidence of people by being unable to follow through because you don't have the facilities to make it work. That's what happened in the past. It's likely to happen in the future.

Francesconi: But, if you -- and your caution and warning is, is well spoken. The question, though, is if you have a firm date -- if you don't make it a firm date but you, you have it go from the date that it's functional, I am not sure why you would be in danger of violating a promise, but I might be missing something, see what I mean?

Rosenthal: Well, there is a date which is put forth as being July 2006. If you slip on this project the way you slipped on the last one, it may be 2012, and you have a whole host of people, like the ones sitting behind me, that will come and bang on your door and say, why haven't you fulfilled your promise. The reason you haven't is that, is that not that you don't want to, but simply that you don't have the facilities to do so.

Katz: Thank you. Who is going to start.

Tim Metko: I will start. I am Tim. I live on 148th Avenue and Sacramento, between Halsey and I-84. I've been a resident off and on here since 1983. I came from Phoenix, Arizona. When I moved up here permanently in 1996, the home I bought was in these -- in East County, and I am currently living there. My billings in Arizona, and a 36-foot diving pool, were cheaper than, than the billings I was paying for water up here, and it included -- included, I had sewer and traffic removal, as well. The -- now, getting to the point of the, of the drywells I have. I have drywells, no water escapes from my property. Not one eye on it or not a half percent with the exception of the driveway, the entryway from the street to my driveway would be the only exception to the rule. Now, in September of 1993, this stormwater drainage discount program was offered, and here's documentation to that proving it. I don't know about the total history, which Representative Merckley mentioned, but at that point it was also offered up to 35%. That was in 1993. Even though I purchased the house in 1996, the gentleman I bought it from recommended that I apply for this. He applied for it in 1994, or in 1993 and was turned down because at that time, he was on sewer. In 1996 when I purchased the property in September, rather March, I purchased it, and in September of 1996 is when I went ahead and converted it over to the sewer. At that point, it seems clear to me you folks are making something retroactive to 2001, yet you were offering it like we

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have heard testimony to the other people saying the same thing. I am thinking it is clear -- if you do retroactive, to the point of which you hooked up the sewer. There is no problem about who sent you the bills or, or rather, who is applying for what because you know it by their billing. That's when I started receiving my stormwater management prices, which I still am receiving at this point.

So, in my opinion, if, again, if there is a retroactivity, it should be to the point of when they had implemented the city sewer. And in fact, if you folks have decided this two years ago or when this first had been started in 2001 or Japanese or whatever the dates these folks had mentioned, would we have gotten representative at this time back three years prior to that? One other item I have, and that is, you know, I tried calling for this discount, and I called this, this number here, whichever it is, for the stormwater drainage discount program, and I left three messages over a period of two months, and I, and I never got any reply, not orally or in written. On that note, I will turn my, my remaining time, like they do in the senate, if you can do that, over to these folks. Thank you for your time.

Katz: Good try. Thank you.

Deborah Lark, Portland Hospital Service Corporation: Mayor Katz, commissioner, good afternoon. I am Deborah Lark. I am here representing my firm, Portland Hospital Service Corporation and the water user's coalition. The first thing that I would like to bring out is to say thank you for your previous decision to delay a, a decision on the membrane filtration system relative to Bull Run.

My firm, too, in recent years invested significantly in membrane filtration, and suffice it to say it was a foolish and costly mistake that we made. We have no desire to see that repeated by the city of Portland. With regard to Bull Run. Mayor Katz, we would like to thank you for reactivating the utility review board. We feel that it is critical that that -- that those people be available to continue to review proposed rate increases and any other issues you might deem appropriate for them to review. I am here this afternoon to speak specifically in opposition to the stormwater discount program, and most certainly, to making that discount retroactive. The estimated, what we have heard to be up to 114% rate increase that will subsequently be imposed on thousands of Portland residents and businesses is going to do much to discourage continued economic growth within this city, and we know that that is critical at this point in time. I personally have been a resident of the Portland area for well over 25 years. I love this city, but it has been stated by other members and people in this room today, I am disappointed deeply in what I see occurring in our city. The program, the stormwater discount program is unfair for a number of reasons, and we disagree with it. It's unfair to the residents and businesses who will find it very difficult if not impossible to participate, to disconnect their downspouts. My own business has a, a large percentage of impervious surface. I am currently building a new facility within the city of Portland and have been shocked and dismayed at some of the things that have occurred. As a result of that decision. This is just one of those. It's greatly disturbing to us to think that we could be faced with this kind of a rate increase and feel certainly that it is unfair. This proposal lacks adequate public scrutiny. It lacks the due diligence. I think that as responsible people, we need to put forward, in order to make sure that if the program is implemented, that it's implemented fairly and equitably for businesses trying to come into here and for other residents for the city of Portland. We understand the idea of providing a discount to people that don't use a city service. I want to encourage the mayor and the commissioners to make use of the great minds and the talent that you have sitting, that you have in this community, to bring those people together and allow them to work with b.e.s., the water bureau to come up with a way to make this system equitable and not hurt for future economic recovery.

Katz: Thank you.

Fred Sawyer, Manager, Portland Hilton: Hi. Mayor Katz and commissioner, good afternoon. I don't know about the three-minute time limit, but I will do my best. I am Fred Sawyer, the hotel manager for the Hilton, Portland, and Executive Tower. I am a member of the Portland water user's coalition. I have put my hat in the ring to be a member for Purb and I want to thank the mayor for

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working to get that back up and running. In this, I think it is a perfect example of why the perb is needed. We do believe that there is not adequate public scrutiny about this process, and the program as proposed has some fault in it. As Deborah alluded to. Like most business, the Hilton cannot spread our stormwater on the lane out front. We don't have a real way to, to participate in this discount program. If you remember, it's disturbing to me that there is no cost savings that is going to be met when someone disconnects from the system. If 800,000 rather than 10,000 people disconnect, then you are going to have quite a burden spread among the other ratepayers out there. And this burden will then soon become unmanageable. Again, we understand about offering discounts to people not using a city service. However I do believe that people without children still pay for taxes that go to our public schools. It's about spreading risk for the greater good, and somehow, this does not seem to be fair and well thought out. As for retroactivity, one of the concerns that I have in reading and trying to learn about this, is that I am not sure how you enforce retroactivity. How do you go back in 2006 and prove that you disconnected from the system in 2001 in I think there's a lot of issues that still need public scrutiny. I think the honor system leads the system wide open for fraud. I think that the, the proposal needs to have more people, including the public utilities' review board, to take a hard look at it and make a, a recent and deliberate recommendation. Thank you.

Katz: Wow like to wait or would you like to start? I have lost two -- ok, jim, go ahead then.

Glenn Hartel: Good afternoon, mayor Katz, and commissioners. My name is Glenn Hartel. I live on -- just off -- between 146th and 148th on East Burnside. I am in what's commonly called, referred as East County. It's Portland. I've been there since 1964. I have seen many, many changes out there -- changes out there in what's now Portland. I have seen the city come in and annex up. I have seen them raise the street in front of my house. I cannot park in front of my house. I have a one-way street. I have to go out of my way to go anywhere. I can't just back out of my driveway and drive. I have got to turn or go to a light or something to get where I need to go. I have seen a lot of changes in the city of Portland. I am very proud of my property. I am very proud of my community, and I am very proud of the city of Portland. Don't get me wrong. I support them. But, I think the city of Portland needs to take heed and listen to what the people are saying and what they have been saying. Now, mayor, you were mayor when this discount program came into effect. There is some commissioners here that were there. There is new commissioners. What's going to happen in 2006 if you as the mayor are not sitting there. You commissioners are not sitting there? We will be dealing with a whole new set of facts again. You talk about retroactivity. This was a promise that was made to us, to the city of Portland that we would see retroactivity and that it would be implemented, the discount program would be implemented within a year. It didn't happen. So, now why are we debating over retroactivity? You need to honor those promises that were made. It's a moral issue, I think, with you people. You people, commonly sat there and said, hey, we will do it. We will give you the discount. I think it needs to be honored. I don't think we need to quibble over about how far back we are going to go on retroactivity. I think this is ridiculous, myself. I don't know what you are, your feelings are on it, but I am sure you have some concerns about it. If you live out there where we live, I am 2 foot below grade, the street grade, there is no water that goes off my property. I have drywells, I put them in and I maintain them myself. That was my expense. Deduct all my downspouts in, my garage, my house, everything is ducted in. There is no water going off my property to my neighbors or anywhere else. I am sure there's a lot of people out there in that area that are in the same -- have the same concerns and have done the same thing. People take pride in their property. Let's face it I think that this retroactivity thing, I think you need to really be hard-nosed about it and honor your promises. Thank you.

Katz: Who wants to go next? Come on.

Bruce Hollen: Good afternoon. I am Bruce Hollen. I live in Southeast Portland. Good afternoon commissioners, city of Portland. I favor a speedup in the refund process of the, of the -- as far as

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possible refunds on the rates. I remind the city council that the Portland water bureau is not owned by the Portland city council or the Portland water bureau. It's owned by the people, the voters, and through a possible process of, of eminent domain or condemnation, the voters might elect to have a privately-run utility. This could be a possibility. This, this would be one of our options. But, I would like to -- I would like the Portland city council to consider a 50% rate reduction for stabilized rates and long-term -- stabilized rates, reduced rates, stabilized rates, water is the basic of the basics that, that the service that the city provides. They should be good at this, in my opinion. Either that, or we, we could go upon this more difficult option that would be available to the voters. Let's see. I do have a few ideas on how the Portland city council or the city of Portland might be able to save some money long-term. We are talking -- if I said a 50% reduction in rates, how they might be able to save hundreds of millions of dollars to pay for this. First of all, if they saved \$70 million by not building or attempting to build, and this, this may be an issue that goes to court, or I am not sure what the status of that is now. As I understand, it's going to, to the -- the reservoirs, but when -- there should be more, more volunteer workers working for the Portland water bureau. It shouldn't be just a thing of, you know, I mean, like we have volunteer police, volunteer firemen. During the last labor contract, we had over 3,500 Portland public teachers working as volunteers. I think that we can have some volunteer workers working for the Portland water bureau in the billing department, people, meter-readers, this type of thing. This is going to help with long-term stabilized reduced rates. This is what many of the people are looking for. It's going to help thousands of businesses. Hundreds of thousands of people who live in the Portland area. That's about it.

Katz: Thank you.

Bruce Hanson: Mayor Katz and commissioner, I am Bruce Hanson. My family lived in Oregon since the late 1,800 -- 1800s. I know a great deal about the sewer water because I was on the citizens' advisory board on the new sewer system and the stormwater. I represent myself and my family, my two brothers. We have a small company on Swan Island. I have grave concern for -- we have been there 56 years on Swan Island. We are probably the oldest company on Swan Island. I can remember the airport when I was a young boy there, and it, and it wasn't operational, but the buildings were still there. We have been there a long time. I have grave concern for the, the cost that, that I am incurring right now on stormwater. My bills for stormwater and with the, with the, the economy the way it is, I've been paying last year, I paid over -- almost \$4,000 in stormwater costs. Like I say, we have been in business for 56 years. This last year has been the toughest year in all the years we have been in business. We haven't laid anyone off because of lack of work until this last year. We had to lay five people off because of, of rising cost and all the taxes and everything that we have had to do. It's just been very, very tough on us. I would like to have some flexibility in, in the stormwater rates. My particular company down there, we are very, very environmental-friendly people. We fish, fish Swan Island. I fished there when the port of Portland put my boat in with the whirly crane. We have a system down there, and I'd like to be -- I'd like to have some flexibility in this system where, where an inspector could come down and see the amount of, of run-off that we would have, but I have a steam-cleaning room down there that right now the water goes into a holding tank from the steam-cleaning room, and this water is burned off by natural gas and all the sledge is environmentally taken care of, and what I'd like to see done is to cut down on my stormwater rates for, for me is, is -- I would like -- I put over \$20,000 into this system so that nothing goes down the drain, and I would like to see the flexibility where I could be paid back if I put a plastic drum on the ground and collected all the run-off water, I wouldn't be using any water from the city, and I would run it through my, my system that I have right now, but I think we need some flexibility so that if I do this and go to the expense of doing this, that I would be paid back --

Katz: Thank you.

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Hansen: Everyone would win on this deal.

Katz: Thanks.

Hansen: As far as retroactivity, I don't, you know, I don't have any feelings on that, but I just want to be sure that there's -- everything is equitable among the companies, and it's not good out there for small businesses. Thank you.

Katz: Thank you. Go ahead.

Patti McCoy, Columbia Corridor Association: I guess I will go first. My name is patti mccooy, and as you know I represent the columbia corridor association. I am here today representing also creek, the commercial real estate economic coalition. C.c.a. and creek supported the adoption of the clean river incentive and discount program, which was created to provide ratepayers who managed their stormwater on-site up to a 35% credit on their monthly stormwater management charges. As information please remember that 2,000 landowners in the columbia corridor covering approximately 10,000 acres of the corridor -- of the corridor's nearly 23,000 acres are assessed today their stormwater management charges by the Multnomah drainage district. You are all aware that c.c.a. has sent strong and passionate messages to the council in the last 18 months imparting our unequivocal opposition to rate increases in this tremendously depressed economic climate. I have shared with you in the past company closures in excess of 200 and job losses in excess of 12,000. Those numbers now in the last three months have climbed to over 13,000 jobs lost. Another 58 companies closed. The delays caused by the failed installation of the utility billing system are most unfortunate and are totally unacceptable for all of us. We must accept that failure and move on with the business of selecting, buying, and installing a new billing system. Understanding that coping with and rectifying that failure will carry its own hefty costs. In light of this, we are strongly opposed to any level of retroactive discount being adopted. Another important issue is this -- some time ago in 1996, we believe, the perb calculated that less than 9% of stormwater utility costs are what are termed variable, meaning that less than 9% of the costs are subject to private property fluctuations. Mostly in the combined sewer area of Portland. This is confusing for us and suggests a complete disparity between the 35% discount that's a feature of this program and this 9% variable cost. I urge you today to ask staff to help us understand this apparent disparity. Given the time that has lapsed since purb, the purb did this calculation, it would appear that further analysis of the discount program, itself, may be in order by the purb, which you have reported today is about to be reconstituted. I guess at that point then we would support that. Finally, we encourage council to direct b.e.s. to develop a work plan for calculating public right-of-way charges more accurately. This problem was identified for b.e.s. in 2000 and has not moved forward clearly using on-site, private, impervious surface to determine a ratepayers' impact on stormwater impact systems without regard to public right-of-way run-off onto private property, over charges private landowners. In conclusion, we strongly encourage the council to eliminate the retroactivity of the discount program, take a more common sense approach to rate increases in this turbulent economy, and work on developing a more appropriate methodology for assessing stormwater management charges.

Katz: Thank you.

Katz: Is anybody else who didn't sign up want to testify? Ok. Tom, where have you been?

Tom O'Keefe: Having fun. Tom o'keefe, united community action network. Last time I did sit here was quite a while ago, and the chamber was empty and just, just me, you, and karla sat here. I did say something that, that -- I am sorry for. You are not a liar. I am sorry. It always has bugged me.

Katz: Ok. Why don't you go ahead.

O'Keefe: So, the stormwater discount has been a nightmare, in my book, for years. This thing has been going on for a long time. Please don't let it hit me, mayor. This thing is, is -- has gone on and on and on and on. Knock a couple things out quickly. The, the passing -- you know, I was real

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happy when you finally brought the application back. It used to be in the past, we all know this, and I was happy you brought it back, even though it was up to 35% at the max. But, it should never have been brought back during a computer crisis. It was ridiculous. You split the bureaus up, you let him have the water bureau and him have the, the, the bureau of environmental services, and he brings forward a discount rate, the computers goofed up. Everything has gone to chaos, and it should never -- now we are talking about retroactive. Don't give them no money back. Let's just square this thing and go from the beginning. I have always said from the very beginning, everybody should be prorated to the exact amount, of hard surface they have. I have said this. Why should a small homeowner -- the original rates were based on 24 -- me and mary noland went around in circles and circles because commercial rates are based the same as residential. I finally got her to agree that residential rates should be based lower than commercial rates. When it comes to per thousand foot. She agreed with me, too, and they went up like every other city because they have more toxics that come off their parking lots and what -- than what a person has coming off their roof. Why should a person with a small piece of property say maybe only 1,500 to 2,000 square feet of hard surface pay the same as a person that lives up in the hills of 5,000 square feet? Even -- even a -- even insurance company base rates on zip codes. They break the city down. They don't charge them. For rich people, same as poor people. To me, it's redlining anyway when that happens, but that's a different story. But, I talked to metro earlier today, and, you know, you paid \$80,000 years ago to have this city aerial photoed, to find out who is got hard surfaced. Computers talk to each other. You can put it -- you already prorate commercial property. You do not prorate residential property. This issue has been going on for years. Commercial property used to pay less than residential until I pushed that, that -- it's unfair. At least I brought it into equity. There is, there is big stories here that, that -- now we are talking about five years, cost the city \$30 million. No. Just start it out fair. Let's go from the get-go. You can't afford it.

Katz: Thank you. Ok. Anybody else? All right. Would staff come back here? Come on back. Let's go around. Anybody have questions? Wait, before you make a recommendation, I want to make sure that everybody has questions answered here.

*****: We each have one.

*****: Oh, there is more. Oh, great.

Katz: They are multiplying. I am going to start at this end. Do you have any questions? No? Yes?

Leonard: No.

Katz: Commissioner? No? Commissioner?

Sten: Yeah.

Katz: Ok.

Sten: I just want to -- you guys -- have you guys looked at the issue of doing some kind of modest or aggressive bonding approach to doing some of the retroactivity, you know, john and I have arguments, but I found that interesting. Have you looked at that as opposed to doing it on a cash basis, but how that might look if that was, that was something that we were trying to do?

Marriott: Commissioner Sten, we have talked about ways of, of financing a one-year retroactivity period, you know, in a way that we could push off the rate implications until 2006. We think that we can do that. If it's a longer period of retroactivity, amount of money becomes greater and the fact you are looking backwards causes us -- we would have to start to raise the money now to do that. So, I think a short answer is, if it's a one-year period of retroactivity, we could, we could push off the rate implications until 2006. If it's a greater period, we would not be able to do that. We have not -- I don't think that we have looked at the notion -- dave, we haven't actually looked at the bonding this --

Katz: Dave, come on up.

Marriott: Dave, who is the director of our business services group.

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Dave Gooley, Bureau of Environmental Services: The i.r.s. rules governing revenue bonding require the funds to be spent on capital. On capital construction only. We wouldn't be able to finance retroactive rates or retroactive rebates to property owners.

Vizzini: The city could sell general obligation bonds, but you would have to go to a vote of the entire electorate to do it. You could use general obligation bonds for something like this, but you couldn't use revenue bonds.

Katz: Why didn't -- when we did the budget, why didn't we calculate the possibility of additional rate increases.

*******:** Well, I --

Katz: You want to --

Saltzman: When we had our budget discussion, he asked, what was the first budget we did --

Katz: Right.

Saltzman: At that time, I think all of us were here, and we talked about the issue of retroactivity and the stormwater discount. At that time, I committed to come back to you in time for the rate ordinance this year with a decision, or that we would arrive at a decision so that we could, in fact, if we need to, factor it into the rate ordinance.

Katz: Where I guess what I was, you know, we did, we did reduce the rate increase, thanks to your help and to, to dean's and the bureau's. I guess, depending on where the council goes, i'd like to revisit that again before, before we finalize the budget, if that's at all doable. Depending on where the council -- I have no -- I have no -- quite frankly I think I know where commissioner Saltzman is, is going, but I don't know where the rest of the council on this is going. But, if we keep -- if we really go back and deal with rate increases, those are, are very substantial, and, and in good conscience with increased utility rates, business license fee, the litany goes on and on, I think we would need to kind of revisit the entire budget and rethink maybe some of the decisions we have made. I mean, it's -- I have a responsibility to do that. So, I just want to flag that. We will have that further conversation at the time we have the budget. Now, having said all of that, I heard testimony here that, that I didn't want to respond to, but, but you need to come to the budget hearings and you need to understand how the budget was constructed to see where the possibilities are within the bureau of environmental services, if there are any possibilities. You need to -- you need to spend that kind of time with us to look at that. There are no general fund dollars, so, but, I mean, we have cut budgets, and I made promises, too, that I can't keep any more just because this is a difficult time, and when the business community says that, I believe them. The economy is -- has been very difficult for everybody across the country, not only here. So, having said that, depending on where the council goes, i'd like to have an opportunity to sit down with you and commissioner Saltzman and review the budget expenditures. Ok. I have another question -- where do we get the 114% rate increase? Is where does that come from?

Vizzini: I am not sure where --

Katz: It's in your own document, and it's in, it's in the letter here. Option one, increase stormwater rates.

Saltzman: That's the 2001 retroactivity.

Vizzini: I should clarify, we, we were in something of a rush to, to file a report to council by april 29, and when the report -- when the april 29 report, the main body of the council document was completed, we -- we are still waiting on word -- on these accounting and debt management issues. We were still running numbers through the five-year financial plan, so the april 29 report was based on a different set of numbers. You got a separate -- you got a supplemental report, it's exhibit f of the document. That exhibit -- that exhibit was based on refining the cost increases after talking with the city's accounting manager and debt manager and rerunning the numbers through the city's -- the bureau's five-year financial plan. Even after the supplemental report was filed we did some additional work on this proposal that commissioner Saltzman asked us to look at, which was to put

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off rate increases until July 2006. In effect, fund the representative one year's worth of retroactivity in July of 2006, and so that's a new set of numbers all by itself.

Katz: So, what you are telling us is we really don't quite know what the numbers look like right now.

Vizzini: Right. Yeah, we do now, but --

Katz: But our documents --

Vizzini: Your documents show the main document shows numbers that existed before we did the final --

Katz: All right. Well, let -- I will come back for further conversation when I know where the council is on this issue. Commissioner Saltzman.

Sten: I wasn't done.

Katz: Ok.

Vizzini: Just to let you know, the number, that 49 to 114% assumes that you are going to -- this is independent of all the other work we did. It assumes that you are going to recover the entire cost of retroactivity in the next fiscal year. The 114% in effect is what the rate increase would be -- need to be on July 2003 if you were to pay for all of that five and a half year representative at this time in one year. Of course, that's, that's so out of -- off the planet that we wanted to let you know what that was so you can see what one end of the spectrum looked like.

Sten: I just wanted to take those numbers in. On the question of, of -- on the date that we actually do this and setting aside the question for second retroactivity, are you still anticipating in individual property, by property application process to do this?

Vizzini: Yeah. Well, we haven't done any further thinking about -- we haven't changed anything from when the, the council adopted the ordinance in December of 2000 in terms of the, in terms of the basic structure of the discount program, so, so the anticipated schedule would be assuming that the new billing system went up sometime between January and July of 2005, we would start mailing out -- we would start doing marketing probably in January of 2006 and mailing out applications, distributing applications in April of 2006 and, and as soon as they are out on street, we would start processing them so that on July 1 of 2006, we could start hitting people's bills. You would see, you would actually see the discount for whenever your bill came out after July 2006.

Sten: We don't want to debate that today, but I, -- weight quite a bit of testimony on that. On the original one, which was a co-sponsor of pragmatic compromises to get to something that everybody could agree with -- I have always favored having a more geographic approach, and I understand the argument that it won't catch everybody, but I think it could save us a lot of time and money and create a lot of good will if you -- I think you draw it relatively conservatively in areas where you pretty much know everybody is in it, and then I think people who had to apply who were outside those areas would understand why they were applying because not everybody had it, but I just want to go back on record with Dr. Horner back in saying this. I still continue to think that that's the better way to do it.

Katz: Ok. Further questions.

Leonard: I like that approach, Commissioner Sten. That was just articulated. I would kind of like to let you know where I am at. This is the most complete discussion that I have today of this issue. I have had bits and pieces of everything that we heard today, and I guess I guess I'm, I'm focused on, Charlie Rosenthal's testimony, which I thought was really helped me focus where I was at, which was be careful what you promise, make sure that what you do, you can actually deliver. It just sounds like -- I will make this real clear to everybody here today, that nobody, I don't believe, here on this council or prior councils or the bureau intentionally lied or misled anybody. These are decisions that were made in good faith, unfortunately, without the best foundation of facts. We should learn from that, and so I am here -- I heard that loud and clear. Without casting aspersions on anybody, those kinds of things hopefully would have been caught back in 1993 or 1994

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whenever somebody came up with this idea originally. It didn't, and so we are having to unravel all of this. Having said that, I do think it's important for us to try to keep, to the extent that's technologically possible and politically possible, our word with the voters when we make a commitment, even if we end up finding we shouldn't have done it at the time, or maybe been as grand at the time. Or, maybe we can't be as, as expedient as we thought we could have been at the time, but it is important, I think -- I heard that message, too, that this is a lot to do with, with us keeping faith with commitments that we made. But, I am also struck with the impact that this is going to have on a huge part of our tax base. The industry in Portland. Small business, large business. So, that's -- that's kind of where I'm at, which isn't really telling you a whole lot, other than I think that there are -- I wish some of these things would have been thought out earlier on so we -- all of us five weren't sitting here trying to unravel this complex issue and do it in a way that is fair. I guess I need to think about it more and read more and listen more, but it isn't as simple as I first thought, let's put it that way. It's not as easy as I thought originally with a clear cut answer. So, I just wanted to offer those observations.

Francesconi: Commissioner Saltzman, before you go, commissioner Sten's comments did trigger a question for me because I don't -- it does make sense, at least on the surface, to do it geographically, instead of individually, but remind me why the council decided not to do that before.

Marriott: Well, we have history of the deliberations from a few years ago, and I think what persuaded most of the council at the time was the, the basic premise that, that the rationale for this was to not only provide equity but to provide an incentive to improve our environmental protection.

We would provide a financial incentive for people to do something that was good for the environment. I think what was persuasive was that if you just do a geographic thing, yes, you may get most of the people, but you wouldn't necessarily get everybody, and so you would have neighbors that, that would know that so and so has a system and so and so doesn't, and let's make it as simple as possible. I think we had talked about originally a more complicated application process, and we boiled that down. We test marketed that, tested that, boiled that down to a very simple application, and I think what, what the council decided at that time, a couple of years ago was go ahead and go with a simple application, and it's, it's -- the most equitable gets the kind of behavior -- it encourages the kind of behavior we want to encourage. That's my recollection.

Vizzini: Yeah, there are a couple of other administrative and financial considerations, I guess. One, one is that the, the -- because this was going to be a system based on, on honor, in other words, in the 1992 program, we actually went out to people's property and confirmed that they had a facility before we gave them discount. Under this program, we are going to give you the discount on the faith of your application and check it later. So, from an administrative point of view, and this became a point of some discussion in september and november of 2000, we included the idea that to do fill out an application and sign it, and part of the assigning of it was to give us the authority to come and check to see that you actually were, were deserving of the discount. The reason you do that, that's the administrative piece. The financial piece, or the equity pieces, the reason you do that is we are going to be asking other ratepayers to pay for that, and it's only fair that we have a system in place that, that assures that only people who are eligible get it. So, that's another reason why an application process as opposed to a blanket exemption. The other part of it is that, that the, the distinctions between areas of the city are becoming increasingly less distinct. North Portland, there are neighborhoods in north Portland with sumps that look very much, they function from a stopper water point of view very much like parts of east Portland, so the problem of say dividing the world, 205 to the east and saying, ok, well, yeah, we can identify every ratepayer east of i-205, that's easy.

But when you start looking at, at, you know, northeast Portland, north Portland, southeast Portland where we have built a lot of sumps and disconnected a lot of, of homes, then it becomes --

Leonard: Why can't you do both.

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Vizzini: I think we can do both. The question is whether it will be fair and equitable to all ratepayers to do both. Can we do it accurately, so the idea was that an application process was, was the fairest for everybody because you, you -- and we simplified it to the point that it would be very simple for a homeowner to do it.

Francesconi: Was there any financial consequences in other words, if you did it blanket, would other ratepayers have to pay more or would it be about the same?

Marriott: I think more people would qualify.

Gooley: You end up with, with the -- the more people that qualify, eventually you get to the, to the nonsensical result that the discount is very close to what the rate would be otherwise. Relatively few would be paying the 35% more.

Leonard: Are you able to say everybody east of 205 is disconnected from it?

Vizzini: I can't. I have done neighborhood meetings all over -- all over the city. The reason I can't is this -- the mere fact that you have a drywell or a french drain in your yard doesn't necessarily mean it's functioning. Or that you maintained it over time. I can remember neighborhood -- a neighborhood meeting in the central northeast neighborhood, in the culley neighborhood, a property owner describing to me her desire to get the discount for the very reason that she ended up having to replace, silted out drywells in her yard

Leonard: How will you know that with an application? If it's not -- if you go out --

Vizzini: The difference is that without the application, we don't have the right to enforce. With the application, we do.

Sten: Culley isn't generally east of 205 in terms of the example, but, I mean, because I think it's a big difference because east of 205, and I don't want to debate this forever, i'd like to get the council to act on it either way. There is five people, three of us can decide it either today or later. But there is areas where you can't do it. You can't be connected, disconnected is a really bad term if you are in an area that doesn't have a sewer, you can connect to. If you are in an area that you can drain your stormwater into the street but you are encouraged not to, then you are in an area where it's ambiguous, but there are areas where there is no option, so you know the people deserve the discount, and the idea that less people will apply because they won't get around to it so it will be cheaper just to me isn't a good compelling argument. I think given, you know, I did support the package where it was, but we argued this point before, and I was always of the mind that we should do it this way, but it's a good argument both ways, but where we are today is due to things that are clearly outside of the control of the people east of 205, anything they have had today, this discount, and, you know, somebody has worked on all aspects of the policy and the mistakes and all of these things, I am very familiar with them. I am as pained as everybody else about them, but it is going to be several more years. What I would like the city council to consider -- and william draw it very tight so you are quite confident that people are within their, the area that they are not hooked up to the combined sewer, and then others have to apply, but i'd like to see those folks get a letter that says, you know, dear sir, dear, dear madam, you are qualified for the discount program that we offered in 2000 for the following reasons, it isn't going to happen until 2006. For that, we apologize. You will get xa retroactivity because people don't really believe that they are going to get it. I mean, and this is not your fault, but the psychological is that this is going to go on and on and on, and sometimes years from now he will with the apply. I would like to see people get a clear message that we are, we are very sorry for the delay but you are getting discount. You do qualify. Here's what is going to happen, and it can be put to bed. Instead of having a whole other round of debates about what the application will look like, that -- that's just my sense right now. That's partly a, a communications message and part of a substantive message, but that's, that's what I had like to see happen.

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Katz: You are into the, the implementation issue. I need to get one more question. Are we confident that our new computer system will allow us to do this? We don't even have a new system in place. We haven't selected the new vendor.

Vizzini: Right. Right. This, this last week and this week, we were doing demonstrations of the vendors, and the goal is to select two finalists, or a finalist and a backup by the summer and actually have a contract completed and a contractor on-site.

Katz: You didn't answer my question.

Vizzini: Well, I will get to it. We have given the project team specifications on the discount program the way we have designed it, the way it was approved in december of 2000. We won't know whether or not the vendor will be able to support it or will come back and ask to us make changes to it. Remember, the, the directive for the new billing system was change your business practices. Do not change the product that you are buying. Remember. When you start tailoring a software package, you start descending into the circles of hell.

Katz: Answer my question.

Vizzini: I answered it. You will not know --

Katz: We will not know. So let me give you the worst case scenario.

Francesconi: We will not know until when?

Saltzman: It is a question of whether we have to modify it so it's maybe not a gradation of 0-a 35% -- to 0-35%. But, there will be a stormwater feature.

Gooley: We are confident it will offer a discount program. We don't know how. That one example where we have designed the system to respond to performance. You could get up to 35%, perhaps less of a discount depending on what you do on your property. A new system may be able to offer yes/no, 35%, but may not be able to, for example, to accommodate a tiered system.

Katz: And all of the figures you have given us is based on 35%?

Gooley: Based on a degraded -- A performance-based system.

Katz: The numbers you have given us is based on a gradation?

Gooley: Right. If it went on/off, the costs generally get larger because the presumption is that anyone who, who would be, who would demonstrate any level of performance would likely get the discount.

Katz: Let me pursue this further. So, if, if it could only go on or off, I mean, if it could only be zero or 35, then are these numbers accurate?

Vizzini: I ran some numbers based on an on/off type of program as opposed to a performance type of program with 35% being the limit. For instance, going back to the five and a half year retroactive period, the numbers increased. The cost increases from 33 to 44 million. For the one-year retroactive period, it increases from 7.8 to \$10 million.

Francesconi: I am sorry --

Vizzini: From 7.8 to \$10 million for a one-year retroactive period. Those numbers do not anticipate increased participation levels. That's important because the likelihood is, is if all you need to do is show a minimal level, a threshold to get over, to get to the discount, then more people will apply elsewhere in town.

Sten: Let me ask you, it's a zero or 35 for residential. There is not a gradation --

Vizzini: No, there is a gradation.

Sten: I thought we got rid of that and said --

Vizzini: No. The program that was -- the document, or the ordinance that was adopted, the exhibit attached to the ordinance described a, a single family program that -- the simplified single family program that had, that had the possibility that you would get 35 or something less than 35. That was, that was -- ordinance --

Katz: No, you are right. I remember that. We did discuss it. We talked about it. We even talked about it long before.

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Sten: That was a later implementation off the rate. That was a later implementation than the rate reform document, I believe.

Vizzini: I am talking about the ordinance that was adopted by council in december of 2000. That put the discount program in code --

Leonard: But doesn't this imply you have to send a human being out to the property?

Vizzini: No. No.

Leonard: How do you not do that?

Vizzini: Because -- well, we are sort of revisiting a little bit history here, but --

Leonard: I'm sorry. [laughter]

Vizzini: No, that's fine. The way we simplify the single family program was to rely on class averages, which is what we do with the basic rate anyway. So, what we said was a house -- after doing a study, a survey of properties, we said a house, the roof area of a house is about 70% of the, of the total impervious area of an average home, and paved areas, patios, parking areas, driveways r.v. Pads and the like are about 30% of an average home. So, then we built the calculations around that, and we asked three basic questions -- do you control most of the stormwater, not all, but most of the stormwater from your roof, yes or no. Do you control most of the stormwater from your paved areas, yes or no. How many trees do you have? Then the computer does all the other calculations

Leonard: What if it's yes, yes, and no?

Vizzini: If it's yes, yes, and no trees

Leonard: Yes.

Vizzini: Then you get the full 30%. 35%

Leonard: You expect people to answer otherwise?

Vizzini: If they don't -- this is the problem with enforcement. If they don't answer correctly and we have an enforcement program that has some life to it, then we will find those folks and they will in effect, have filed a fraudulent --

Leonard: We are going to send people out to measure the size of patios and see if there is appropriate drainage off them and --

Marriott: It would be more like an audit function. We would not inspect every facility, we would inspect just a representative.

Vizzini: The idea was to have a program that would inspect one to 3% of the application pool a year.

Leonard: It just sounds overcomplicated to me.

Vizzini: This is -- I should say, this is significantly simpler than the 1992 program.

Francesconi: Commissioner Saltzman, do you have a recommendation?

Katz: Wait. I am not finished. You are going to lose me in a minute. You are back to implementation. I am, I want to go to the financing, all right, so I have two questions -- the -- if it's just an on and off, which sort of, my gut tells me that that might be what it is, and I may be wrong, but if it's an on and off, then the increase is -- how many million more than what the numbers that we have here?

Vizzini: We are one year -- it goes from 7.8 to 10 million. For five and a half years it goes from 33 to 44 million. Assuming no change in the number of applicants.

Katz: Ok.

Sten: I think that's important number to look at, but, I think, I just -- i've been around -- we have had friendly arguments about this for a long time. That assumes that you would assume that if you do anything, you get -- you go on as opposed to saying if you were on the lower end of the threshold of the discount, you don't get it, and so fur going to do an on-off, I wouldn't assume the best policy would be you get 100%. You might say the threshold is higher to get to 35%, which would change those numbers, too, in my opinion. So, for example, on commercial industrial

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property, I think you would say you either meet the criteria or you don't instead of offering the bonus. I think in areas like, like the ones I am saying should be geographic where obviously you can't drain into the system because it isn't there, you ought to get the full thing. For systems -- for neighborhoods where you really are disconnecting your house, you ought to have to disconnect it completely or you don't get the discount. It seems to me that there is different ways to design an on-off then to assume that everybody is on and the prices go up.

Marriott: Let me suggest something -- I --

Katz: Go ahead. I didn't finish. I have another question.

Marriott: Ok. You keep asking your questions.

Katz: I want you to suggest something. We will get to commissioner Saltzman in a minute. Just assume the worst, all right, 2006 we can't do it. Don't moan to me, 2006. For some reason it can't be done. We are going to eventually pass an ordinance.

Saltzman: With one year of retroactivity it, depends on when we turn it on. If we do something from 2001, it --

Katz: You are right.

Saltzman: The hole gets deeper if you say 2001 is the date --

Katz: I needed to probably shift over to you on that one. But, what were you going to suggest?

Marriott: I was just going to suggest you will know before hand whether you are going to have a problem, but I think also commissioner Saltzman is right. It depends on the length.

Katz: Let's shift it over to commissioner Saltzman because that will make the difference.

Saltzman: I'd like to put out a suggestion, and I do so, and I said in the conviction, I believe we need to put the issue of retroactivity to bed. Many people commented at the public hearing that we had two weeks ago that they may not live to see the discount. If we keep raising people's blood in east Portland, every time we revisit this issue, which is guaranteed to do, if we process this through purb, if we are going to do this over and over again, we are going to make sure that a lot of people won't live to ever see the discount, so I suggest we move ahead and adopt strategy, which is what I am suggesting, is we adopt a one-year retroactive period, again, it's hinged -- we believe right now on July 1, 2006, but if that's not the date, it's one year prior to that. We pay it --

Katz: And we will know before.

Saltzman: Yes. And that we pay for that, rather than increasing rates now, we basically will borrow from our rate stabilization fund, the b.e.s. rate stabilization fund to finance that amount, so it's available to be paid to July 1, 2006, and we repay the stabilization fund through, through a 12% rate increase effective July 1, 2006. That's basically an option 2, that's before you. Those are reductions. And we, we -- you know, that that basically be the solution. It's not -- it's not a proposal that's going to please everyone, and it may not please anyone, but I think it does pay -- pay heed to the commitment the council made to consider some sort of retroactivity, but also balances it against the fact that any larger period of retroactivity is going to have dire impact upon all ratepayers, and particularly, those ratepayers that will not qualify for the discount, and I think you have seen, you know, looking at 12%, 19%, 44% rate increases are untenable to all of us. This is the only way that really allows us to avoid doing rate increases effective July 1. It does pay some heed to the idea of retroactivity, albeit only one year. More important, for the moment, settles the issue. What I propose to do if this is the course the council wants to pursue is to bring a resolution to this effect sometime after July 1 so that we can basically say, this is what we are going to do on retroactivity, and then put it to bed. I think that -- one thing I found is the more you look at these numbers, the more we look at permutation, the more we scratch our head, the crazier it becomes. I just don't think that processing this any more, doing any more runs is going to make this any clearer. I just think it takes a gut call here, and this is the gut call that I am suggesting that we make.

Katz: Let me ask you just, what's in front of us is a report, so this is a --

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Saltzman: I am not asking for a vote today but I would bring something forward around July 1 -- after July 1, this recommendation, if this is what you want. If we go with a five-year retroactivity or three-year, we need to do something on the rate ordinance on July 1. We will have to adopt either a 12% or a 19% or a 44%.

Francesconi: The idea of raising rates now for some future date is ridiculous, and so what commissioner Saltzman is suggesting is a different approach that avoids that. That's good. I guess the only caveat is, and the mayor kind of said it, and commissioner Saltzman echoed it, in addition, I need to see the numbers on what we are talking about here, what this means to borrow from the rate stabilization fund and how much impact that's going to have on the businesses and other ratepayers. It does sound like the right approach of the options listed, but I still need to see those impacts, and if you could soften those impacts by, by rate savings, and I know it's hard to do that far ahead, but that should be part of the solution the way commissioner Sten tried to deal with it on the billing problem, itself, and then, also, and one of the ideas, if I am understanding this right, is part of the utility franchise fee will be increased in order to make some of these payments, so I am not suggesting that you take all the utility franchise fee, but if there is an increase that we are doing in order to fix a problem that we created, redirecting some of that utility franchise fee into this, which I think is in the report, may make some sense, too. The portion of it that would increase anyway, so if you combine that with the rate stabilization with some budget reductions, it softens the blows on business and our other residents and lets us at least try to honor a portion of the commitment. I'd like to see the numbers, though, but I think commissioner Saltzman's -- commissioner Saltzman has tried to make the best of a very bad situation.

Katz: Let me -- the forecast goes, does not go up to 2006, yes?

Gooley: It's a 10-year forecast.

Katz: For you it's a 10-year forecast. With regard to what commissioner Francesconi just said, that reduces general --

Vizzini: The general forecast.

*******:** It probably doesn't.

Katz: That would reduce the general fund dollars, so, and who knows what the -- where the economy is going to be. We may be able to do that and not worry about reductions in other programs. It's been three years, four years of real difficult time for all of us. There is no question about it. So with, with -- I am sorry, with commissioner Saltzman's recommendations. I think the issues that were raised by, by commissioner Francesconi also make some sense. I think whoever then puts the budgets together for 2006 need -- we need to think about it next year as we begin crafting the budget in trying to guess where, where we would end up in rates because I think that that's very important, and quite frankly, at this point, I don't know what the numbers are. I need to see it not just stormwater rates, but sewer rates, service charge, water rates, the entire utility package that the citizens and businesses have to pay. I don't want to see just, just a little piece of it, and then trying to figure out how we can look at the budget in different ways, as well as potentially the franchise fee, which is going to make your work very difficult, but I think worthwhile. Now, let me just ask another question to, to the council. Commissioner Saltzman is going to bring this back.

This is just a recommendation. We are just going to vote on accepting the report that's before us. Is the council comfortable that they have enough information or would you like to at least have a work session on implementation, which is the issues that I think I have heard both commissioner Sten and commissioner Leonard talk about.

Leonard: I would like to be able to discuss more commissioner Sten's idea. I think it's an intriguing idea in terms of the implementation, and that would be useful for me.

Katz: All right. So, I --

Saltzman: I think that should happen once we select a vendor for the billing system because that's going to answer a lot of these questions, not only about implementation, but is it a zero to 35 or, so I

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think that, that once we have selected a vendor, it would make more sense. We will have time to, to do that.

Leonard: I thought I was understanding it was less technically challenging to have a yes/no, 35%, yes or no, than to have the gradation so that if we adopted commissioner Sten's idea, the proposal, any system -- that's what I was hearing, is capable of doing that, it's the degradations that are causing the technical problems.

Gooley: It's possible you could get a system that, that offers gradations and doesn't offer yes/no

Leonard: I think the gradation idea is bad public policy for a whole lot of reasons.

Katz: We don't need to debate that today, but I think, I think there is differences of opinion on, on - - enough difference of opinion on this one, and a new member arrived that I think in all fairness, we probably need to have a conversation about that. It may, it may refresh our memory and deal with it

Leonard: I think the part that's frustrating for me, I have had this conversation before, and it sounds to me like the technology is driving our policy and not vice versa, and I am just -- I am just having a hard time getting my arms around the concept that we can't decide on a, on a billing system in the year 2003 that we are at the place technologically with a billing system can identify a stormwater discount. I am just -- I can't probably go toe-to-toe with that technologically on that issue, but for some reason it just defies logic.

Marriott: I think, commissioner, that's why one of the lessons that has been painfully learned in the last few years is we, we embarked on a new billing system three years ago trying to make the technology fit our policy. It crashed and burned. I think one of the lessons was, was if you go there again, you are entering dangerous waters, so all of the experts have advised us, select a system that gives you the basics of what you need and be very cautious about asking for any change to meet your --

Katz: Ok. Two members need a conversation on this. I would like to hear it again. I am not an expert in this area.

Sten: I am real open on when the timing is I sort of have a problem with trying to get the vendor. I am reasonably knowledgeable on what went wrong on the last computer system and do not agree with the description of either where it went wrong. I know what went wrong, and I don't think it was that, that -- I think the system, itself, flat out didn't work. That's a simple version of it. It was, it was the first time that technology was used, and it wasn't a functioning billing system. A functioning billing -- it was a bill of goods, that's why they paid us a lot of money. If a functioning billing system -- it's inconceivable that a functioning billing system can't do a discount for a stormwater. What we had was a nonfunctioning billing system which you cannot fix to do all these things. Exactly what kind of, of, what kind of discount is most beneficial or most advantageous but we are going to have a functioning one or we are not. We don't right now, and I am painfully aware of that, but a system that's functioning will be able to take 35% off the stormwater line item, you know, I don't think it's a matter of, there is not a system out there, and I think that we have got to buy a system that can give us a stormwater discount. That has to be a fundamental piece of the system we buy, and we shouldn't select a computer that can't do that.

Katz: Wait a minute, wait a minute. So, we will wait until a decision is made on the computer, on, on the vendor. That should be done in about a month.

Marriott: I think the vendor selection is slated for august or september, actual selection of the vendor.

Katz: Lets sit down and then talk about the timing of this, but i'd like to have a work session on this issue with, with the council, not on the recommendation, but on the implementation of it. Ok.

Francesconi: Thanks, mayor. I think this is a great idea, but now we are getting back to the original ordinance, and the original thing we voted on, which I think is still a good that we do this, but then I think we should get the purb back involved in looking at this whole thing, not on the issue

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we just talked about here, but, but if there's other ideas, if we are going to go back and revisit this thing and we are going to create the purb, then I think that there is a role for the purb again to look at this issue and give us some advice. I think that that's why we are going to create it. The problem isn't so much the discount. The problem is, these bills are too high for everybody, and so we have got to take a fresh approach here and we have got between now and 19 -- we have got five years to try to figure out if there is some other ways of approaching this. We should get the purb involved in it. These bills are too high.

Katz: The purb -- I am missing one member of the purb. I have got everybody in place. I need another public interest person, and charlie, you don't fit that qualification, unfortunately. So, if we have anybody who is involved with environmental groups or consumer groups and they want to put in an application for that particular slot, we will review it. But, I don't want to bring the purb together without, without having full compliment of members, so the sooner we get that, tommy is on it, working with all of to you help, we will announce the perb, and they will get to work. For those of you who, who stayed with us, tomorrow at 2:00 you will hear my budget message.

Francesconi: Everybody is gone, mayor.

Katz: No, there is still people here. There are still people here. We are, we have to vote, but I just want to say tomorrow is the budget message, so you can, you will hear what this council is going to have to do in the next year. There is nothing in there about either a baseball team or a stadium, I guarantee you that. All right, I need to have a vote on this, so somebody needs to make a motion.

Saltzman: So moved.

Sten: Seconded.

Katz: Roll call.

Francesconi: The only thing that I want to say is I have heard from citizens how terrific dan is, and dan, you have done a terrific, terrific work on this issue. Aye.

Leonard: Aye.

Saltzman: Well, I will prepare a resolution for consideration in august -- or in july of a one-year period of retroactivity. Aye.

Sten: I wanted to thank the bureau. I know this has been tough work, and it's been going through a lot of issues, some not of your making. I also want to thank the citizens who have been pushing on this. It has been a difficult process, and I think that we will eventually get there. I thank commissioner Saltzman. I think he has come up with a good strategy given all the circumstances, and I appreciate that. Aye.

Katz: All right. I think with the understanding that we will have a work session on it, we will be looking at the budget certainly in the case year, and assuming that, that commissioner Saltzman's ordinance will pass and try to get to closure on this. Ok. Aye. Thank you, everybody. We stand adjourned until 2:00.

At 6:06 p.m., Council recessed.

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Closed Caption Transcript of Portland City Council Meeting

This transcript was produced through the closed captioning process for the televised City Council broadcast.

Key: ***** means unidentified speaker.

May 8, 2003 2:00 pm

Katz: Good afternoon, everybody. The council will come to order. Karla, please call the roll. [roll call]

Item 428.

Katz: The council is meeting as a budget committee for the purpose of allowing me formally, according to Oregon statute, to present the budget to you. We won't have any public input, and we usually don't have many questions. But if you insist on asking questions, i'll be more than happy to note them, and if I can answer them, we certainly -- if I can't answer them, we'll have an opportunity to talk afterwards there. Will be two public hearings that are scheduled thursday, may 22, between 6:00 and 8:00 at mt. Tabor middle school, 5800 southeast ash, tuesday, on may 27, 6:00 to 8:00 p.m., at the council chambers here in city hall. And we will vote on the approved budget wednesday, may 28, at 2:00, time certain, and that's also an opportunity for the citizens to address us on particular items. We have a limited number of hard copies. These two documents. Some of them will be available friday in financial planning, and everything's on the web. I did say to you that I will read the whole thing this time, not all the details are incorporated in the budget, they're incorporated in the larger document, and if there are issues that you want to raise, we'll raise them together. Even though this is a very formal meeting. All right. Portland is continuing to respond to a recessionary environment, challenging the city's ability to provide the same level of public services of past years. Even with this need to reduce the budget, i've continued to focus efforts on our highest priorities. Public safety, economic development, and even though it is not directly our responsibility, public schools, and the restoration of a healthy willamette river. I've also continued to require increased government efficiency across all bureaus. Complicating this year has been the serious financial problems of our governmental partners, Multnomah county, the school district, and the state government. The livability of our city cannot be preserved when one or more of our partners is not healthy. We need to work as an integrated system if we are to achieve progress. For instance, keeping our public safety programs healthy won't do much good if the county can't prosecute, or has insufficient jail space. Nor can we ensure the livability of our city if services critical to our most needy residents cannot be maintained by the state. So in balancing the budget, I not only needed to minimize the impact on our own critical services, but also needed to be aware of the impacts, the actions of other governments. The city will use the funds to be raised through the children's investment fund levy and the parks operating fund 11 toy leverage against the efforts of our partners in the schools and Multnomah county. Fiscal background. This budget should be viewed in the context of a four-year period. Which is resulted in reductions or reallocations of over \$32 million in the general fund of the city. This is done in part to ensure that our budget will be in balance over a five-year period based on financial forecasts that provide reasonable certainty of available resources for public services. During the fiscal year 2002-2001 and 2001-2000, we reduced internal administrative costs by over \$10 million. Actually it's 10.4 million. And move the savings to fund services such as police, fire, and parks. This also provided savings for our utility and transportation bureaus. The fiscal year 2000 and 3 budget reduce current service level budgets for over 12 million. Budgets were reduced twice during 2001 and 2, the first reduction was 4.1 million, the second, 3 million. This has real impacts on programs and services as

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well as jobs. Over the four years we will have reduced general fund positions by over 110. 46 of these positions are police officers. Budgeting over a five-year period accomplishes two significant objectives. It demonstrates to the financial institutions the city's ability to successfully manage its resources, even in difficult financial times. Our 30-year history as a triple A bond rated city, one of the few in the United States, allows us to secure bonds at the lowest interest rates available. This means less capital costs for our citizens. Our budgeting practices also allow the city to provide a stable funding stream for basic public services and prevents us from adding new services and programs that will have to be cut in the near term. This is a difficult budget. Reflecting difficult times. As in my practice and the practice of the commissioners here, we strive to promote decisions that will address more than one issue, more than one priority, or objective. You will see that the major decisions you will see that in the major decisions I'm forwarding do exactly that. Approach to reconstructing the budget. At the beginning of this budget process, the gap providing for the current level of service and available resources was \$5.75 million. By the end of February, that gap grew to 7.6 million. Working with the bureaus and the office of management and finance, I narrowed the gap back to approximately \$5.3 million. We were able to reduce general fund costs by an estimated \$1.3 million by assuming per rate reform savings. And that was done in a very conservative way, and we'll hear in the next couple of weeks what the impact of additional changes at the legislature is going to mean for our ability to come back to this budget at the appropriate time. Savings to the other funds are estimated at \$4.2 million. Other enterprise bureaus such as the bureau of environmental service and water, will use their per savings to control rate increases. The rate increase for environmental services is limited to 6.2%, for water, the increase is limited to 6%. Both are less than originally requested by these respective organizations. The increase in sewer costs to the average residential homeowner is estimated at \$1.00 per month, for the water service the increase is \$2.18 per month. In addition, I reduced the growth in the general fund capital set-aside. This fund was forecast to grow to over \$6 million by the end of the five-year forecast. It is now held constant at \$3.2 million per year. This is a short-term fix used in difficult times, but does not bode well for the future. The short-term fix will affect our ability to maintain public infrastructure, and for our general fund bureaus. While this is an acceptable action that allows us to maintain critical services at a higher level, it is not acceptable for long-term policy. The city already faces an unfunded capital liability, long-term we must find the means to reduce that liability and avoid higher cost consequences in the future. The financial major reduction in the general fund was in the support to street lighting. We reduced this amount by \$1 million per year. The Portland office of transportation will backfill this reduction for one year through the use of contingency funds. By the second year, we anticipate that the state will have met its responsibility, will have met its responsibility, will have met its responsibility of increasing funding for roads and bridges. If not, we face major finance problems and continued infrastructure deterioration to our transportation system, which is critical to our economic vitality. We also encouraged and worked with the bureaus to control costs in this fiscal year to ensure we maintain our budgeted beginning balance and have sufficient funds to address the increase local costs associated with the war in Iraq and potential domestic threats. The reductions we are making in the general fund this year on top of the cuts made during the previous three years, make the budget decisions even more difficult. We'll outline the major budget decisions, public safety. I've worked extremely hard to minimize the impact to public safety. Public safety represents 65% of our general fund discretionary funding, making it impossible to avoid reductions in this area. Public safety bureaus were limited to reduction of 2.2% for the police bureau, this represents 2.5 million, 46 police officer positions were left unfunded throughout the five years of our forecast. In addition -- an additional \$517,000 is set aside in contingency to cover possible overtime such as experienced in the recent weeks due to the Iraq war and our international situation. The fire bureau realizes bureau reductions of \$1.4 million. The good news is that no fire stations are closing, and operating costs for the stations scheduled to

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come online in 2006 and 7, station 21, are funded in the five-year forecast. I have real -- realigned existing emergency management efforts housed in -- under the office of emergency management. An increased net funding for emergency management efforts by \$77,000. This will be used to improve planning and coordination internal to the city, and with our regional partners. We have expanded our community policing online efforts by taking what we've learned in portsmouth on the virtual public involvement what I call the e-back fence, emerged -- and merged with Portland online. This will enhance electronic access to crime data and other information pertinent to the neighborhoods on a city wide basis. 140,000 dollars one time has been earmarked for the expansion. Finally, funding is continued for improvements to our 800 megahertz radio system, for the public emergency notification system, and for net 8. The pens in the net 8 was reduced by other bureaus, and I did not accept the reduction. Net 8 is the auxiliary radio system that ensures a public safety -- our public safety personnel have communication in areas of the city that are not adequately covered by the primary radio system. Economic development. Regulatory reform and code audit. In responding to the auditor's report on improvements needed, and, quote, to update an improved city building and land use regulations that hinder desirable development, unquote, additional staff time was added. This budget will reprioritize the use of existing staff and the bureau of development services, add two positions to b.e.s., and two positions in planning, and two positions in pdot. 150,000 of those dollars is all co -- allocated to perform an audit of existing code to rethink how we use the code to achieve the city goals while maintaining flexibility and innovation. Small business advocate. This position which has been very successful in the pilot stages will be jointly funded by the Portland development commission and the city's general fund. And it is now ongoing.

Francesconi: Ongoing?

Katz: Hope -- ongoing.

Francesconi: This is good:

Katz: Hope vi support. This project, the complete rebuilding of columbia villa is a public-private partnership budgeted at over \$140 million. The city and the Portland development commission have committed \$20 million in support. The city bureaus involved include b.e.s., water, pdot, parks, bureau of housing, and community development. The city will continue its support of economic development activities outside of urban renewal areas through the inclusion of over \$900,000 in general fund support and \$536,000 in bhcd funds. This will be used to leverage over \$27.6 million in p.d.c. Funds. Housing. This recessionary budget does continue our efforts to address the need for affordable housing through a total allocation of over \$94 million. This funding which is a combination of federal grant funds and urban renewal funds can spur additional economic development through job creation and business expansion. During these tough times, we will also assist our homeless residents through over 5 million for temporary housing programs and services. Receiver renaissance. I will continue our earlier emphasis on working to ensure that we have a vibrant city anchored by the banks of a healthy willamette river. We are moving from planning now to complete actual projects. This budget includes funding for six pacific projects that I would like to highlight. One, restoration and park improvements in crystal springs to replace three fish blocking culverts in the west moreland park area. Two, continuing fanno creek protection efforts by removing 14,000 square feet of impervious surface area adjacent to the creek. Three, property acquisition along the banks of johnson creek that will provide natural flood storage and fish and wildlife habitat. Four, restoration along kelly creek at the confluence with johnson creek through contouring and native wetland vegetation. Five, smith and bybee lakes restoration will allow resting habitat for salmon. And six, revegetation projects are funded along the willamette covering nearly 50 acres. The combined costs of these projects is over a million dollars. We will partner with the corps of engineers allocating \$481,000 in one-time city funds. They will be partnering with us for the rest. Education. The city, working with the business community, has

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committed up to \$20 million in fiscal year 2002-03 to support Portland schools. The business community has agreed to tax itself \$6 million per year for the next three years to fund our local schools. In addition to the business taxes, the council support the personal income tax surcharge proposed by Multnomah county that will help support schools, law enforcement, and social services countywide. School police and after-school programs such as s.u.n. Schools, through the parks bureau, will continue to be funded. These are short-term solutions to buy time to pursue other options. The state legislature must fulfill its responsibility to adequately fund our public schools that are at the heart of the livability for local jurisdictions throughout the state. Further shortening an already short school year or further increasing already overcrowd classrooms is not a solution. It's a tragedy that will have long-term consequences for our residents. Government efficiency. Reductions over the previous three years and continuing the next year have required us to do business differently. The major efforts in this regard for the next year include regulatory reform and code audit that I mentioned previously, the establishment of the office of emergency management, the implementation of managing for results. This initiative that the auditor brought us builds on the performance management and reporting efforts currently taking place in this city. The effort will develop a more systemized approach to overall strategy planning, performance managing, budgeting, and improved -- improvement to performance reporting such as the nationally recognized performance measurement efforts highlighted in the budget documents and in our s.e.a. Report, services, efforts, and accomplishments. Consolidation of our communications and technology services into one bureau. Relocating housing inspections to the office of neighborhood involvement to improve coordination and customer service in the neighborhoods. We hope to leverage this with the planning bureau effort to move planners out in the neighborhoods as well. Closer scrutiny of bureau miscellaneous expenditures, including out of town travel. I'll be asking the council to adopt a policy requiring their approval of all out of town travel for bureaus within their portfolio. Tighter controls on the hiring of consultants and technical experts. Both in the hopes of decreasing costs, but also increase business with minority and women-owned business opportunities with the city. These efforts are in addition to the past three years of reductions and improvements undertaken as part of the administrative service review. You remember that that effort resulted in over \$10 million in administrative savings that were reprogrammed to support the directly the delivery of services to citizens. In closing, our insistence upon adhering to financial policies that ensure we undertake all budgeting and planning decisions with the minimum five-year time horizon, may make our reduction appear to be less drastic than those of other local and national jurisdictions. Nonetheless, the reductions are distressful. And will be seen and felt by our citizens. With careful decisions, we are able to continue to provide basic services, but at levels that will be inadequate to maintain the quality standard of living long-term that our citizens have come to expect. In the coming weeks, this budget will undergo public review and comment, as well as additional council deliberation. I've already heard from some of you, as well as from citizens that would like us to consider adding elements to this budget, and we'll have the ability to have full discussion on those issues. With careful decisions, we were able -- sorry. Given the serious nature of these reductions, it is my hope that we will hear from our citizens and residents. There have been no easy choices in constructing this budget, but there may be better ideas and hopefully a better economy coming our way. I will begin to restore our -- it will begin to restore our services levels if we maintain the livability of our city, if the economy improves. In the interim, I pledge to continue my commitment to sound fiscal management of the limited public resources that have contributed greatly to this city's overall financial stability. I know from past experience that the council will join me in that challenge. And I want to thank the council and their bureaus for helping put this budget together and certainly thank the people that are sitting out there, our staff, who worked very hard in working with your bureaus and then in listening to me and to mark, and to tim grewe, on how we can be more creative and do a better job to provide the citizens the service. Some of the

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innovations that you heard with one-time funds, they're not ongoing funds, and we were able to use some of those one-time funds to do some of the things that are high priority for this council. So with this, I present you the budget for the next fiscal year, and hope that I hear from you and from citizens in the next week. Thank you.

Francesconi: Thank you.

Katz: So if you do have comments, I know I heard from a couple of commissioners on some programs they would like us to take a look again. That's very fair, and we'll -- as you know, we try to meet the needs of not only the citizens in this community, but the requests that you've made. Just remember that we have large impacts to some bureaus right now, and we ought to be setting priorities if for any reason, either the economy improves, or we see some additional pers savings. So thank you, everybody. We stand adjourned. [gavel pounded]

At 2:29 p.m., Council adjourned.