



CITY OF
PORTLAND, OREGON

**OFFICIAL
MINUTES**

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **17TH DAY OF JANUARY, 2007** AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Potter, Presiding; Commissioners Adams, Leonard and Sten, 4.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Harry Auerbach, Chief Deputy City Attorney; and Gary Crane, Sergeant at Arms.

COMMUNICATIONS		Disposition:
48	Request of Tony Jones to address Council regarding 30% Tax Increment Financing Set Aside (Communication)	PLACED ON FILE
TIME CERTAINS		
49	TIME CERTAIN: 9:30 AM – Appoint John C. Mohlis to the Portland Development Commission for a term to expire June 30, 2009 (Report introduced by Mayor Potter) Motion to accept the Report: Moved by Commissioner Sten and seconded by Commissioner Leonard. (Y-4)	CONFIRMED
CONSENT AGENDA – NO DISCUSSION		
Mayor Tom Potter		
Office of Management and Finance – Human Resources		
50	Change the title and salary range of the Nonrepresented classification of Occupational Health Program Administrator (Ordinance)	PASSED TO SECOND READING JANUARY 24, 2007 AT 9:30 AM
51	Change the salary range of the Nonrepresented classification of Technology Services Contracts Coordinator (Ordinance)	PASSED TO SECOND READING JANUARY 24, 2007 AT 9:30 AM
Office of Management and Finance – Revenue		
*52	Extend contract with ROI Consulting, Inc. for Clean River Rewards Program project management (Ordinance; amend Contract No. 36926) (Y-4)	180722

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Commissioner Sam Adams

Bureau of Environmental Services

- *53** Amend the effective date of the Intergovernmental Agreement with Multnomah County for vector control services (Ordinance; amend Contract No. 52771)
(Y-4)

180723

- 54** Authorize a contract and provide for payment for the construction of the W. Burnside Sewer Reconstruction Project No. 5486 (Ordinance)

**PASSED TO
SECOND READING
JANUARY 24, 2007
AT 9:30 AM**

- 55** Authorize a contract and provide for payment for the construction of the Burlingame Sanitary Trunk Sewer Pipe Protection Project No. 8252 (Ordinance)

**PASSED TO
SECOND READING
JANUARY 24, 2007
AT 9:30 AM**

Office of Transportation

- 56** Grant revocable permit to Jake's Famous Crawfish to close SW Stark Street between 12th Avenue and 13th Avenue from March 16, 2007 to March 18, 2007 (Second Reading Agenda 38)
(Y-4)

180724

- 57** Grant revocable permit to Paddy's Bar & Grill to close SW Yamhill Street between SW 1st Avenue and SW Naito Parkway from March 16, 2007 through March 18, 2007 (Second Reading Agenda 39)
(Y-4)

180725

Commissioner Erik Sten

Bureau of Housing and Community Development

- *58** Amend subrecipient contract with Cascade AIDS Project by an additional \$16,122 for the Supportive Housing Program and provide for payment (Ordinance; amend Contract No. 36960)
(Y-4)

180726

REGULAR AGENDA

- 59** Tentatively uphold the appeal of Blue Sky Planning, the applicant's representative, and overturn Hearings Officer's decision to deny proposal to divide a 1.9 acre site into a 30 lot subdivision located at 13415 SE Foster Road (Findings; Previous Agenda 28; LU 06-131422 LDS)
(Y-3; Adams and Saltzman absent)

**FINDINGS
ADOPTED**

Mayor Tom Potter

City Attorney

- 60** Amend City Code regulations for sidewalk use in high pedestrian use areas (Previous Agenda 1721; replace Code Section 14A.50.030)

**CONTINUED TO
JANUARY 24, 2007
AT 10:00 AM
TIME CERTAIN**

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Bureau of Planning	
61 Extend the ten-year property tax exemption for the Westshore Apartments by one year to facilitate the transfer of the property from Pine Street Associates Limited Partnership to a nonprofit partner (Second Reading Agenda 33) (Y-3; Adams and Saltzman absent)	180727
Commissioner Erik Sten	
Fire and Rescue	
*62 Amend fees associated with Fire regulations (Previous Agenda 44) Motion to accept amendment to Substitute the attachment with the current fee structure to the official ordinance: Moved by Commissioner Sten and seconded by Commissioner Adams. (Y-4) (Y-4)	180728 AS AMENDED

At 10:42 a.m., Council recessed.

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<p><u>WEDNESDAY, 6:00 PM, JANUARY 17, 2007</u></p> <p>DUE TO LACK OF AN AGENDA</p> <p>THERE WAS NO MEETING</p>	
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January 18, 2007

A RECESSED MEETING OF THE COUNCIL OF THE CITY OF PORTLAND,
OREGON WAS HELD THIS **18TH DAY OF JANUARY, 2007** AT 2:00 P.M.

THOSE PRESENT WERE: Mayor Potter, Presiding; Commissioners Adams, Leonard,
Saltzman and Sten, 5.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Linly Rees,
Deputy City Attorney; and Ron Willis, Sergeant at Arms.

Council recessed at 4:18 p.m.
Council reconvened at 4:28 p.m.

Commissioner Saltzman arrived at 4:57 p.m.

At 4:28 p.m., Linly Rees was replaced by Shane Abma for the City Attorney.

		Disposition:
63	TIME CERTAIN: 2:00 PM – Accept the report of the Charter Review Commission, A City Government For Portland’s Future (Report introduced by Mayor Potter) Motion to accept the Report: Moved by Commissioner Adams and seconded by Commissioner Saltzman. (Y-5)	ACCEPTED
64	TIME CERTAIN: 3:30 PM - Adopt the recommendation to change the City Business License Law to encourage growth of small businesses, reduce tax burden inequities between large and small businesses, better tie City services provided to taxes received and preserve the financial health of the City (Resolution introduced by Mayor Potter and Commissioners Adams, Saltzman and Sten) Motion to accept amendment to add “Therefore be it resolved it is the Council's intent to address the venture capital issue including the economic impact and instruct staff to report back with a proposal within 60 days: Moved by Commissioner Sten and seconded by Commissioner Saltzman. (Y-5) (Y-5)	36473 AS AMENDED

At 6:17 p.m., Council adjourned.

GARY BLACKMER
Auditor of the City of Portland



By Karla Moore-Love
Clerk of the Council

For a discussion of agenda items, please consult the following Closed Caption File.

January 17, 2007
Closed Caption File of Portland City Council Meeting

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

Key: ***** means unidentified speaker.

[The following text is the byproduct of the closed captioning of this broadcast. The text has not been proofread, and should not be considered a final transcript] * * *

JANUARY 17, 2007 9:30 AM

Note: Council kid was Sophia Kecskes, age 12, 6th grade, Sellwood Middle School.

[roll taken]

Potter: Here. I'd like to remind folks that a lobbyist is required to identify the lobbying entity he or she is authorized to represent. Please proceed with the communications.

Item 48.

Tony Jones: Good morning. My name is tony jones. I am the chair of the housing and community development commission. I'm also a business lender with shore bank enterprise Cascadia. Which was formerly Cascadia revolving fund. I'm also a resident of the City of Portland. I'm here to comment on the 30% tax increment financing proposal and the income guidelines that are being drafted at this point. First I want to thank you mayor, commissioner sten and city council for all your hard work on this particular issue. We think its very important for the communities that we live in and serve. Right now we know that commissioner sten's office and pdc's working on the income guidelines which we as a commission feel was vitally important to ensure that's there's balance and that low income households are served. Commissioner sten's office and pdc staff approached us at the housing and community development commission meeting 2 weeks ago. And they presented a draft to us, we know it is in draft form, we know it isn't finalized. We know it's going to be presented to you next month. And what I want to do is take an opportunity to share my comment as a chair but we have to vote on it as a group. But as we looked at this we want to give our comments. And my primary comment is one, we want to applaud the council, commissioner sten and his staff for keeping the focus of the dollars toward households that earn zero to 30% of median income. In light of this weather that were experiencing many of us fortunate to sit in our warm houses and snuggle up and watch a movie. But we also know that there are many households that struggle, that didn't have housing or have substandard housing that they were living in and trying to survive. And this is part of the reason that affordable housing advocates and hcdc has been very supportive of the 30% tif set-aside. What it does is provide a consistent stream of funding to make sure that each year in the City of Portland that we can make sure that we can continue to address the housing needs for those who have the greatest needs. Those that are at zero to 30% median income. We're also very pleased that what were looking at the preliminary draft that it does provide a balance and also provides opportunities to provide increased funding to provide home ownership. We think that preliminary, we haven't voted, we think that the proposal that's been put in front of us is going to provide more home ownership units across the city as a whole and will continue and their targeted for first time homebuyers and targeted at meeting the minority homeownership gap. We think that is a continued importance to make sure we have that balance and make sure that we provide housing for very low income folks as well as wealth creation opportunities for low income families and for minorities that have the greatest disparity. Thank you.

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Potter: Thank you mr. jones and we appreciate what shore bank does in terms of providing opportunities for a lot of folks, particular low income people to achieve the American dream. So thank you for doing that. Appreciate it.

Jones: Thank you.

Potter: That was the only communication item?

Moore: Correct.

Potter: Do any commissioners wish to pull any items from the consent agenda?

Adams: No.

Potter: Does any member of this audience wish to pull any item from the consent agenda? Please call the vote.

Adams: Aye. **Leonard:** Aye. **Sten:** Aye.

Potter: Aye. [gavel pounded] please read the 9:30 time certain.

Item 49.

Potter: John, mark, could you please come forward? It's my pleasure today to bring before council john c. Mohlis who I wish to appoint to the Portland development commission board. I believe each of you had a chance to meet with him, his leadership at the columbia pacific building trades council, through his oversight of apprenticeship programs, he has served as a trustee on the northwest pension since 1990, overseeing a \$75 million trust and is a trustee for the masonry welfare trust. He completed his bricklayers apprenticeship in 1981. When I first sat down with him to talk to him about the commission, I was immediately struck by his forthrightness, positive attitude, and the high value he clearly places on collaboration and partnerships. It was at this very time that john began to work with the p.d.c. board and staff, the bureau of labor and industry, union and nonunion building trades, contractors and developers to help the p.d.c. Develop an informed policy on wages and hiring requirements for projects that are not clearly subject to federal or state prevailing wage laws. This beige study was conducted over five months and last week the board adopted recommendations to provide push-private partnerships and expanding apprenticeship opportunities. John was critical to the success of the process and demonstrated exemplary leadership and commitment to providing and promoting family wage opportunities for everyone who seeks to work and succeed in the trades. I wish to thank john in advance for his service as a p.d.c. commissioner for Portlanders. And I look forward to working with him closely over the next few years and believe he will add an important dimension to the work of the p.d.c. Mark, did you wish to make a preliminary statement as well?

Mark Rosenbaum: I'd love to, mayor Potter. Mark rosenbaum, p.d.c. chair. It's been my pleasure to get to know john, and to echo the mayor's comments, he's a man who's forthright, he brings a high degree of integrity and fairness in terms of process, and the board looks forward to working with him and welcomes him amongst the membership. Commissioner feran and will hoyt are snowed in, otherwise they would be here this morning and commissioner cadre is sunning in hawaii. So i'm not so sure he wishes to be here or not, though he sends his regards. In respect to your comments, mayor Potter, we did last week pass sweeping changes to private-public partnerships and the application of prevailing wage. Commissioner designate mohlis has indicated a strong interest in working in the implementation -- implementation of that and we look forward to his leadership in that respect. Along with that, he has indicated a strong interest in working with the minority and hiring apprenticeship goals that we'll be setting along with that. I was impressed during our testimony by the strong degree of effort that both -- that the unions have put into trying to recruit minority candidates into their midst, and we are certain that as we move towards this aggregated aspirational goals as it relates to minority hiring, that john's presence will be nothing but a help as we try to further that along with the union and nonunion contractors that p.d.c. Works with. So we really appreciate his addition to the commission, and strongly look forward to his addition to the process. Thank you.

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Potter: Thank you. John, would you be so kind as to introduce your family before you begin talking?

John Mohlis: Sure. Behind me is my wife debbie and our son benjamin.

Potter: Thank you, folks, for being here to support your loved one.

Mohlis: Our daughter megan is a teacher in springfield, and she doesn't have a snow day today, so -- [laughter]

Potter: Please read.

Mohlis: Thank you. Good morning, mayor Potter and commissioners Adams, Leonard, and Sten. And first i'd like to thank mayor Potter and chair rosenbaum for their kind remarks. It's greatly appreciated. I'd like to thank the mayor for appointing me to the Portland development commission. I'd also like to thank all of the city commissioners for their support. During the past few months all of you have reached out to me, welcomed me, and shared advice and support. The same is true for p.d.c. chair rosenbaum and the rest of the p.d.c. commissioners. For that i'm grateful and in fact truly honored. I'm looking forward to this opportunity to serve our community. I'm pleased that the p.d.c. has provided leadership and approved a construction wage policy for public-private construction projects at their meeting last week. Part of the policy calls for the creation of an oversight committee to oversee projects and apprenticeship goals and programs. I believe this committee will be very important to future progress and success and I would be proud to be one of the commissioners charged with the implementation of this policy. I'm also interested in helping promote ideas and programs that would increase the number of legitimate and successful m.b.e./w.b.e./e.s.b. and veteran-owned contractors. Another issue that will receive my attention is affordable housing. Other than your family, your health, and a family wage job, I can't think of anything more important than a safe and affordable place to live. Part of the p.d.c.'s mission statement refers to quality jobs for all citizens. I'm committed to policies and programs that help create family wage jobs with benefits for all of the citizens of Portland. I truly believe that family wage jobs with good benefits are the backbone of a strong economy and essential to a strong and vibrant city. I know there are many other issues and challenges that the p.d.c. Faces, and i'm looking forward to learning about them and hope to be a productive commissioner. When I met mayor Potter to discuss this position, at the end of the meeting I told him if he appointed me, I would promise to do my best in an honest and straightforward manner. I believe that's the most appropriate promise I can make to all of you today. That if I am confirmed, I promise to do my very best to serve our community in an honest and straightforward manner. Thanks again to all of you for all of your support. If you have any questions, I'll do my best to answer them.

Potter: Questions from the commissioners?

Adams: I don't have a question, I just wanted to express just how excited I am to have you on the commission. I think the model I look to is the port of Portland, that's had a labor representative on it for years now, and I think has added to the richness and how robust their conversations are about all issues, and I think you specifically bring to this effort some unparalleled skills, and i've been really impressed with you over the years about your dedication and your honesty, and just being up front, whether we agree or disagree, I like the fact you're very up front and really smart. So I wish you all the best.

Mohlis: Thank you very much.

Potter: Ok. Do we have a sign-up sheet for testimony? Is there anybody here who wishes to speak to this issue? Thank you, mark. Thank you, john. I need a motion to accept the report.

Sten: So moved.

Leonard: Second.

Potter: Please call the vote.

Adams: Aye.

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Leonard: I join with commissioner Adams. I'm very excited about this latest addition to the board. As I have been for each appointment since mayor Potter has started appointing new members of the board. I think any organization, and it doesn't matter what kind of an organization it is, that has a group of people who may be diverse in terms of their culture and race, runs a danger of not getting all its best information if it doesn't also have a diversity of thought. And i've been in organizations where it's been -- there has been a little -- not as much discussion as there should on important questions. That sometimes leads to bad decisions. Where you have organizations such as I see that p.d.c. evolving into, where you have great representatives of different communities in Portland, but also we're beginning to see great representatives on different economic interests in Portland. That's where I think we'll get all of the best information on the table before decisions are made. I just really strongly believe, and it's a guiding principle for me, that every person that receives the same amount of information generally reaches the same conclusion. And it's that challenge of getting people to be able to hear different perspectives where they have information that others don't. So john has I think a background and experience that can bring a perspective that is going to be sorely needed on the p.d.c. That would be great if at some point we also had a p.d.c., for example, to take this thought one further, a person that was a responsible member of the community that could only rent to live in a home. That I think would bring also to some of the discussions that happen at p.d.c. the important discussions, a perspective of a person who can't afford to buy a home notwithstanding their best efforts. And I see us getting to that place, where that happens. And those shouldn't be viewed by p.d.c. as a threat, but actually I think an opportunity to address needs that only can happen if you hear the message. And often times the message is best by somebody on the inside than coming and testifying through a public body. So I am really very encouraged by john being there. Everything that the mayor said and mark said I second. John is very thoughtful and collaborative, and also I hope well -- will be outspoken when it's important to raise another perspective. And sometimes speak frank colistro some experience, if you're the only one raising that it's not comfortable, certainly, but I also think it's important. And when you're the little voice -- when the little voice says i'm the only one here that's thinking this, and nobody else is saying anything, it's easy not to. That's the time you need to speak up and say, you know, there's a perspective here I don't think that's being listened to. That's the hard part, john, that you're going to have to -- that any of us have to come to terms with. I'm very encouraged by you being on the commission, I appreciate mayor Potter appointing you. Aye.

Sten: I join in. I'm going to be very enthusiastic to vote aye. I think john you're a perfect choice for this. It's a tough position right now, looking at mark, there's a lot of things going on, and it's a time of great change. I think under mayor Potter's administration and leadership part of what's happening is we're discussing a lot of issues that were not discussed before, and we're having forums out dr. Forums out in the open and pushing and pulling, and there has been tension around prevailing wage and around the question of how do working people get represented, and why i'm so excited about this appointment is that I think john you've got the broad perspective to bring your background, but look at all the issues. I had lunch last week and talked about affordable housing, about development. He recognizes we have to spur the economy to have construction jobs. It's not about getting any one group represented, though there's plenty of room to have a labor voice, it's having a broader perspective. And there's been a push to say we need another commissioner to knows something about development, and I have argued and I think the commission agrees somebody who has actually worked buildings knows a lot about development. And knows a lot about how things actually get done out there and what the real economics are as opposed to what's sometimes argued. So i'm very excited about this. It's also a time in which I think we've asked the p.d.c. to change its historical focus and mission. We haven't moved away from downtown projects, we're building a little tram, a small area on south waterfront, a billion dollars worth of construction, but we've also said we've got to get into the neighborhoods more. It takes a different kind of

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leadership and institution to be successful in gateway and interstate, and lends than it does in the traditional downtown, and this organization has got to do both. So we've got to be able to speak to people and work with them and build new connections, because you need a different type of infrastructure, both human and financing, to succeed in these new areas. And we need a tighter tie to this council, which is what we're working on, how we collaborate, and to the neighborhood groups and to the play there's aren't typically part of what p.d.c. needed to do in years past. So it's a question of taking in -- an institution that's done a whole lot of good and needs to remain strong, and that's a lot, we're not putting it all on your shoulders, but we think you're a key piece in helping us get there. So i'm very enthusiastic, and i'll stop talking and start working. Aye.

Potter: The vacancy became open, we had a number of people apply for the position. Regardless of all of the attention in the media, it's a sought-after position. And I eventually got down to the two people I thought were excellent candidates, and I went around and discussed them, both of them with the council. Something that commissioner Adams said that really struck me, he said, "we need somebody with some dirt under their fingernails." and what he meant was somebody who had actually gone out and constructed buildings. So when I met with john, I checked out his fingernails.

They were exceedingly clean, but I was so impressed with him. I had really not had that much dealings other than going to some of the breakfasts with the unions, but I was so impressed with his directness and honesty. And I impressed upon him that his background makes him a very unique individual, but when he's a Portland development commissioner, he does represent all of the citizens of Portland. And that's a big burden. And I don't want john to feel like he has to carry the load for all of these issues on his shoulders. It's actually a responsibility of all of the Portland development commission, the commissioners, as well as the staff. To ensure we do a good job of taking care of people here in Portland. And that people do have that opportunity to have a living wage job, and to have a home that they can call their own. So john, you've got a big job in front of you, but I want to congratulate you and wish you well. I vote aye. [gavel pounded] [applause] i'm sure there will be a few parties later, but right now we'll get on with the business of the Portland city council. So john, if you folks wish to leave, that's just fine. We understand.

Potter: That was the only time certain. We're going to move to the regular agenda. Please read the first item.

Item 59.

Potter: Council has before them findings. I need a motion to grant the appeal, overturn the hearings officer's decision, and adopt the findings as the council's final decision.

Sten: So moved.

Leonard: Second.

Potter: Please call the vote.

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

Potter: Aye. [gavel pounded] please read item 60.

Item 60.

Potter: I would like to have this held over until next week so we can take testimony next week. There's some additional testimony to be taken. So if that's ok with the council members, we'll hold that over. Please read item 61.

Item 61.

Potter: Second reading, vote-only. Please call the vote.

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

Potter: Aye. [gavel pounded] we're going to need a fourth? For the last one? Ok.

Potter: Why don't we go to the next item. It's just a second reading, vote-only, item 61.

Leonard: We did that. This is the last one.

Potter: Read item 62.

Item 62.

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Sten: I'll have the chief Sprando and Scott Edwards to come up. We'll give you a brief presentation, I want to walk through the fees, the council will recall during last year's budget process the council made a fairly tough decision to raise fire fees as a way of helping stabilize the fire bureau's revenue.

We're asked to raise approximately \$714,000 annually, about half of that of -- half of that this year with what will be later than the January 1 implementation we had hoped. The basic strategy had been, and we're handing out the current proposal, the basic strategy had been to raise the biannual so every two-year fee from \$45 to \$100. We worked fairly extensively with the prevention committee, with the small business advisory committee, and a host of other folks, and came to a conclusion that although it may not sound like a ton of money, raising \$55 on every business actually started to negate some of the work we were trying to do tomorrow on business income fees. So we decided to do a more targeted fee increase, but had to keep the revenue generated the same as what was in our budget. So the chief is going to walk through the details, but essentially what we did is put more of a focus on raising the fees for special permits, and that's why we took this back a little bit to work on it. We've adjusted a few things based on the meetings we've had over the last week. One of the things is we used to double the special permit fee if you gave us 24 hours or less notice. Which happens. And there's an obvious incentive for us to know about special events more than 24 hours.

The proposed top fee is now \$1500 for really big events, and so, for example, we said, let's make the penalty no more than \$500, because doubling it seemed a little excessive. So I think we adjusted it, it's all in this schedule here. I'll need to amend the ordinance to adopt this schedule if it's amenable to the council after the presentation, so this would be our proposal as to how to move forward. As I turn it over to the chief, I would end by saying we still have actively exploring with commissioner Adams the concept of folding in the entire inspection fee into the business license minimum. I think that's something that would be as a selling point better for people, because rather than paying \$45 every two years, would you get your inspection as part of your fee. The idea would not be to give that away, but build it into the business income reform so it's part of the minimum. Given the council has at least tentatively decided to approach business income tax reform in two stages, with the minimums being the next stage after tomorrow's hearing, there really isn't any other way to approach that. So I'm in a position of saying we need to move these up, and over the next couple months we'll see if we can't find a way to fold them in. The special event permits and those pieces will not be folded in, they would remain special fees. So most of this has to do with those fees and it's that \$45 fee we'll be talking about with the business income tax reform.

Leonard: If I could ask, what is the percentage of the total fees collected that are the basic inspection fee?

Sten: I'm going to ask --

Sprando: Do you have that, Scott?

*****: 87%.

Leonard: The lion's share of the total amount? Ok.

Dave Sprando: Dave Sprando, Portland fire chief, Portland fire and rescue. I want to apologize, our operations prevention operations manager is not able to be here today because of the weather. But I think we can answer all of your questions. With commissioner Sten's very good lead-in I'll make mine very brief. Originally when we were directed to raise the \$714,000, staff originally assumed the revenue increase would be generated entirely by the increased card enforcement fee. The advantage of that is it's simple and straightforward, and would be easy to implement. A significant disadvantage that came to be seen was that it would fall most heavily on small business and small multifamily property. And provide the appropriate incentives to comply with the fire code. To address these concerns, a number of alternative options were developed and evaluated over a settlement period -- over a several-month period. The final option is presented to you today with one minor adjustment that the commissioner just mentioned. It increases revenues through

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card enforcement, penalties, and discounts, and an increase in certain permit fees. This will have an impact on actually at some point on about 38,000 of our customers, but it is the most economic call way we could to distribute these costs. I'm going to ask deputy chief fire marshal edwards just to run through quickly a power point.

Scott Edwards: Our current biannual fees consist of a base fee of \$45 plus surcharges, minus discounts we get for sprinklers and no hazards found during the inspections. This surcharge is based upon a square footage or number of residential dwelling units, and the discounts are applied for sprinklers and violation-free buildings. The biennial bills currently range from \$35-a cap of \$2,000. Our event-related permits consist of permits for festivals, concerts, trade shows, in large assembly venues and some small. The current fees range from \$100-500, depending on the size of the venue. But the fees do not cover the cost of the program and they've only increased one time that I know of in the last 17 years, and that was in 1998. The council directed p.f.r. to increase the code enforcement revenue by \$714,000. And in the 06-0 self budget proposal, it's assumed this revenue would come from a raise in the base fee of \$45 to \$100. Which would have been simple to do, but put a huge impact on the small businesses. In both the staff and the commissioner's office were concerned about that impact. So at that time we developed a number of alternative revenue strategies. We looked at seven or eight of them, and those strategies addressed issues of increasing code enforcement base fee by a lesser amount, eliminating code enforcement discounts for the safe operation, one dealt with increasing penalty fees for the fire code violations, increasing code enforcement surcharges based on the size of the occupancy, and increasing public assembly fees. In august we sent a letter out to assembly operators informing them of the possibility of their permit fees going from in some cases \$100 all the way up to \$2500, depending on the size of the venue. There was a few promoters and event operators that were not happy with that. We heard from five or six venue operators that were really not happy with it, so we -- taking that information, we reworked the public assembly fee schedule and proposed a new range that covered from \$150 at the low end up to \$1500 on the high end. And part of that reworking also we found that there was an inequity in the way the fees were distributed across the board in terms of the size of the venues. So I broke the sizes of the venues down into 50,000-square-foot band and came up with a more equitable formula to distribute identifies across those bands rather than take the big chunks we did before, because before, the largest portion of the burden of the fees was on the smaller venues. Where they were paying on average about 40 cents per 100 square foot, and some of the larger venues were only paying 10 cents per hundred square foot that. Was just a method we used to figure out the equity -- the equitable formula. So now with the new formula the smaller venues are paying 60 cents per hundred square foot and all others are paying 50 cents. So it's much more even across the board. In early november we consulted with the prevention advisory council to discuss the alternative that we came up with. And the group is a long-standing group comprised of business and multifamily housing leaders, and they worked with us to de-- to design the original fee for service code enforcement program back in 1998. And have worked with us ever since. Their recommendations were to maintain our \$45 code enforcement base fee, to lower the impact on small businesses, make current code enforcement discounts, they did, however, feel that we should double the fee for any hazards that are found on a first offense from \$10 to \$20. And also quadruple the penalty fees for those that still had hazards remaining when we go back to do a reinspection from \$25 to \$100. Clearly their emphasis was to put the burden on those who failed to correct the hazards. They also recommended that we double the surcharge for the -- that's based upon the square footage of number of residential units, and that went from \$1 per unit and \$1 per square foot, to \$2. And then finally, they approved the formula that we developed for the increase in the public assembly fees. The overall strategy of the recommendations was to limit the impact of small businesses, maintain safety and settings through discounts, and create new safety incentives by increasing violation fees. On january 11, we met with some interest the assembly venue

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operators to discuss concerns they had. This was a meeting we had over at the convention center. There was quite a number of promoters and developers that were there to express their concerns. Part of that meeting, it was agreed by the chief that we are willing to limit the penalty fee for a late filing for permit to a \$500 camera they're than just strictly doubling the original permit fee, which could have been up to \$1500 under this proposal. These are just some examples we put in here that shows the impact on certain occupancies. You can see a large professional office under the current fee schedule would pay \$215. Fee was go up to \$385. The next screen shows some of the more examples, venues that would have violations. These are actual bills that we have sent out under the current fee schedule, and what those same bills would be under the new proposal if they had the same violations. This is the breakdown --

Leonard: Can I ask you about that? You go out and do an original inspection, you find hazards. The very next inspection, if the hazards aren't abated, they get the doubling of the fee?

Edwards: No. When we go out and do original inspection, there's eight common violations, they get -- they're made aware of in a letter, and they're told if those violations are not present when we arrive, they won't -- obviously won't be written up for them if we find any of those eight violations, they will be charged \$20 per violation group. For example, let's say illegal extension cords, we would not charge them \$20 for 15 extension cords, there would just be a single \$20 charge for that entire violation group. Regardless of how many violations we found within that group. Any violations written up, when we go back in 40 days to do the reinspection, if they're all abated, there's no additional fees. That's the incentive to get the violations done. However, if there are remaining violations, there is a \$100 charge for the reinspection, and the violations under the current fee schedule, there's a \$25 per violation group charge in addition to that reinspection fee. That \$25 fee will go up to \$100. The reinspection fee remains the same, but the violation fee will go from \$25 to \$100 per violation group.

Leonard: As a practical matter, how has that worked compared to what I'm familiar with, which is you're right up -- you write up the violations, and identify what the hazards are, there's no charge the first -- you didn't have a letter going out either in advance, and my recollection was it was really a long ways down the road for -- before you ever started charging what used to be called reinspection fees. As a practical matter, how does this work on the ground?

Sprando: My appraisal is that the businesses have recognized they do pay attention to that letter pretty substantially, which means that the hazards are normally corrected on a more frequent basis before we get there. Which I think is in everybody's benefit, and Scott can probably speak more directly to that.

Edwards: As you recall, having been an inspector yourself, you know it sometimes took years to get people to correct violations. Because there was no incentive for them to do that. Under the current system we have 92% of the violations are corrected, but -- within 90 days.

Leonard: I wouldn't have guessed that. That's encouraging.

Edwards: It's been an extremely effective program.

Leonard: That's excellent.

Edwards: We have very few inspections that go beyond the first inspection. Very few second or third reinspections. It works well. This screen here shows you what the current public assembly fees are. You'll note that under the current fees there's two that are \$150 and three that are \$300, and that's because the current fee schedule has a span of 100k-250k all being the same fee. Part of my proposal was to break those down and -- into 50,000k bands to more equitably apply the formula across the board of venues. So that everybody is paying the approximately same amount per 100 square feet as -- across the board. In summary, our goal of \$714,000, the code enforcement changes, we expect to see due to the increase -- 175,000 revenue increased for the violation fee increase. And the \$96,000 revenue for the increase in permit fees. The final \$50,000 is actually

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coming from plan review fees that are already in place. Fees that were, for example, part of the south waterfront project. That we know are already there.

Sprando: That's our information, if there's questions.

Leonard: Did I want to ask about just your impression of -- I appreciate the explanation on the charges on the inspection fees that was very interesting. I am curious about what your reaction is to the \$45 flat fee that's charged for inspections. One time I think -- it's been a long time since i've had a discussion with anybody at the fire bureau about that fee, but at one time my sense was not only did the business community not like it, but a number of the officials found it an impediment to gain access to places that they used to be welcomed into because people felt like as soon as they walked in the door they got hit with whatever the fee was. Does that perception still exist?

Sprando: Commissioner, what I would say, when the program started it was definitely unpopular. And there's no question about that. People that were paying nothing for an inspection and found they were paying \$45 were not very happy. What I would say is, there's a recognition now that it's part of the process. We don't get that many complaints about the base fee. If I set our firefighters -- said our firefighters were particularly enthused about going out and providing a feed inspection, they don't like it. I'm going to agree with that.

Leonard: How come they don't like it today?

Sprando: I think it's just because we started out with a service that essentially provided that as no charge, and now that --

Leonard: Not because of maybe some feedback they're getting --

Sprando: But it's -- it is toned down very significantly. Now, I will tell you we're fortunate we left that piece of this alone. We're going to have a number much not very happy folks after -- when we -- when this goes out next time. So we will deal with a certain segment of the population who's going to get increases that won't be happy, but I think the fortunate part about this plan is leaving that base fee essentially where it was.

Leonard: Scott, you said that the total amount collected, that represented the fee was 87% of the total. What is the total?

Edwards: The total will be \$714,000.

Leonard: That is the total that's generated from the inspection fee, permit fee and all that?

Edwards: Currently this last fiscal year we collected just over \$900,000. So this will be an 87% -- the fee itself is I believe an 89% -- 77% increase over what we collect now. That additional \$714,000 represents a 77% increase over the revenues we currently --

Leonard: I'm asking, what is the total amount --

Edwards: Business portion of that increase, or of all the fees collected is about 87%.

Leonard: How much --

Edwards: 13% is permit fees, land review fees, the other fees that we collected [inaudible]

Leonard: Is the 87% of the 900 and some thousand or --

Edwards: Whatever amount we collect is represented -- 87% of that comes from code enforcement fees.

Leonard: In the current amount you collect before the increase?

Edwards: In the current and also in the proposed.

Leonard: So the current amount is just under a million?

Edwards: Correct.

Leonard: So this --

Edwards: Code enforcement.

Leonard: So this would be about \$850,000 or so that it represents, the \$45 fee i'm talking about.

Ewdards: The \$45 fee and the surcharges that go into the code enforcement inspection fee is around \$900,000 of the total.

Leonard: I'm trying to separate out the \$45 -- i'm trying --

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Sprando: That one specific piece, and I don't think we have that specifically from the base.

Edwards: 38,000 inspections times \$45 would be that portion that's collected. I'd have to do the math real quick to tell you what the percentage is.

Leonard: Ok.

Potter: Are you done, commissioner? I have two quick questions. One is on public assembly fees. Cso that -- do you that include first amendment assembly protest?

Sprando: No. Well, no, I don't think so. Unless if they're using a waterfront park and they would come down and take out a special event permit for waterfront park, then, yes, it would. Any time that there's an event in waterfront park that's 500 people or more, they're supposed to take out a permit from the fire bureau.

Potter: Sometimes they don't.

Edwards: Sometimes they don't.

Potter: So is there -- do you have a mechanism to waive those fees if it's appropriate?

Edwards: Currently any of the waiving of the fees is at the commissioner Sten makes that decision what fees are waived. And that is not one of the ones now that is currently on the list of fee waivers would be the first amendment protest that I know of.

Sten: We haven't had any real requests for that. We could look at it as part of -- it could be as fees goes up there's more desire to waive them. But it's actually not something that's come to me much at all.

Edwards: I don't think i've ever received a request.

Potter: I'm aware --

Sten: I won't say never, because my memory --

Potter: I'm aware of a first amendment event that folks decide not to get permit, and it's conducted anyway. I'm just wondering if -- would this -- would you then go back to them and try to collect the fee?

Sten: Police have a fee they waive, right? I would suspect -- my starting point, having thought of it, we ought to use the same criteria they use, and --

Sprando: I don't believe we have tried to recoup --

Sten: Maybe we just don't collect the fee.

Sprando: The ad hoc events that have occurred, I believe they've just occurred.

Edwards: My recollection, the only fees we have gone after the event and tried to collect when we became aware of like rave parties and things that occurred without a permit that we weren't aware of.

Potter: The second question has to do with your moment.

*******:** Yes.

Potter: I don't see a distinction between your amendment and what's already on the original sheet.

Sprando: If the fee schedule that I handed out, if you look on page four, which is the last page, at the bottom the second line from the bottom, late fee double the permit fee, that would have stood as just doubled the permit fee, now there's a 500 maximum.

Potter: That's what it says on the original too.

*******:** Then it may have gotten --

Potter: Maybe it was submitted as -- with the changes already in it. This is the piece that we had with your presentation, and it's identical to the amendment. So i'm just want to make sure --

Sten: The amendment and the presentation should be the same.

Potter: Ok.

*******:** We sent the change through yesterday.

*******:** I think it got added.

Sten: Your crack staff put it in.

Leonard: I was just going to say you're too organized.

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Sten: Even on a snow day. Pope benedict.

Potter: Is that the end of the fm? Are there any other questions from the commissioners? Is there anybody signed up to testify on this matter?

Moore: No one signed up. Did you wish to speak?

Potter: Please come forward, sir. Please state your name for the record. You have three minutes.

Patrick Dinan: My name is patrick dinan, I produce a couple of shows here in town. I just found out about this the last tuesday. It was emailed me by the expo center. And trying to get information about it was not easy. It was interesting when I did talk to the fire department because, again, this is going to affect -- in event planning we don't do something next week, we have to go anywhere from six months to three years out in doing events. I have an event coming up last year that had 37 nonprofit organizations about 170 businesses, and i'm going to see an increase of potentially by this depending on how they interpret it, going from \$150 to \$750. That's a \$600 hit in the middle of a project, three months out. I did a little research and found that I guess one of the questions I have for the council is, you gentlemen just found \$6 million that was not in the budget, and you passed out to some of the -- I read where some of the money was moved out to different projects? I just wonder how much of that went to the fire department on this issue here, since I was told by the fire department that you instructed to them to go out and get new revenue. Yet you had revenue that was a surplus and you turned around and gave it out to other projects, this project I think would be important to you with fire prevention, especially last night when we saw two people that perished over a fire accident. I'm a little concerned about the priorities, but my mode of business is in -- is bringing shows into town and when I heard about this i'm in the process of looking to generate some new programs, and one of them would be one-day events this summer, and I just saw my budget go from \$900 to \$3,000. We're looking at increases here of \$50 to \$-- 50 to 333%. What you're doing is you may be a little pound foolish, in that it will take away from revenue from the hotels, the people that are spending. This show i'm doing in april has people coming as far away as longview and albany, national companies. We have 37 nonprofit organizations in there. And a lot of those people stay here. And my projection was to grow that building -- that project, but I couldn't afford it for the prices. The last three or four years the economy has not been good for trade shows. We have seen some real big hits. I had a 21% reduction in my gate last year because of sunny weather. The things that we face. Seeing these, you're going to find a lot of entrepreneurs who are going to say, thank you, but i'm not going to do it here. I'll look at hillsboro, vancouver, I just -- as I say, gentlemen, I understand you need to generate revenue, but you may be causing some problems with what revenue you're going to lose by businesses not coming in, or I would not want to take a chance. I'm an entrepreneur. To see the increases of \$2100, that puts that project on a critical basis because it wouldn't be popular the first year anyway, so I now have to look at an additional \$2100. It isn't advantageous to bring people in or take the chance, because we don't get - there's nothing in here to reduce it if we don't go to size. I hope you consider this is increasing cost to both exhibitors and guests coming in, it reduces people visiting our city, less revenue, it will show -- it will cause some people and you're seeing it now going over to vancouver facilities hillsboro is talking about adding one. It will show in your visitors your conventions coming into town in cost factors. Less rental -- it will be less rental fees collected by the expo and convention centers. So if \$96,000, I could probably within a couple weeks give you a good outline of what it's going to cost you. I guarantee it will be more than \$96,000. I don't mind paying a fair share, but this one alone for the next show, anywhere from a 1-3% increase. I didn't have -- I didn't increase my costs because we try to keep it down. This market really sensitive right now to cost increases. And there's a lot of small business these are on a very critical point, and if you jack it up more it's going to happen.

Potter: You've gone over your time limit. Would you like to complete your statement?

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Dinan: I hope you reconsider this, because as a businessman, i'm looking at just this year looking at an increase of \$2,000-3,000 easily, just in my cost, where a business person that isn't doing something like this, their business, doing --

Potter: I think you made your point, sir. Thank you. You're two minutes over your three-minute time limit.

Dinan: I'm sorry. If I knew about this -- we didn't hear about it until last week.

Potter: Your time is up, sir.

Dinan: I like your openness, sir.

Sten: I'll like some council discussion about this point. Maybe we should finish the testimony first so we hear all the issues.

Potter: I think that's the testimony.

Sten: Ok. We did notify the expo center in august, and we don't have all the pats to get to their customers. Some of the changes did happen next week, so -- last week, so in most of these situations there's truth to both arguments, I think. The most compelling piece that came out of the chief's discussions the last week, i'm going to try to help you, but you've got to take it down a notch.

[inaudible]

Sten: That I heard was that -- I think it's hard to raise fees. I think the fee raised is reasonable in my mind. I do describe that there's some logic to the argument that shows because we move this fee schedule very recently, shows that were planned for the next couple months. Maybe in an unfair hardship because you can't pass those on at this point as the organizer, particularly small shows. So I would -- I would be open to something like the council providing a little bit of relief to the fire bureau. I don't think we're talking about very much, from -- to give us some kind of waivers for fees that shows that were clearly already scheduled. And maybe a little administrative trouble, but something like that. That's the argument I think that's strong. Maybe for the end of the fiscal year. I don't know what we could run up with the revenue estimate would be potentially, I would be looking for something that maybe involves a nonprofit, because he's talking about something -- I don't think we would be talking about a lot of money if we gave a little grace period on those types of shows. I haven't done the research yet, though, so I don't know exactly what it would be.

Leonard: I really appreciate that proposal. I will -- I would at a minimum support that -- I think that makes a lot of sense. But in the interest of us having this discussion, and in the context of everything that we're going to be discussing this week, I would be less than forthright if I didn't say that some of what was testified to, i'm sorry it ended the way it did, because if you had stopped two minutes before I was ready to support everything you were saying -- stop now. Stop now. That was my point. It is a concern I have in the larger context. I think just to be really clear, the charge the fire bureau was given by the council, they did as i'm always expecting them to do, they did a first rate job of coming here with these proposals. And I appreciate that. And actually i'm particularly persuaded on the reinspection fee part. That was information I had not had before. And I think in any discussion we have about fees, that makes sense and should stick, it sounds like it's an effective tool. But I am concerned in the context of the financial health of the city. And in the context of making sure that we stay -- and i'm just throwing this out for discussion, i'm not at all predicting that i'm not going to support this, but I would hope that we have a good discussion. That in this larger context we look at raising fees as to whether or not that's as necessary given some of our resources as it was when we gave the fire bureau the charge to raise these fees. And it's just a little hard for me to support this and the proposal tomorrow to reduce the revenue that we would receive from the business license fee. And i'm actually trying to get to the place where I can do both. I can't intellectually for myself do both. I feel like I have to pick one of the two approaches. And I frankly obviously for a variety of reasons, would like to support the fire bureau's approach on this. On the other hand, I do think the witness made some very legitimate points in terms of

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businesses. I think your proposal commissioner Sten, to at least minimize the impact on nonprofits and on anybody until some later date who is planning an a -- I guess i'm trying to say, in my preferences, if we could separate how much that reinspection fee increase was of the \$714,000 increase, i'm not sure how much that is, I think we're talking about \$300,000 or \$400,000. And have that go away and have part of what we're discussing tomorrow go away as revenue, instead be recommitted to the fire bureau so they don't have to raise this fee, if that makes sense, I could be at a place where I could support both.

Sten: That's quite a proposal.

Adams: And he did it just on the fly.

Sten: What i'm proposing at this moment would be we'd move forward on the fire, adopt these fees and ask probably deputy chief edwards working with chief to come back to us with probably something that goes into the bump that just gives a little more room on this gentleman's issue for maybe through july 1, through the fiscal year. And I would limit it not to -- I would limit it to events that were planned before this fee increase as opposed to new -- I wouldn't make it a huge documentation. If you basically can show in reasonable assertion that the event reasonably proceeds this decision by the council, and it's going to take place in the near future, that maybe you don't pay this fee. That's all. On your bigger issue, and commissioner Adams was gone, I did in the opening make a point that I would like to work on putting the base fee into the business license structure. But these event fees wouldn't go in there anyway. And I -- it's the old tension between should users of events pay the cost or the general fund, and under this method, people who go to the events will pay a very incrementally smaller fee for the cost of the event as opposed to the general fund, and I think the fees are reasonable, but I think we should have a little more of a phase-in period. What I would suggest is we just bring -- the reason we didn't have a phase-in period, we couldn't make it work with the revenue requirements, but I think the council could give the fire bureau a little breathing room for this year. That would be my proposal. I don't think it's inconsistent with yours, but --

Leonard: No. Life is about incremental changes.

Adams: I can support that.

Potter: Do we need to amend --

Sten: I think what we could do is just adopt the package as proposed, and I will instruct the fire bureau with the council's concurrence to bring us back a bump request that gets at this issue. And I think we know what i'm trying to say, and we'll see if we can't bring it back.

Potter: Ok.

Adams: Sounds good.

Potter: This is an emergency vote --

Sten: I think did I need an amendment. Would I move that we substitute the attachment with the fee structure, the current fee structure to the official ordinance?

Adams: Second.

Adams: Aye. **Leonard:** Aye. **Sten:** Aye.

Potter: Aye. [gavel pounded] now we'll vote on the --

Adams: This is the big thing? I want to thank commissioner Sten and leadership of the fire bureau for putting this together. I agree with commissioner Sten, I have an opportunity -- an interest given we have \$6 million ongoing, even if the council tomorrow passes an investment into growing our economy through targeted tax reduction on small businesses, new businesses in the city that will have a huge benefit to the economy, we still have \$6 million on the table ongoing after that. So i'm open to discussing with commissioner Sten and my colleagues and council continuing the discussion on fire fee and other fees in the city which are significant. So thank you for your work on this. I'm pleased to vote aye.

Leonard: Aye.

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Sten: Aye. Thank you.

Potter: Aye. [gavel pounded] we'll go back to item 61, please read item 61.

Potter: I thought 61 required -- just 62?

*******:** [inaudible]

Potter: That's fine, then.

Moore: We took care of it.

Potter: We're recessed until 2:00 p.m. Thursday. [gavel pounded]

At 10:42 a.m., Council recessed.

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Closed Caption File of Portland City Council Meeting

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

Key: ***** means unidentified speaker.

[The following text is the byproduct of the closed captioning of this broadcast. The text has not been proofread, and should not be considered a final transcript] * * * [roll call]

JANUARY 18, 2007 2:00 PM

Potter: I'd like to remind folks prior to offering public testimony to city council, a lobbyist must declare which lobbying entity he or she is authorized to represent. Karla, please read the 2:00 p.m. Time certain.

Item 63.

Potter: Today the city council is being asked to accept the report of the city charter commission that the city council appointed in resolution in november 2005. We'll have a chance to study these recommendations, hear from the public, and discuss the commission's work before we vote early next month -- next month. The council asks the commission to review, evaluate, and recommend any changes for improvements in four areas of the city charter. Civil service, p.d.c. and the city council, the form of government, and periodic charter review. What you have before you is the product of 14 months of work over 2,000 volunteer hours of meetings, and the most in-depth examination this charter has ever had. This work has been tedious and glamorous, but critically important. In addition to all the commission meetings which were on cable t.v., 32 community meetings were held all over the city, arranged by the commission to seek input from community members. The list of community meetings is available on the last page of the report you have in front of you. The work of this commission if it is approved by voters, will result in significant improvements in Portland. I'm awed by the commitment and the thoughtful recommendations contained in this report. I not only want to thank the commission, but also the advisory committee that was involved in the commission meetings and process. On february 7 I will bring back the proposed charter amendment language and ballot titles for the council to vote on to refer these amendments to the voters. It will be four separate documents so voters will be able to vote separately on each recommendation. At that time I will have incorporated the additional language to the p.d.c. recommendation proposed by commissioner Sten and myself earlier this month. We'd like to have david wong, chair of the charter review commission, to please come forward and present the commission report.

David Wong: Thank you, mayor Potter. Mayor, city commissioners, on behalf of the city of Portland's charter review commission, I would like to thank you on many fronts. First and foremost, thank you for creating this wonderfully diverse citizens commission. With members drawn from all quarters of the city, reflecting an array of ages, ethnicities, experiences, and backgrounds, we are professionals, laborers, city employees, the self-employed, community organizers, representatives of nonprofits, students, and retirees. Latino, african-american, asian-american, native american. This commission reflects the face of Portland. I understand that each of you played a role in selecting the members of this commission, so I thank each of you individually for allowing all these different voices to gather around the table to meet as a group and to discuss together these issues that are of such great import to our city. Thank you also for entrusting us with this historic and some would say daunting task. It's been over 80 years since we as a city have examined our city charter, our governing document in any great detail, so thank you for giving us

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ordinary 79s this task and this opportunity to take the first step in preparing our city charter for the challenges and opportunities of the 21st century. Finally, thank you for taking the time to meet with us today. Thank you for giving us this opportunity to present our written report and recommendations, recommendations that come after the expenditure of thousands upon thousands of volunteer hours invested in interviews, research, analysis, deliberation, and debate. I would like to take a moment to introduce the members of the charter review commission. Some of them you know, each of you may know individually, others perhaps you recognize from the many meetings the charter review commission has had with you over the last 14 months. This being 2:00 p.m. In the afternoon i'm not sure everyone is here, but we'll see who is of the bob ball. Melanie davis. Jillian detweiler. Bruce harder is absent. Ed hall. Joe hurtsberg. Jim hosmer. Chris hudson. David kell "e.r." nicole. Peg malloy. David martinez. Jim meier. Paul meier isn't able to join us today. Rob inplants. Emily ryan. Harold williams. And loretta young. I also should mention that we initially started with 26 members in november of 2005. When you created this commission in november 2005, we were asked to serve through july 2006. All 26 original members served actively and contributed actively during that first term. In july 2006 we were then asked to continue serving until 2007. Unfortunately at that time six of our members were not able to sign up for the additional term, but I wanted to take a moment to recognize them, because their contribution were made as well. Bill barnes graduated from lewis and clark college and moved to southern Oregon so was unable to participate in the second set of -- second phase. Guy crawford was not able to participate in the second phase due to work and schedule demands. Leon locker received a promotion and her working schedule demands prevented her from participating. Susan mcgee and judy o'conner could not serve during the second term due to health-related issues. And charles, who is our first chair, our former chair, was -- resigned because you appointed him to the p.d.c. I'd also like to take a moment to mention the members of our honorary advisory committee. Dan bernstein, sam brooks, gale castillo, mayor bud clark, show, roy jay, mayor vera katz, commissioner mike lindberg and governor barbara roberts. Before turning to our specific recommendations i'd like to highlight three key concepts that are mentioned briefly in our report, because I think they're key to understanding our recommendations. First, we were not unanimous in all of the specific recommendations contained in our report. Frankly, I would be worried if we were. I think all of us should be worried if we were unanimous. This is a diverse, intelligent group of citizens who had no compunction calling it like it is. Each reasoning independently, impartially, and after 14 months of work, of careful and thoughtful research analysis and deliberation, making their own independent judgment. Of course there are differences of opinion within the citizens charter review commission. Just like there are differences of opinion with regard to these issues on the city council, and just like there will be differences of opinion among the 560,000 residents of this city. The point is that reasonable people can disagree. Even when they have the same facts in hand. What we present to you today is a set of recommendations, each supported by clear majority of the charter review commission. But the report is the report of the entire commission. In sum, there are and always will be differences of opinion. That's just a fact of life that the charter review commission accepts. It's also the beauty of having an informed and concerned citizenry. The second key concept elect -- i'd like to mention is the concept of being forward looking. I've mentioned this to each of you individually, but I think it's important to emphasize this again. Portlanders are progressive bunch. We pride ourselves on being forward looking, planning smartly for our future. It's in keeping with those traditions that the charter review commission makes its recommendations. We all acknowledge that Portland is a city of many successes. It also perhaps is not performing as well in certain areas as comparable cities. But that's not the question. The question isn't whether we're better than the rest. The question is not whether we're content with the way things are. The question is whether there's a better way, whether we are reaching our potential. Are there changes we can make now that will enable us to more easily overcome the challenges

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and seize the opportunities that we will encounter in the coming decades? That's the question. The third key concept underlying our report. Are our six core values. Very early on in this process the charter review commission identified six core values, or six core principles that we felt were integral to any well-functioning city government and Portland city government in particular. The sixth core values are listed in our report, but I'll recount them here -- accountability and integrity, efficiency, effectiveness, responsiveness and accessibility, representation and inclusiveness, and finally, leadership. In carrying out its duties, in formulating solutions, in making its recommendations, the charter review commission has attempted to come up with views that promote or at least preserve these six core values. So with those three key concepts in mind, let me turn to our recommendations themselves. As mayor Potter mentioned, when we were convened in November 2005, you charged us with examining four areas of the charter. First, form of government which is found in chapters one and two of the charter. Second, Portland development commission and its relationship to the city, which is in chapter 15 of the charter. Third, civil service, which is in chapter four of the charter. And finally, whether the city should adopt some form of periodic charter review. After 14 months of interviews, research, analysis, and deliberation, after 14 months of carefully evaluating and examining the multitude of alternatives available to us, after 14 months of carefully crafting a set of recommendations that we believe best fit Portland's culture and the Portland way, I am pleased to announce we have the following recommendations. First, with regard to form of government, we as a commission found Portland's existing form of government has inherent structural weaknesses that would likely constrain the city in the future. For example, first but not necessarily foremost, the commission's structure is an inefficient structure. By having simultaneously five heads of state, each responsible for administering different city bureaus, the commission erects silos that cause symptoms such as lack of coordination, lack of adequate communication between bureaus, inconsistent policies that can vary drastically from bureau to bureau. The commission structure also lacks sufficient levels of accountability. It's widely accepted in the literature that the commission form of government lacks of checks and balances necessary for modern city government. Also, while the commission structure may be accessible to those familiar with the structure, it can be a difficult structure to access and advocate for those who aren't. Furthermore, in the commission structure responsiveness is largely ad hoc. In the ideal city government, accessibility and responsiveness of city bureaus should be consistently applied and city services should be consistently and fairly delivered by all city bureaus based upon unified policies. Most members of the charter review commission concluded these weaknesses could not be remedied simply by making modifications to the existing commission form of government. As a result, the majority of members concluded Portland should abandon the commission structure and after examining and assessing a wide variety of alternative forms, the majority of members concluded that the city should adopt a mayor, council, chief administrative officer form. That form can be summarized as follows. The role of the city's professional chief administrative officer or c.a.o. would be expanded to oversee and coordinate day-to-day management over the operations of all the city bureaus. The c.a.o. and all bureau directors would be appointed by the mayor subject to confirmation by the city council. Upon confirmation the c.a.o. would be correctly accountable to and removable by the mayor. The mayor would act as the chief elected executive official of the city with ultimate authority and political accountability for the city's operations. The city council's role would be expanded to focus on legislative oversight of those city operations, policy development, budget, long-term strategic planning, and greater opportunities for constituent communication and representation. In the recommended form, the mayor would continue to sit on city council but would not have a separate veto power. There are many more features of our recommended form of government, specifics can be found beginning on page 8 of the charter review commission's written report. Our set of second set of recommendations relate to the Portland development commission and its relationship to the city. Chapter 15 of the charter. Based upon an analysis of existing

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federal and state laws, the majority of this citizen's commission recommends the p.d.c. remain a quasi independent agency but city council be provided a greater voice in p.d.c.'s voice. These oversight mechanisms are detailed in our written report. The majority's recommendation also clarifies the respective roles and responsibilities of the p.d.c. and the city council in the areas of urban renewal, economic development, and housing. Beginning on page 12 of our written report, specifics about our p.d.c. recommendation can be found. Our third set of recommendations relate to civil service, chapter four of the charter. The majority of the citizens commission recommends the city streamline and modernize chapter four of the city charter to eliminate outdated, confusing, or conflicting language. While maintaining protections for employees. Specifics about our civil service recommendations can be found beginning on page 14 of the charter review commission's written report. Our fourth set of recommendations relate to periodic charter review. In keeping with Portland's traditions of civic engagement and our continuing evolution as a community, the majority of the citizens commission recommends that the city institutionalize periodic charter review. Specifically at least every six years the city council should convene a citizens charter review commission that is representative of the city as a whole to review aspects of the city charter, and to recommend their charter amendments to the city council and directly to the voters of the city.

We also recommend the first such charter review commission be formed within two years after the implementation of this charter review commission's recommendations to address certain pressing issues that we identified during our process. These pressing issues include whether the city of Portland should move to district voting or some alternative election format, whether we should alter our size of city council, whether a charter preamble should be adopted to codify Portland's community values. For better alignment with the results of p.d.c. and community connect. And further streamlining and modernization of our charter. Beginning on page 24 of our written report you'll find actual revised charter language that we believe will implement the four recommendations i've just cited. At this time i'd also like to thank city attorney linda ming and her staff for assistance in this process. Especially in crafting the necessary legal language you find in the revised charter sections. So that is a summary in a nutshell of the charter review commission's report and recommendations. A very large nutshell. In addition to our report there are additional items we wish to address. Perhaps I should go back to something I said a few minutes ago. That is that reasonable people can disagree, even when they have the same facts in hand. At this point in time the vast majority of Portlanders do not know about the charter review commission's recommendations. Nor do they understand or know of the reasons for those recommendations. They're not fluent in the issues and arguments associated with each of these issues that you assigned to us. In other words, they don't have all the facts in hand. Presumably these are matters of great import. You formed a citizens commission to examine them carefully. It's highly unlikely the Portlanders will have an opportunity to obtain the necessary facts unless this commission's recommendations are referred to the ballot for consideration by our fellow citizens. We have the historic opportunity here. City council convened a diverse citizens commission to plot a road map for our future. We have an opportunity to plan thoughtfully and carefully for our collective future as a city. At your request and instruction, the charter review commission has done the hard work. The charter review commission now respectfully requests that the city council refer these recommendations to the ballot so that the residents of the city can have a voice and make an informed decision about the future of this great city. And I will point out the residents with whom we've discussed our recommendations do want to have this discussion. At this point I would like to present to you letters received from the following groups urging referral of the charter review commission's recommendations. Letters of support from southeast uplift neighborhood program, east Portland neighborhoods, elders in action, the league of women voters, the Portland business alliance, and the small business advisory council. I also understand that a member of our honorary advisory committee is here to make a statement.

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Sho Dozono: Mayor Potter and city commissioners. Sometime when we -- we have opportunities to serve as honorary capacity rather than doing the hard work the commission has done. And i'd like to read a statement by -- signed by all of the honorary advisory board that would just reiterate it. As members of the honorary advisory committee to the Portland chapter review commission, we voice our support of the work of the commission and urge the city council to confer the recommendation of the commission to the city at the earliest opportunity. By council resolution in november 2005, city council charged the commission with examining and recommending possible amendments to the section of the city charter relating to the city's form of government, civil service, and the Portland development commission's relationship to the city. You also asked the commission to recommend whether the review shall be institutionalized in the charter. It's broadly based and diverse citizen commission has carried out your charge with the best interests of the community in mind. We believe that these volunteers all have demonstrated dedication to providing a thorough and unbiased set of recommendations for your consideration and the consideration of their fellow Portlanders. Portland has a long tradition of civic engagement that will continue to flourish only if residents can expect their perspectives are taken seriously provided you consideration. At your behest the members of the commission have prepared and presented a set of recommendations of great significance to our collective future as Portlanders. Whether one agrees or disagree was these recommendations, all of the recommendations deserve consideration by Portland voters. We urge you to facilitate the larger public debate and these recommendations should have by referring the commission's recommendation to the ballot. Respectfully submitted, the members of the advisory committee.

Potter: Thank you.

Wong: Happy to entertain any questions city council may have.

Adams: We'll have questions later.

Sten: I have some questions.

Potter: Yes.

Sten: Thank you for your service. I want to thank everybody involved. You mentioned many times how many hours people worked, and I think that's very much noted. I don't think it's very easy to deal with these things, and it's going to be a pretty robust debate from here on out, so I hope you have decided you're not going to do any more work, because I think it's far from done. But I just wanted to get a few more opening comments and get a better sense of what the commission is arguing. Particularly on the form of government. I have some questions on the civil service, but I think they're relatively straightforward. We have more time before we get to the ballot. I also have questions on the -- let me ask this quickly. I looked at the institutionalization of the charter review, and that makes sense to me, the recommendation itself appears to be a little loose in terms of exactly how that group would go about getting things to the ballot. For example, if you appointed 20 people but only 10 showed up, could five people send it to the ballot? It's a pretty soft bit of language for something that would have the power to bypass elected officials and the initiative process. So don't know if there's a mechanism -- I don't think that's the intention, but I don't know if there's a mechanism to go back. To be blunt, I don't think that one is ballot-ready, but I think that -- I think the thought is good. So I just wanted to kind of get a sense of on those kind of things where there isn't a whole lot of dispute on the idea, but it needs more work how we're going to go about looking at those things. And you may dispute that's the language that's ready to go, and that would be a different matter.

Wong: Certainly if city council members have a recommendation that they think is consistent with the spirit of our recommendations, but are an improvement as you say, maybe it's not ballot-ready, it's something we as a charter review commission can take up. I can't guarantee we would come to some sort of conclusion, but we stand ready to look at those issues.

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Sten: Ok. I just have a couple questions. I wanted to get a little more thinking on the form of government, and then a couple of process questions. I guess the basic question, this is the to my knowledge the first time there's been interaction people can watch and satisfy, so I wanted to ask a few other questions. For the benefit of the audience. What would you describe as the problem that the proposal is trying to fix in terms of the form of government?

Wong: It's a very broad-based question. There are certain inherent structural weaknesses in the commission form of government. And these are structural weaknesses. We attempted to take a personality out of the equation because the charter deals with structure as opposed to --

Sten: I appreciate that. [laughter]

Wong: So what e-- what we have are things I cited in my presentation. For example, the commission form is inherently and inefficient form. To have five separate heads of state administering bureaus separately, it raises issues of lack of coordination between city bureaus, lack of communication between city bureaus, and differing policies between different bureaus. Also different management styles as between different bureaus. There are also issues of responsiveness and accessibility. Under the commission form of government, I think we would all agree that it can be very accessible and responsive, but that's on an ad hoc basis, depending upon who's in charge of a specific bureau. There's very little coordination that goes on between bureaus. The culture of each -- the culture can vary between bureau-to-bureau. In an ideal form of government, galloned, there perhaps is no ideal form of government, maybe there's just a better form of government for Portland, I think that's probably an accurate statement, but in an ideal form of government you would hopefully would have systematic -- a systematic responsiveness and accessibility. In other words, there's consistency across all city bureaus, there's consistency in fairness in delivery of city service by services by all city bureaus. So those are some of the weaknesses in the existing form of government that we think would be addressed and remedied or at least made more readily available in the mayor-council chief administrative officer form.

Sten: How would a centralized administration remedy the things you just mentioned?

Wong: For example, with regard to policies, differing policies, that vary from bureau to bureau, perhaps just depending upon history or depending upon which commissioner is in charge, by aligning all of the bureaus under a single professional manager, that manager at the direction of city council can impose a consistent vision, a consistent set of policies across all city bureaus. It's a structural remedy. That's not to say that it's not a pan sea, but it facilitates better the idea of a more consistent policy setting by the government.

Sten: Did you give me a couple of examples of the types of policies you found to be inconsistent under this form that would be fixed?

Wong: Sure. Well, first I don't want to talk about deficiencies that may have occurred under the watch of this city council, or its predecessors, but I'll give I some high-level examples.

Sten: I don't think that's a problem. I think one of the potential strengths, i'm trying to weigh the arguments of this council, I it this water bills, people have heard of that. As the water commission, I had to take responsibility and accountability and work with the public on the response. My fear under your forum is that chief officer would have fired the water director as I did, and then not taken responsibility, and it's hard to mayor the mayor would have taken responsibility. I don't shy away from talking about mistakes that have been made and problems that have occurred under this form of government. I don't think you should either. I think we have to talk about in the real world what would your form accomplish versus this forum, whether or not you get to the ballot. It's even more important if you want to go to the ballot that the argument can be articulated in a way that citizens can understand. So I think it's important that you not say i'm not willing to say policies that I don't think work, say the policies you don't think work so we can talk about it.

Wong: Let me back up first. Let's talk real world. In a mayor-council chief administrative world, I find it unlikely the city council would not hold the chief administrative officer to task for that

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failure. They would probably hold the water bureau director to the fire, but i'm sure they would hold the c.a.o. to the fire as well.

Sten: What would that accomplish to the citizens?

Wong: You probably achieve the same -- you probably achieve the same result, but the question arises, would the same thing have happened or would it be -- would it -- the same thing have happened under the mayor-council-c.a.o. Form? Did the problem arise due to lack of coordination between the bureaus, did it occur because of lack of communication between the bureaus? It's not simply just the result. It's also setting up the circumstances and facilitating successes. Let me give you two examples. A few -- let me give you several examples. In this city the police, mayor -- the police, fire, and 9-1-1 bureaus all under separate commissioners. Are public utilities. Sewer, water, cable, all under different commissioners. We did interviews with bureau directors, and some of the comments we received back were, our system isn't as efficient as it would be because of the strong mayor manager form. Responsibilities lead to a lack of holistic view and amp identifies the amount of individual influence a council member can have on a specific subject. There's lack of alignment between bureaus, there's lack of a holistic strategic approach. Council should be legislative, not operational.

Sten: Those are important, and I don't want to cut you off, but the question was specific -- I was responding to an assertion that policies aren't coordinated under this form of government. And i'm just trying to get some sense of which -- what kinds of policies you see. I think there's a general sense that almost everybody agrees to and it's a much broader debate if it's factory true that sort of more solidified corporate structures have more efficiency, and broader structures like the one we have now have other strengths. And i'm not interested in the broader topic, i'm interested in sort of, it's an important topic, but what are the kinds of policies that you think -- i'm assuming you've seen some because you mentioned --

Wong: I would be careful not to kind of characterize this as a more corporate model, because clearly Portland is the only city in the -- major city in the country that doesn't use a different model. Portland is the only major city in the united states that continues to adhere to the commission form of government. Every other major city in america has moved to a strong mayor form or council-mayor form or some hybrid. So I think we should be careful not to characterize it as a corporate form because clearly it's something that other cities have adopted. Let me get to an example. Commissioner Leonard himself recognized the problem we're referring to when he proposed consolidating the building permit applications under the supervision of development services. The idea was to promote communication between the city bureaus like planning, transportation, b.e.s. Up until that point of time applicants had to navigate a half dozen bureaus in order to get permits approved. And commissioner Leonard was quoted in the paper as saying there's a lack of coordination and a lack of accountability. You have a whole lot of people responsible for a project as opposed to to one person. That's -- it's in that vein that these recommendations are made that there is -- to having a single professional manager in charge coordinating, not the person -- the person would not be policy making, the person is responsible for carrying out the policies adopted by city council, but what that professional manager does is professionally carry out those policies in a coordinated fashion.

Sten: So the policy that wasn't coordinated would be.

Wong: There were different cultures within the various bureaus, they had competing interests and they weren't necessarily working to the same goal for the stitches. -- constituents. There was an inconsistent culture. And this alignment was intended to bring everyone together and coordinate the efforts of all the bureaus under a single process.

Sten: I think this is the beginning of a debate that needs to be discussed out there. I guess my sense is having worked in the system for quite some time, is that it's interesting that you point out commissioner Leonard's success as the commission of b.e.s. And improving the system as a

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weakness in this form of government, because what i've seen is I can't say for sure whether or not we have way worse coordination than other place because I haven't been there day-to-day, I don't think the committee actually argued any one city or any other city was better. You just had a sense that this other form would be more coordinated. So I think it's that way. It's a hard to prove proposition, and i've accepted that argument from you guys. But I think what the strength of our system often is is that by having a commissioner in charge of what I would call political second-tier bureaus, things that in most big cities mayors don't spend their time on, is that you have a certain political push teamed up with some management push when things like a permit system aren't working, so it's hard for me to take the argument that commissioner Leonard's success, which I think is unargued in this community, in getting the permit system working better the last three years is an argument against having a commissioner in charge of permits.

Wong: Let me go back to something you said. I think you and I are in agreement about let's call rankings of cities. We came across much evidence about where Portland lays relative to comparable cities. There's empirical evidence out there, articles showing that Portland is not on top with regard to delivery of city services. In terms of efficiency of delivery of city services, Portland ranks 37th out of the large cities. The milken institute report from last year regarding top cities ability to create and retain quality jobs for its citizens Portland ranked somewhere around 95 out of 200. You hit the nail on the head. The proposition -- are we better than the rest, it's -- that's the wrong way to ask the question, because it depends how you ask the question. It depends on what you're looking for. So ultimately the question that the charter review commission has asked itself, is there a better way. Are we reaching our potential as a city? Can we do better? Can we make changes now that will make it easier for us in the future? And again, that kind of goes with the Portland -- that's in alignment with the Portland tradition of trying to plan smart for our collective future. This is, after all, supposedly the city that works. We just don't want us working harder than we need to in the future to reach the same point.

Sten: I guess chair wong, this is is a great point. It is a difficult, I guess -- I think most objective people would say, and i'm very proud of this work, so i'm going to say it, that Portland is run better and has -- performs better than most cities in the country. We were recently ranked the most sustainable city in the country. We constantly get best bicycling, best walking, we're ranked kid friendly. So I do think we're better run than other cities. Is that not your viewpoint?

Wong: Not at all. But i'm saying it depends on what you're looking at. Clearly we have an aging infrastructure. Are we plan can properly for that? Are we prioritizing these issues properly as a city? That's a discussion we need to have. The merits of the mayor-council-chief administrative officer forum is that it allows the city council to take a more holistic view of the city and prioritize as needed. To look at the city as a whole and figure out what needs to be done, we have a limited pot of resources, let's figure out what needs to be fixed first, or how do we -- what's the best way -- basically do long-term strategic planning. I know have you a concern regarding issues that perhaps would not in some other cities gain the headlines. I know have you special concern about housing in particular. Nothing in the mayor-council-chief administrative officer form of government prevents a city council member from championing a cause that he or she is passionate about. Absolutely nothing. If he or she wants to push legislation or become actively involved or push the chief executive to do something, the city council members still has the ability to do that. All we've done in our recommended form is take away the role of the responsibilities and the burden of day-to-day administration of the city bureaus, and put that under the supervision of a single professional manager who is accountable to the mayor of the city. After appointment and confirmation by the city council.

Sten: I guess i'll stop here, but I want to make -- I do see this as a more consolidated corporate form. Because I think corporations stress efficiency. So I don't believe that greater efficiency and greater customer service are -- come as easily in a package as your commission is arguing. But I do

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think the argument that you're relieving the commissioners of the burden of actually being working on issues is -- deserves some comment from commissioners, because I actually believe that my read of history is that key things like, say, streetcars come from commissioner Blumenauer and commissioner Hales and commissioner Adams having what is a unique mix of ability to work the political system as well as have some say in the management arena. And there's direct accountability on issues to that elected official from the citizens. So that's I think -- I think there's not -- the idea there's a burden there is presumptuous of the commission to say. Because I've never met a city commissioner who thinks it's a burden to take on these issues. I think it's an honor, and I've never met a legislative city commissioner from another city, and I've met hundreds if not thousands who really believe that from a strictly legislative position you can champion homelessness in the way that I have the privilege to do in this city. So I don't get both.

Wong: Ok. I think we -- that's just a fundamental disagreement between the charter review commission and your views. This is why we want to have the larger debate with our fellow citizens. There are -- it's a weighing pros and cons. It's a balance can act. Ultimately it should be up to the citizens of the city to decide which form of government they want to document for the future. But I just -- I want to go back and emphasize, I don't -- I think it would be dangerous to say, in fact I know it would be dangerous to say or to ascertain that the members of this charter review commission intended the recommended form of government to be corporate, or pro business. We're attempting to enhance accountability. That's not at all pro business. We're trying to sand citizen legislative oversight.

Sten: Corporate and pro business in the way I use corporate is synonymous. I was using it in terms of a structure that values efficiency over other ends. And in the corporate structure efficiency is the number one goal. And efficiency is important, but it's one of government's goals.

Wong: Even with that I would have to disagree with. We identified six core values. We -- none was more important than the other. We sought solutions that promoted all six of those core values. And so while the mayor-council-c.a.o. form may be more efficient, we also feel that it enhances accessibility, fairness, responsiveness, all the core values we identified. I guess that's just a fundamental difference between the charter review commission and your conclusion, but we welcome these types of discussions because they're so fundamental to the way -- these are such fundamental issues to the city, it's important that we have these discussions on a broader context so the citizens can decide for themselves.

Sten: I --

Potter: Commissioner Sten, could we see if there are other questions from other economics? We also have a number of people wanting to testify.

Sten: Sure. I assume people have as much time as it takes on this council to get through. With all due respect, I got this report yesterday. It's stamped into my office January 18. I got a preview and there's a pretty aggressive push being said that the honorable thing for me to do is put this on the ballot. We've got to explore these issues a little more. The fact you met for thousands of hours doesn't mean we ought to have is a one-hour hearing.

Wong: I'd like to point out I believe that did you receive a copy of the exact report last week. What have you in bound volume is no different than what you received last week. Actually I believe when we met with you last week we alerted you to that fact.

Sten: Let's say I got everything -- I got this copy yesterday.

Wong: Which exactly what you received last week.

Sten: It's been a week. My point remains the same. It's actually amplified, that it's not -- it doesn't work to say we've met for thousands of hours, put this on the ballot and let's keep this thing moving.

We need to talk about these pieces. So this will be my last question, mayor. I've had some pushback, which I hadn't thought about, you guys should take this out for public comment before you take it to a vote. Before you ask to us take it to a vote. If I had -- no matter how much time I

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spent on it, if I had come before this council and said, here's a proposal I want to take to the ballot, we're not going to have any public hearings on it, as a finalized proposal, we're not going to take any public testimony on whether or not we've missed some ideas and made things better, I would be drowned out of the room. I'm curious to the notion that this -- think what's being presented to me f.

This is all the public input you need that wasn't invited testimony. Typically you'd expect a commission to have hearings. To go out and then take what they heard at the hearings and see if they couldn't improve their own work. And it appears that the process was taken, put in, debated fully among a diverse group who are very smart, all of you included, and then sent it out. And it seems to be missing a public process step from what would I typically expect. I'm curious what you think about that.

Wong: I think the public process step was you convened a diverse citizens commission that allowed different voices to come to the table. During our process we met with various groups to get some input, all of our processes, all of our meetings were open to the public, were televised we reached a set of preliminary recommendations we engaged in aggressive public outreach to solicit comment to see if we, as you said, missed anything, to see if it could be improved. And at the end of that period, we determined that the recommendations we came up with should in fact be our final recommendations. Now --

Sten: They've only been out there for a week.

Wong: I think that actually our recommendations have been out there for several months. Again, we engaged in an aggressive public outreach. Before we met with you we did meet with -- and those organizations are listed in the report. We met with many neighborhood organizations and other stakeholder groups to try to get input before finalizing our recommendations.

Sten: I'm just asking the question, i'm confident based on the emails and other comments getting -- it's going to be a theme you're going to hear, not from me, but others who say I might very well support this, but i'd like to sometime to have some input. What you're pushing now is a yes-no vote on something that people would like to have more input on.

Potter: We'll be coming back on february 7 to discuss and have public testimony on each of these amendments two weeks from yesterday. So we will be coming back on february 7.

Wong: We're certainly not looking for a yes-no vote today.

Sten: I'm talking about making modifications. It would appear the way the process was set up, and I want to ask this explicitly, that the commission is essentially deferring to the council to make whatever changes we like once the public makes input. Otherwise, there is no chance for the public to input and have any changes. Unless you're deferring to us, the hearing on february 7 is not meaningful.

Wong: No, the position of the charter review commission is that the set of recommendations that you received are the charter review commission's recommendations. You're certainly free to add or modify, that's within your power, but the recommendations stand as the charter review commission's recommendation.

Sten: I get what's in our power. What's concerning me is that by not giving the public a chance to take a final report, and that's -- realistically it may have been floating around for a while, but when people -- reports get published and accepted by the council, media starts to write, people start paying attention. You're now putting us in the position if the public comes in and testifies and we agree, then you don't have any chance to respond. I just think there's a step missing.

Potter: They had many meetings where they were -- they televised, and they were public meetings so the public could come in and talk to these issues. So the public has had a lot of input into the recommendations that the commission finally came up with. I think that the value of this discussion bears out the need that we do have to discuss this. One of the issues is putting a specific proposal out, and then spending four months prior to an election discussing it with the community. I think

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will clearly have the community aligned around the different issues, the four separate areas, in a way that will allow the public to make the decision in -- for the primary election.

Sten: Ok. I appreciate your patience, mayor. Chair wong, thanks again for your service, and thanks to the commission. I hope you don't take any of my comments with disrespect. I think you've done great work, and it's how the process goes.

Leonard: If I could follow up. I appreciated the exchange with you and commissioner Sten, not only today, but when we had the opportunity to -- a happenstance that we were able to meet with you and your colleagues in my office. It was really I felt more like a spectator as people better understand today after hearing commissioner Sten and a spectator of what I consider to be a really marvelous exchange. I enjoyed it very much. I too appreciate very much not only your work, david, but the -- you've earned this place of honor, and it means a lot to me. I did have some things I was going to ask, but I would like to follow up on this last exchange commissioner Sten and you had on kind of the process and the time line and whatnot. I guess I -- this is less of a question than of a concern, and I raised it with you when we met. Given I think it was last june that you all came in and made the report you did to council, I think by most independent observers assessment of that meeting, the concerns raised by a majority of the council were clear. And they don't seem to have changed. The positions and the places that the charter review commission was back in june and the concerns the council are raising today are the same as we raised in june, neither of those sides have changed. In my view. Substantially. So the concern I have about the argument that you make that you have been meeting a long time, and you have, and that you have taken a lot of testimony, and you have, and I have been among those that have testified, is it doesn't seemed to have made much difference in what you ended up with. And certainly there is the value of hearings, but there's also a value of hearing what's being said. And the majority of the council as I told you in our meeting, clearly was concerned about some of where were you going last june, it doesn't seem to have made a final difference in your recommendation. So i'm concerned that, and I guess i'm echoing commissioner Sten, that there hasn't been enough earnest exchange with the public on this topic, and on your recommendations given that even a majority of this council had concerns, and it didn't get reflect the in your report. I'm thinking that that probably wouldn't have been different with those that may have disagreed where you were heading during the development of the report.

Wong: After the june 2006 work session, the charter review commission essentially started from square one. We restarted a lot of our analysis and paying special attention to the issues that each of you raised during the work session. We were asked to find empirical evidence of other cities that used this mayor-council-c.o.a. Structure, and it's in the written report. We were asked to find a structure with checks and balances to avoid an imperial mayor. We believe that we found one. We were asked to consider giving city council budget authority over the p.d.c. We engaged in that analysis, examined existing state law, talked with outside legal experts, and came to a conclusion with regard to the extent that city council can exercise budget authority over the p.d.c. You asked us to show how the recommended form is efficient and fair. We believe that we've done that, and our explanation is contained in our written report. You asked us to show how the recommendations address fundamental concerns of economic security, equality -- the quality of urban life, affordability. We believe that we've done that. In the mayor-council-chief administrative officer form, city council takes a holistic view of the city, adopts unified policies that address priorities rather than tackling them on a bureau by bureau basis. So commissioner, i'd have to disagree with you, I think that we have made -- we've gone back and looked at our various recommendations. We restarted the analysis and perhaps you're right, at the end of the day after that second analysis, it may look a lot like what we came to you with on a preliminary basis back in june. But it does not mean that we didn't undergo a separate independent thorough analysis in the second half of the year.

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Leonard: I'm sorry, you just said that you listed other cities in the report that you used as models for your recommendations. Can you point me to that?

Wong: Sure. We didn't list the cities themselves, but in the written materials that are cited on page 23, some of those reference articles have empirical listings of cities and their forms of government.

Leonard: I don't want to misstate what you said, but it seemed rather clear you were -- that's been a major issue for me and others, do you have a city that you can point to that you used as a model? I thought I heard you say that one of the criticisms that you heard at the June meeting with us is point to cities that use this model that you're recommending successfully, and I thought I just heard you say that you did.

Wong: No. I did not say that we should point to cities that use this model successfully. In again, that's getting to the wrong question. The question that was posed is, is there peer call evidence that shows whether other cities are using this form of government. Successfully or not is a subjective issue --

Leonard: You say the answer to that is yes? There are successful models that empirically have demonstrated to the commission that they use this form of government, that you're recommending successfully?

Wong: No, I'm saying that's the wrong question to be asking. Clearly we can have a debate, and I'm sure there could be hundreds -- hundreds of articles of out there --

Leonard: I'm just, as a matter of fact, asking, do you have the name of a city or a couple cities that you can point me to and those that are observing this conversation that you think of as models of the kind of government that you're proposing that we change to?

Wong: I can certainly point to ones that use a mayor-council-chief administrative officer.

Leonard: That's not my question.

Wong: And the point I'm trying to make to you, commissioner, is that there are different ways of measuring a city's success. There are so many different things that you can measure. Are we talking about efficiency of delivery of city services, are we talking about sustainability, are we talking about housing, are we talking about livability, are we talking about quality jobs? These are all different metrics. And there are so many studies that show Portland on top, Portland on the bottom, Portland in the middle. So it does not make sense to look at those studies. Instead we should be looking at ourselves in the mirror, being introspective and asking ourselves, can we do better? Have we reached our potential? That's the question this charter review commission has asked itself. Because we can sit here all day long and debate whether Portland is better than the rest. Are we better than Denver, Austin, San Francisco? Are we better than all the other cities that use strong mayor-council c.a.o. form?

Leonard: You're missing my point. I'm not trying to get into that. I'm not trying to argue the merits of one form over the other. I'm simply asking, because I thought I heard you say that in the report you had pointed to cities, so I'm just simply saying, for my own edification, is there some place that I can look to whether it's Seattle, or San Francisco, that has a model that you found attractive? And I'm not trying to ask you in an adversarial way, I'm just curious. Much as in, when I buy a car, a new car, certainly the sales pitch that I get to buy a car characterizes the vehicle one way, but I certainly want to drive it and read reviews of that before I buy it.

Wong: And I think in the materials that we've cited in our written report, if you read those you'll see a listing of cities and the different forms they use. You can compare that I think to the best of lists, or other rankings of cities in different areas. That might be one way to get that information.

Leonard: I misunderstood your comment, then. That's fine. I did think that it's important to, since you quoted me, to make sure that you understood the quote with respect, and you quoted me accurately, thank you, that -- I'm not always used to that, by the way. I very much appreciated the accuracy of your quote. But I think it actually made kind of makes my point about the concern I

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have with the form of government you raised. I did point that out publicly. There was a public discussion. The reason it didn't move forward was the absolute internal resistance, including those in charge of the bureaus up to and including the -- what would be cash raised as the current c.a.o. to make such a move. There was such a bureaucratic fight to make that. While it sounds easy on paper to say if you had a unified chain of command that would have changed, that's not the way organizations work. We did have a vigorous discussion on the topic of merging planning and b.d.s., and the peter sorensen mitting functions of those bureaus into one bureau. But I can tell you the discussion only happened because an elected official wanted it to happen. And out of that we did come up with deficiencies, and we did make the system better out of that. So I actually appreciate your observation of that, because what didn't get as much attention is the changes that occurred after that to make those things happen that I don't think would have happened necessarily otherwise.

But again, we spent a lot of time discussing it, though I agree with commissioner Sten that this is a topic that warrants more discussion than what appears to be planned, and I would hope would you agree with that. I do -- I also agree with commissioner Sten that -- you talked about the Portland way, which there is a Portland way. You're absolutely right. I was born and raised in Portland. And sometimes I thought when I first got elected to council I was doing what the Portland way was.

And I learned the hard way that I wasn't. And part of that means that on a conversation like this, what i've learned from my first couple of years on the council is sometimes it's more efficient to take more time than it is to try to move quicker. And i'm sensing that's what's going on with this initiative. Notwithstanding the substantive problems I have with it, but there is definitely a process problem, and i'm alerting you of that. And others, that this time frame now is I will tell you untenable. That there are people in the community that want to and have the right to have broader discussion about your recommendations, because they are good recommendations, and they're worthy of discussion. They shouldn't -- you shouldn't think that's a criticism at all. It actually I think what you're recommending warrants this broader discussion. Because as you pointed out, at one point in your testimony, the vast, and I tried to write this down exactly as you said it so I could return the favor, vast -- the vast majority of Portlanders do not know about the c.r.c.

recommendations. I agree with you. And I think that's the point, is they don't. And i'll also tell you from my experience, campaigns is not how you get information out. Campaigns unfortunately -- normally we -- thus of our ilk are not -- I mean of the Portland ilk, on different positions on this topic. Normally we're very clear in our arguments about a bill sizemore initiative or something of that import that the argument that's are going for a pro measure 47 or promeasure 5, or a measure to require parental notification or anything like that, those aren't good public debates necessarily. They're fueled by the messages by moneyed interests. So I would take issue that a campaign itself is a good way to get out information. I don't agree with that. Finally, I don't want to take any more time, because I know others have questions, I would say on this issue of the obligation of the council to refer your recommendations to the voters, I certainly didn't understand when I voted for the commission, and I did, that I was implicitly or overtly agreeing that whatever the recommendations were would go on the ballot in any form. I voted for many, many commissions in my tenure in public service, and would I never vote for a commission understanding I was obligating myself to that. I think I do have a responsibility to view everything that comes through council and make a judgment on it based on its merits. And not defer to the voters. And having said that, I look forward to further discussion because I think a lot of what you've done here is really, really good, and I do appreciate it. Thank you.

Saltzman: I have no questions, but I do feel compelled to enter this discussion here. We could have all the additional process -- I want to thank you all for spending 14 months countless hours looking at what are arcane, unsexy issues, but they're important, as you characterize. They're important to the future of the city. And I could think of no better way to engage the public than in the context of a campaign. You can go out and have all the more hearings in the world and you'll

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see the same people show up, they'll say the same thing. They may get 15 at one meeting, maybe that's an increase from 10 in the previous. But you're not going to cat lies public interest in this, or media interest. I notice the lack of t.v.'s here compared to say when we're doing something like banning smoking in pioneer square. We dock those and we can get a lot of public coverage really quickly. This will not do that. Under any circumstance. The only way is to have a campaign where in the end the voters know that may whatever, may 16, whatever, they're going to have to fill out that ballot. And they're going to have to listen and get engaged, and the media will catch up. Nothing drives decision-making like a good deadline. And nothing like a good deadline exists than a ballot measure. So I really disagree with the idea of taking this out for more comment. Simply lose momentum, it will lose interest, it's time I think for us -- we may reasonably disagree on the merits of the measures, but I do believe we have an obligation to submit this to the public and let the true public debate occur.

Dozono: At the risk of overstepping my honorary advisory committee role, listening patiently to some of the comments, the 11 signers of the advisory committee has agreed that the committee has done a wonderful work and even though we may not be unanimous in -- [phone ringing]

Adams: It's never rang.

*****: Mayor clerk clark.

Adams: Sorry about that.

*****: Thank you, so sam.

Dozono: The honorary advisory committee has agreed unanimously there should be taken to the voters. Haven't been on the last chasm pain to change the form of government, I was here testifying on behalf of the initiative that was defeated by the voters that voters did look at our proposal and decided it was not good enough for the voters. This has gone through a different process because you have asked a group of citizens to go through an extensive period of time with public testimony over 16, 14, 15 months and you do -- you also have the advantage much two mayors, one governor, and another fellow commissioner that served many years in this chamber have looked at the recommendation by the citizen committee and not something that may be majority three out of five are as intelligent as you might be, because three out of five people disagreed june of 06 doesn't mean another group of citizens, just as committed to the city could not come back with a similar recommendation, doesn't mean the dismissed your opinions simply accepted your opinions and came to a different conclusion.

Adams: I'll have questions later.

Potter: I'd like to thank the full commission and the honorary commission for the hard work. We're going to have public testimony at this point. We have a sign-up sheet.

*****: This is is a case of age before beauty.

Potter: Please state your name for the record. You each have three minutes.

Irwin Mandel: Irwin mandel. Unfortunately we will not be able to attend the meeting on february 7. Although maybe some who might say fortunately we won't be able to. I have a question for mr. Wong. I'm retired psychologist and among the activities i've been engaged in is teaching. And part of the teaching has been drawing up measurement scales for essentially subjective evaluations. It's a doozy. It's very hard to do. Mr. Wong has said you can't measure success, and yet he wants Portland to take a look at itself and see if it can't do better. Well, if you can't measure success, how do you measure doing better? I have a little problem with that. We get to the text of what I wanted to say. On page 5 of the report, the commission states that there are three fundamental concepts that permeate their recommendations. The third of these permeating concepts demands that all recommendations go directly to the ballot usurping the right of our elected city council to decide whether or not they should be placed on the ballot. The commission has ignored the fact that they were charged to provide recommendations only to the council. That's a bit of human -- uberis. Do not advocate your responsibility and power to a value -- to evaluate all proposals that come before

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you. You are our elected government, and you decide whether or not these recommendations go to the ballot. Not an advisory commission. As to the supposed need for a change in our form of government, let me remind you that it was only five years ago that we citizens at the ballot box overwhelmingly rejected a change in the form of government. As yogi berra once said, it's deja vu all over again.

Lili Mandel: Hi. Lili mandel. This report will obviously allow the next mayor of Portland at his inauguration like napoleon, to crown him or herself. What is very dangerous is that today commissioners are trying to pull the wool over our eyes by insisting that all their recommendations go directly to the ballot and ignore our elect the city councillors. All under the guise of so-called democracy. Don't buy it. We will be robbed much our ability to directly influence how our elected officials serve us, except of course for the lords of the manor who will have back door access to the imperial mayor. Now, listen to chair wong's reason for the change in the form of government. I read this in the newspaper. He says it is not broken, but in order to succeed in the future, we must change really as he been gazing into a fortune teller's crystal ball? He admits it is not broken now, then why change it now? This reminds me of the title of a popular play that has been running here in Portland, originated in broadway, I love you, you're perfect, now change. This report is, quote, a city government for Portland's future, but they want to review the charter every six years by a charter commission whose recommendations automatically go to the ballot ignoring our elected officials. However, the first review by a charter commission must occur no later than two years after the effective date of the report. The future doesn't seem to be more than two years away. Does this mean that every six years we might have another form of government? They aren't very clairvoyant, are they? This report should not be accepted. It is not an improvement for governing the city. A lot of sound and fury only signifying more power to the emperor mayor. Thank you.

Richard Beetle: Richard beetle, business manager of laborers local 483. I want to thank the mayor and the council for allowing me to testify today. Local 483 opposes this charter review committee's recommendations we think this is a solution in search of a problem. The current form of government is not broken. And there's no compelling reason from the community to change it. The current configuration is more democratic than a strong mayor approach. And it -- the configuration allows for greater public involvement, oversight of political decisions, and broader accountability. Stronger mayor model unduly consolidates executive power. In one office it transforms the authority to an unelected official who is at will of the mayor. We don't feel this serves interest of the public. We think this change has intended and unintended consequences. One of the unintended consequence is losing of the 860 rule limit that's in the charter today for the seasonal maintenance workers. We think this 860 hour limit was put in there for a reason. It was a purpose for it. Because it reflected the culture and it reflected the value of the city of Portland. They hold the values of full-time employment, employment with living wages, just cause protections, health care, and full benefits of their employees very dearly. And they didn't want to submit their employees to the pressures that are continuously put in front of them as we come into budget crisis and shortfalls in our financial fate. Caused by the cycling of the budget process. And so to keep that from happening and to preserve our culture, we put the 860-hour limit in our charter. We're losing that. We're opening the door to a new value system and I don't like it. Also, I agree with randy Leonard, when he says that the budget -- the election process is not a good open debate on this issue. Because are we going to wage a major education campaign? This is a very critical issue for our public to address, for our electorate to address. And for them to not have a full education cam page waged so we can educate them on the pitfalls, on some of the unintended consequences, and on what they're losing with this -- with these changes or what they're due to gain with these changes would be fraud. We would be opening that education campaign to the corporations and the right wing media who have the money to wage that kind of campaign for their own purpose and their own reasons. I would ask the council to make this decision very carefully of what they bring

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in front of the ballot. We went through this process with ballot measure five, ballot measure 47, ballot measure eight, 92, 98, with bill sizemore. We understand how they can mislead the public and how expensive and time consuming these kind of campaigns can be. Thank you.

Potter: Thank you folks.

Potter: Please state your name for the record. You each have three minutes.

Corinne Paulson: My name is corinne paulson and i'm here to speak for the league of women voters in Portland and i'm not speaking to the merits pro or con of the issue. But I am speaking to the timing of placing it on the ballot if you should decide to. The league is devote add great deal of thought to the merits of the may vote on the charter review commission's recommendations. A decision on how we govern our city deserves careful consideration by an informed and engaged electorate. This cannot be accomplished on such a short time frame or in a 2007 off-year election. The league believes more time is needed to make this critical decision, the charter review commission proposals are a good starting point for an inclusive citywide decision-making process. Beginning with a form of government question, we recommend council develop a plan to educate the public, solicit its opinions, and recommendations on Portland's form of government. The process should include community meetings in addition to charter review commission and city council hearings. Besides the mayor-council chief administrative officer form, retaining our current commission form and adoption of alternative models should be considered. Once the form of government issue is settled, the city can begin to consider the other charter changes. A vote on the form of government would ideally take place in may or november of 2008. At that time we can expect a high degree of voter interest and participation as an add advantage candidates running for city office will make this issue part of their campaign and contribute to voter understanding by raising this visibility. The league commends and thanks the charter review commission for its hard work, and city council for the opportunity to share our recommendations with you. [cell phone ringing] once again we urge to -- to participate in this important decision. We've had this form for 90, 92 years, so I think a little time to really consider it is important. Thank you.

Dan Booker: Good afternoon, dan booker. I've been one of the few people I think that's probably watched nearly all of the meetings of the charter commission on t.v. I don't have much of a life. [laughter] i'm kidding. It was very good. And I really believe that it was -- it should be must-viewing for every social studies class around. The debate was lively and some of it I found myself yelling at my television set. But that's ok. I believe that this should go to a vote. I believe that this is -- has been said that commissioners do not like to stick their nose into other commissioners' bureaus. I firmly believe that if this was in place when the tram was going on, there would not have the problems of the tram. There would have been oversight, better oversight, there would be more community enlightenment as to who is responsible for the financial difficulties. Who would be -- who is accountable and I believe that we as a people have the right to vote on certain things. It's about democracy and it's about -- commissioners being elected by district. I also believe. Because if I want to pick up a phone and talk to a commission, which I do from time to time, and express my concern, the last thing I want to do is talk to a staff person. I didn't elect a staff person. I elected a commissioner or a mayor. And I believe that me being kind of a middle income sort of guy doesn't get the same kind of access that, say, someone who's making minimum wage would -- because commissioner Leonard and I have been friends for 30 years. And I believe the only reason I have that access is because of our friendship. But if somebody is maybing a buck and a half an hour gets that same access, I don't think so. To someone -- so I think it's very important that these people deserve an up or down vote. Thank for your time.

Chris Smith: Good afternoon, chris smith. I would really like to thank and respect the commission for the effort they've put into this. I know what long-term citizen involvement processes like this look like, and I just have tremendous respect for what they've done. So absolutely meaning no respect when I say i'm here to urge you not to refer this form of government

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in question. I believe that it has a number of advantages, including the fact elected officials are accessible and accountable to head of bureaus, that we do have five heads of state if you want to use that phrase, who are each advancing the public policy agenda and as a result we have a public policy agenda that is broader and faster moving than I think many other places. And more -- and which citizens can be more engaged. I think it's not a coincidence we have the commission form and that Portland is one of the highest places of citizen engagement in the country. Those two are very much related. So we're going to replace the commission form, I would want us to look very hard at how we would incorporate those specific advantages in a new system, and I don't see that in this proposal. That's why I hope you will not refer it. To some of the comments that have been made here, if the commission is formed and -- I don't know what other city we would like to. I don't want Portland to be anything other than Portland. So we may certainly find ways time prove ourselves, I don't think that starts by picking another system off a list of -- a checklist of forms of government. I think it will have to be something uniquely created for Portland. As to the issue of having a chief administrative officer, I have spent my career in corporate america, more than 20 years. I now work for a fortune 500 company. We only have one c.e.o. that does not prevent us from having problems of coordination and cultural conflict within our company. Having one achieve executive does not solve that problem. As to the question of how this gets to the ballot, of course citizens ultimately have to be deciders of the form of government. But I think the ballot measures as a form of direct democracy are a tricky thing. The best democracy happens in the -- in a deliberative process. That's why this is a legislative body, why we have the state legislature. Citizens only get to vote yes or no. So I think it's really up to you to be the deliberative part of this debate and to make sure that we get the best question posed to the citizens that we can so I hope you will take the time to look at this and shape it into the best proposal you think it can be if you think it's time to advance the form of government question. And finally I would agree with my colleagues from the league of women voters. An off-year primary, if the goal is to get this in front of citizens, an off-year prime I have not the best time to do that. Thank you.

Robert Wheaton: My name is Robert wheaton. I work for laborers local 483 representing the low wage seasonal employees at the City of Portland. My issue is kind of small compared to the big items that are on this charter review commission's report. I'm looking at one portion of the civil service review and I've been asked to speak on that. It's the removal of the definition of the 5-month seasonal employee. You'll hear people refer to this five month and 860 hour limitation interchangeably. Basically that's because the city has defined five months to be 860 hours and can spread that 860 hours throughout the calendar years thus making them no longer seasonal employees and more of a part-time, temporary sort of employee with no real status with the city. It's something they've used to now expand the use of these seasonal workers throughout the entire year, and expand their duties. Ironically the seasonal maintenance worker which we represent with a contract now has a broader and more duties assigned to it than the full-time permanent maintenance worker. In addition in parks and recreation there's a seasonal parks and recreation leader that has no job description. After they reach their 860 hours, they are transferred or they are rehired by a temporary agency known as brooks temporary agency, and continue employment doing the same job, but through a different employer. My point is that with this restriction, it creates a lot of problems for city managers to go ahead and work around it. So they have lobbied to have when restriction removed and it became part of the council's recommendations as one of those outdated, outdated portions of the charter. In fact, idle not even really mentioned. It's mentioned in the after notes, boy the way, we have to increase benefits and hiring practices for the temps but it is deferred to do h.r. Department like this is something they should have jurisdiction over. Given the fact that this limitation exists currently and all these ways they have kind of moved around the restriction, I just fail to see how lifting that restriction is going to, is going to eliminate that process or return to

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something I believe the voters really reapproved, that is full-time employment or part-time permanent employment at a minimum. Thanks.

Potter: Thank you.

Sharon Neilson: Hello. I'm Sharon Neilson and I am here representing the small business advisory council. And we are here to support the referring these recommendations to the voters. We have not had nor taken the opportunity to discuss the recommend active merits of each of the recommendations. But we, as a citizens committee that spends a lot of time volunteering our time and making very thoughtful recommendations, honor and support the work of the commission. The commission and the council invited the commission to be formed to review the charter. Reviewing the charter meant that there would be recommendations. Charters don't get changed unless they go to the voters. So when you convene a citizens committee and you ask them to review and support -- and really delve into the recommendations I don't necessarily say you have to agree with them but this is the core of a Portland principle which is public involvement. And you took great pains to give this commission broad-based support and representation. I urge you, if, in fact, there is modifications to be made to their particular recommendations that you send it back to that commission and that commission then sends it back to you but ultimately, this full debate that started here today does need to be taken to the public. It does need to be taken to the voters and to not do that is to suggest that we don't trust our fellow citizens to vote for what is best. Not certainly everything I agree with but to vote what is best for the city that they live in. And I want to -- and that is the recommendations of the small business advisory council at this time. Thank you.

Amanda Fritz: Amanda Fritz speaking only for my sell. I think Portland is great and I think its government works well. No other commission in Portland expects city council to adopt their recommendations verbatim. If you refer this this may's ballot my input as a citizen will be limited to voting yes or no. Charter review commission has done good work, probably 90% of it needs no changes. The question is, which 90%? This proposal was published less than two weeks ago. And although draft proposals were published before, many of us waited until the final proposal was out because draft proposals change. And there are other things we spend our time on. Citizens have had no opportunity to meet, discuss, and give feedback on the final proposal. This document isn't even presented in strike through and underlining to show changes from current law. It's almost as if the goal is to make it difficult as possible for citizens to review and comment on the substance of the proposal. In February, please make the hearing an evening hearing so that people don't have to take time off work to attend. Please don't send these proposals to the ballot in May. Last May fewer than 35% of Portlanders voted and that was with candidates adding interest on the ballot. If you send out the changes this May, probably fewer than four out of ten citizens will vote on what is fundamentally a huge change to our city's constitution. With such a short time line corporate interests will fund the so-called public education campaign. The timing is wrong, too, because Vision PDX and Community Connect have not yet concluded. Why are these charter changes proceeding the outcome of those important public input processes? Let me give you one example of why it's a good idea to have fresh eyes on the final proposal at this point. If you would turn to page 34 of the proposal, item 50 of the current list of what is city's -- city council's purview includes to prevent the sale, circulation, display and disposition of obscene matter including books, papers, prints, pictures, films and other material. So if you want to have this proposal be a discussion of the constitutionality of freedom of expression, then send out the commission's proposal verbatim. I would suggest there are some minor changes that should be made. For instance, Mayor Potter there's nothing in this list of the purview of the city council about supporting schools. I would like to see something in the charter that it is the city council's responsibility to provide support to our four school districts. So I will save my proposed I-I have a lot of detailed comments on the specific proposals which I guess is going to have to go until February. But -- and I have some other examples like the one I just gave you of why there are some really specific problems in all four of

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these proposals that you should not put it to the ballot immediately. But what a good public process would be would be if you were to thank the charter review commission for their work and their lots of work and accept it is a proposal. Sending out all four proposals to neighborhood associations, business associations, unions and other city employees, and other groups on the community connect project list, assign city staff and volunteers to explain the recommendations to the citizens, convene town hall meetings which you do very well, and have council work sessions to discuss this proposal. Then as the charter review commission to hold public hearings in the fall to revise the proposal, have another hearing before city council, and then send the strong mayor proposal to the voters first and alone. Because that, the decision on that really determines what you need in the charter review -- commission, what you are going to need in civil service, everything hangs on that one decision and it should be made first. And that would be my recommendation for what a good public process would look like from now on.

Leonard: Is there any place, amanda, people could go to read your thoughts? [laughter]

Fritz: Thank you for asking that, commissioner Leonard. I happen to have started a blog which is amandafritz.com and there will be a write up about this tonight I am.

Leonard: I am sure.

Moore: Our next three are ken turner, teresa teeter and mary ann schwab and the last is bernie bottomley.

Adams: How many more?

Potter: Thanks for being here, folks. When you speak, please take the state your name for the record. You each have three minutes.

Ken Turner: Good afternoon, mayor and commissioners. It's a pleasure to be here. The debate that we witnessed and heard a little while ago I think is just an example of this fine country that we live in, this fine city that we live in and why this, these issues that the commission has brought forward should go to the public. To the voters. The individual Portland voters are very, very astute. They understand what is going on. And I think if you rest the decision on their shoulders, they are going to come back with the right decision. Portland is great. It's a great place to live in. Trust the voters and trust your citizens. This is a great country. Let's let the voters decide.

Teresa Teater: My name is teresa teater, downtown citizen advocate. I am just going to go through my notes really fast. Very first thing I noticed in this on page 6 was the key word elected officials. To watch for on each and every page. I'm going -- there's a city manager in billings, montana, by the way, commissioner Leonard. The plus for a city manager is he or she gets fired if all else fails under neath their tenure. If the mayor stays in charge of all departments and they run smoothly it enhances reelection bid. However, city manager position creates a larger budget need to duplicate what each one your commissioner already do. So it looks to me as if you are trying to reinvent the same wheel. That position in billings pays \$89,000 to \$101,000 a year. Whoo. And parks, fishing. Page 33, numbers under a enumerated powers, number 48 through 58 it criminalizes the homeless. It uses disparaging, hurricane ness language and dignity-robbing language and major civil rights violation on criminalizing people in wheelchairs downtown, talks about posters and signage use in parades, set rates, things like that. I see schumacher's written all over this area. Page 36 under city council, a through g already states what you already do so it sounds like they are recrowning you with what you already are doing. Page 38 talks about privilege and debate in city council and you can't debate what you have already debated at a thingy so what happens today couldn't happen again according to what it looks like on page 38. Creating oversight for each project like the tram and let the companies building the project, they should be doing that. They mention this in these things. Senator wyden held a town hall in Oregon city recently and because he is sitting in Washington and can't reach us, people, he does two and a half hour town halls. At least he comes back and reaches out. I would like to see this is mentioned by previous person, this is kind of what you would be stuck doing if you had a city manager. You would have to hold town

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halls to reach your constituency. And it says you can't have, on page 40, you can't have an elected official or appointed, can't have the position of any sort political party, may not be in any business if you are working under this. So you are going to have to go out and hire the person you have absolutely no lobbyist people getting to him or anything. So basically what I am saying you might as well leave yourselves in the position of running this city, and don't hand this over to a city manager or this charter review commission. And also there are no recommendations in this book for improving the quality of life for your citizens. It's basically a manual on what you are going to do to the people and what they are going to pay for having violated everything. Thank you.

Mary Ann Schwab: Gentlemen serving the council, thank you for your open ears and your active listening. You have heard a lot today. My name is mary ann schwab. I am talking for myself. I live in the sunnyside neighborhood. That's neighborhood that's inner city. I am the delegate for sunnyside to the southeast uplift meeting where this letter was proposed. During the meeting, I strongly suggested against supporting this. I felt we needed more time. I felt lots of frustration towards our tom Potter mayor, in that we have worked with vision pdx. I am on the community connect v.i.p. Member 8 up until december 15. There's lots of -- it's been very tumultuous december, trying to meet everyone's deadline. I am disappointed in that the work with the community connect has not been finished. Our charge was to review the different governances around the country. That work isn't even finished and already, a mayor-appoint the charter review committee, there at the pleasure at the mayor and these are these honorary members. Wow, I am not honorary anything. All the working all the hours they have done and to have this recommendation before our work is finished, it just -- there's not an impairment of respect here for all the committees doing the work. I ask that you not put this on the may issue until we have had deeper discussions. Eric Sten has brought up some great questions. Randy Leonard as well and I think we need more time for study. I am glad we are reviewing it. I was part of the burnside bridge head fiasco when we had some shenanigans going on with the r.f.p. Process and I was one of the ones yelling we need to review the charter and get control over p.d.c. They have addressed that. I was concerned with the civic service commission and the contract employees and the seasonal employees, especially those with the parks and recreation that they have just wages just as we want just wages for those working with p.d.c. Please, gentlemen, back off. Don't put in this may. Let's do some more studies at least until the vision p.d.c. -- or p.d.x. Has got their work done. Thank you.

Potter: Thank you, folks.

Moore: Our last person to sign up is bernie bottomley.

Bernie Bottomley: Bernie bottomley, I am a paid representative of the Portland business alliance. I thought I would make my maiden appearance before the city council on a noncontroversial and small issue. [laughter] I appreciate the opportunity to be here. I wanted briefly to let you note Portland business alliance government affairs committee and our board of directors have been following this issue for the last 13 or 14 months. We have had a number of presentations by the charter review committee, and as a volunteer-driven organization I just like to say that we are incredibly impressed with the amount of time and thoughtfulness that has gone into reviewing the charter. It's not the kind of light reading that, you know, you pick up and understand quickly. It has taken a tremendous amount of work and I think that organization and their chairman in particular have done a tremendous job of looking at this seriously and soberly and coming up with some valuable recommendations. Our government affairs committee and our board both had presentations, a number of presentations from the committee and engaged in some very thoughtful and point the discussions about the recommendations. We appreciated the fact that they responded in a thoughtful and thorough way and we felt that they were very responsive to the issues that we raised with them. Our board did vote to endorse the recommendations and we forwarded a letter to

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the mayor and members of the council reflecting their endorsement of the recommendations and so we hope we will move forward on it. Thank you.

Potter: Thank you. That it? Further questions from the commission?

Adams: I had some questions.

Potter: Mr. Wong, can you please come back.

Leonard: I think mr. Wong needs a raise. [laughter]

Wong: Write me a memo I can take back?

Leonard: I'm happy to.

Adams: First I want to add to the list of people thanking both you and the commission for what is very difficult task and as described I believe by the mayor accurately as can be very dry work. But very important. I have been involved in a public process with the committee on city-county consolidation seven, eight years ago, very similar to this, I feel -- I have a sense of how much work this is and I want to thank you for that. I wanted to give you a chance to answer some of the concerns and questions that have been raised. And I will just add a few more and I will try to limit it to just four or five questions. I thought it was very compelling, the statement made by Mary Ann Schwab, implicit in her concern, was that forum should follow function and that without the vision having been completed, we don't necessarily know what functions would be required of city government in the future. And yet because of sequencing, this is the form that's sort of before the function having been defined. I wanted to give you a chance to comment on that.

Wong: Sure. Let me answer that in two parts. In terms of timing of referral of these recommendations or any form of recommendations to the ballot, the charter review commission doesn't take a position on that. Clearly, one of the things we did take into account was the idea that if we are going to adopt a new form of government, that should -- that should probably take place in 2007, so that those candidates who are running in 2008 know what seats and what -- what seats they are running for. But the charter review commission itself doesn't have a formal position when recommendations should go to the ballot. We do agree that there should be some coordination between the vision p.d.x. work and that of charter review commission. We did meet with representatives of the vision p.d.x. grantees and it was interesting to note that some of them had done surveys and one of the things that came out of those surveys was that folks were looking for professional management in the city, which we found was consistent with our recommendations. So I guess that's a -- round about way of saying, yes, vision p.d.x. should be very important to I guess the form and function of city government.

Adams: How would you respond to those folks who have testified to not send it to the ballot for one reason or another, either to give more time for more processing or -- I don't know if anyone -- I guess a couple of people might have gone so far as to say, it's not broke, don't fix it. Just don't send this to the ballot. How would you respond to those?

Wong: I guess the first the finding of the charter review commission, a majority of the members, that the current system is broken for the reasons I cited at earlier today. And that we are seeing symptoms of those structural flaws, perhaps nothing catastrophic yet that anyone can cite, but we are seeing evidence of those structural flaws so the question, again, isn't whether the current system is broken. It's whether we can implement a system now that will make it easier for us in the future. In terms -- I'm sorry. I'll leave it at that.

Adams: The other question of taking more time to have a date, do you have a personal opinion on that? Not speaking for the committee. Just because you've been, you know, in the midst of this for so long.

Wong: This is me speaking personally, not as chair of the commission. I agree with commissioner Saltzman that it's unlikely these issues will be fully fleshed out in the community absent a firm deadline being put in place. Folks simply wouldn't have the motivation to take the time to delve into the details of our existing form of government and what alternatives are out there. By setting a

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firm deadline you encourage the voters of the city and trust they will make an informed, educated decision and they know there's a time certain for them to make that decision.

Adams: Final two questions are substantive. They are my own. I am on record supporting what is known, figuratively, as the bob ball initiative and part of the reason that I supported that is that I believe that government accountability is maximized when there are a separation of the judicial, legislative and executive branches. The form brought forward by the commission for us to consider putting to the ballot has 20% of the legislative branch controlled by the executive branch. That worries me. Troubles me. If we are going to go to all this effort to try to bring more accountability that comes with stronger checks and balances, with separations of the legislative and executive branch, you and I have had this conversation privately but I would like to air it out. Give me -- give me on behalf of the commission the reasons for why they chose to keep this original recommendation the way it is?

Wong: Sure. Let me start with the existing form of government. And the commission form of government, we have the legislative, check, and quasi judicial wrapped up into one body with no separate oversight body at all. In the mayor c.e.o. form we are recommending -- and I would like to point out this is not a cookie cutter solution. This is a form that we have tailored or attempted to tailor for Portland's needs. So in the form we are recommending the mayor would continue 20 sit on council, again, one of five city council members, but the mayor doesn't have a separate veto right. The question came up and we debated long and hard whether mayor should sit on council for the very reasons you raised, should we have the executive sitting on the legislative branch. At the end of the day we decided that we did want the mayor to sit on city council for the following reason. By force, the mayor to sit on city council you are forcing him or her to account publicly and regularly to the city council. The last thing we wanted was a mayor who was what -- who would be able to hide out in his or her office and send staff across the hall to communicate with city council. By forcing the mayor to sit on the council you facilitate communication between the mayor and the city council in a very public, regular forum. So that was one of the reasons why we encouraged the mayor -- and again, we have not given the mayor a separate veto right. I know you, commissioner especially, had a concern about giving the mayor too much power and we took that into consideration and decide the mayor should not have veto power.

Adams: I appreciate that and I think it's good to air that out. Couldn't that also be accomplished by requiring the city council and mayor to meet on a regular basis without giving the mayor a vote on the city council?

Wong: That's true but the counter veiling issue is the mayor in this case would be the one ultimately responsible for day to day operations of the city and I think the feeling was that the mayor should have a voice in the overall policy adopted by the city. Because he or she would have the kind of responsibility for carrying it out. Those policies out.

Adams: But there could be something, an alternative would be the, to provide the mayor a voice without providing him or her a vote?

Wong: Certainly. There are so many alternatives available. This was the alternative we settled on after careful examination and assessment.

Adams: I appreciate that. The last question was about my concern of too strong of a mayor and again you and I and some of your members have had the discussion, and I have been quoted in the paper talking about those concerns. And I wanted to give you an opportunity publicly to address them. Tell us why you don't think that what's being proposed by the commission is not too strong of a mayor, not an imperial mayor?

Wong: Sure. In our form we are recommending, we are expanding the role of council oversight in terms of legislative oversight. That's the fundamental concept, the checks and balances that's critical to our federal government and also to city governments across the country. Providing an independent legislature that oversees the action of the mayor and the c.a.o., holding the mayor and

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the c.a.o. accountable for their day to day operations, their day to day decisions on behalf of the city as a whole, on behalf of the constituents, we strip the mayor of a separate veto power. The council retains budget authority ultimately. And so we think that those types of mechanisms would provide the leverage for city council to exercise the checks and balances against the actions of the mayor and the c.a.o.

Adams: I'm sorry. Are you done?

Wong: I am.

Adams: Is it possible to get that strikeout and underlined version? That would be useful for me. I just want to close by saying you've done an excellent job here and I really appreciate your specifically your work here today. Thanks.

Wong: Thank you very much.

Potter: Other questions? This is a charter review commission report. I need a motion to accept the report.

Adams: So moved.

Saltzman: Second.

Potter: Please call the vote.

Adams: Thanks, everyone. Thanks, mr. Mayor, and your team, for bringing forward this process that we authorized and called for. I look forward to having additional discussions between now and february 7. Is that right?

Potter: Yes.

Adams: Aye.

Leonard: Again, I want to reiterate that I appreciate the work of the citizens that spent the amount of time they did discussing these issues. But whereas at one point I might have just done, stopped there and voted, I do feel, given some of what's been said here, I have to make it clear that by voting to accept the report, I don't want anybody to interpret that to mean I have obligated myself to vote to put something on the ballot. It would appear from this point on every commission I vote for I need to make that crystal clear because it's clearly been misunderstood by some to think that we obligated ourself by the creation of this commission to recommend what it is that came up, not withstanding whether we personally agreed with it or not. I think that the role of those, they are elected to positions throughout government. I am not just speaking of the Portland city council but I gave the same kind of remarks when I was in the legislature. I have a very worn copy of the federalist papers I would often take and quote from on the floor of either the senate or the house, reminding people that when the man who was known as the father of the constitution, james madison and the fourth president of the united states, authored along with alexander hamilton and john jay what are now known as the federalist papers they spoke to the issue of representative form of government and dismissed direct kinds of democracies because of the, as they characterized demagoguery that can occur when you don't have representative kind of democracy as they ended up proposing and has been adopted throughout the united states. Thus I take this responsibility carefully. And I don't for a moment try to shift my role here to the voters or anybody else. I think it's very important that I exercise my responsibility to vote on any subject based on the merits of the subject. And so I hope nobody is offended that I have taken that position. I think it's a time-honored position. I would also just conclude by just mentioning one thing that was said. That at the current system is difficult to navigate and I would agree with that. If you don't think that's true. I challenge you to pick up the blue pages and find where you go to complain about a barking dog or where you go to file a complaint about a neighbor that is too noisy. It is very difficult to figure out. And I would absolutely agree with that. But if this is a difficult system to navigate, I will tell you, in my opinion, the form of government being proposed would be impenetrable to navigate. And that I think good parts of the Portland system are that while you do bring some inefficiency, and I can one needs to concede that, you also bring a tremendous level of personalized service to

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the citizenry and I hear that a lot from all five of the people that you see sitting up here and it just happens to be us five now. That's a very consistent Portland theme, I think, that I very much value and appreciate. So again, I am voting to accept this report. Nothing more at this point. And I appreciate the good work. Aye.

Saltzman: Commissioner Leonard, a lot of times when people have questions they call my office because I am the commissioner of public affairs. [laughter]

Leonard: And appropriately so.

Saltzman: One of anachronisms of our title. I am commissioner of public affairs. Somebody is commissioner of public safety, public utilities. So I think -- the point is I think that this commission deserves a lot of credit for taking the time to really look at ways, important areas of the charter. I mean the titles we are stuck with forever aren't part of your agenda and I am willing to let that lay for now. But I think you have come on some very important recommendations. And as I said earlier, I have a hard time reconciling why this conversation can't be open to our entire electorate. Why should it only exist in the 26 members of the charter commission or the five members of this city council? And keep everybody else out of it? I can't conceive of any circumstance under which I would be doing my duty if I didn't deliver the option to voters. And I have learned. We just went throughout most boring campaign around to reform the fpd andr, and 82% of the voters resounded on an issue that is very hard to connect with. I think that the only way you are going to get people to engage and connect is not through more process, you know, 26 volunteers have given us enough of their time over the last 14 months. We need to get it before the voters and nothing will focus voters' attention and the immediate yap attention on what the substance of these changes are than an election deadline. And I think it's time for us to move ahead. Thank this committee for what they've done, all the good work, and to set them free. [laughter] the job now becomes ours and our job, I think, is to include the people who put us here in this office. Aye.

Sten: Well, chair wong and your commission, thank you again. And I actually enjoy going back and forth with you. And I can do more and I am sure we will. It's a very good discussion. And as you can imagine i'm pleased to accept this report and will be voting yes to accept it. I think that's the proper next step. And I am going to be thinking a lot about this between now and february 7 and I think I will take a couple of minutes and outline what I will be thinking about. The substance of all four recommendations. And I do intend to view all four of them separately. I do disagree with some of my colleagues and that's the beauty of having a democracy where you elect different people even in a city where there's a fair amount of political agreement. It's the details and bird's eye view that leads to different points of view. That's why I like this form of government. I think you have a scrutiny on each of the departments by somebody who is directly accountable to the voters that it is frankly lacking in most cities. I do disagree passionately with the inference Portland is not perform, other cities. I was criticized for campaigning very hard last spring of that an argument that was positive and based on our results. And I think your argument against our system, I think the burden on change is on those who want change. And I don't think you have met that burden if you read the text of your report. It's very, very light on the argument. It's a theoretical argument. It's a worthy one. You worked hard on it but I don't think you have made the case and so that leads me to the dilemma I face. I don't think all voters will get that, will get that nuance if I vote to send it out. I believe they will hear I voted to send it to them and will believe that even then I endorse it and I think the mixed message sounds much like a candidate I voted for, john kerry, saying I was for the war and now i'm against it. And so I think that in order to perform my duty it's not a simple matter and I have shared this with you and I think it's an intellectual difficult decision and I welcome feedback. I would welcome conversation. I would welcome letters. I would be very interested in talking with people who don't share this view which is why I am trying to lay it out there very clearly. I think that the way our system works now I may support. I am still thinking about it. I said at the front end I didn't think it was future together right. I may support having it

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sent out that has power to go past us but that's not what exists now and the way everything is set up I have to make an affirmative decision whether or not to send anything to the ballot and I don't ever recall a circumstance where an elected official used the power to send out something they think is a bad idea. I don't think this is a good idea you have brought forward although I respect your work so I have to got to wrestle with that and think through whether or not. And I do good or bad, biased or not, a fair amount of experience to base my opinion on the system on. I have worked in it for a long of time I have been in charge of one of the worst debacles in the city's history and in charge of some of successes and I have worked closely with mayors and commissioners throughout the years and have a great sense of where the buck stops and I don't know where it stops under your system and I don't agree with the quick argument that it will be easier to attach accountability. When you have one person overseeing all the managers and hiring firing them, I find that a situation that's very easy to avoid accountability. The c.a.o. in the system that you are proposing can hire and fire all managers at will. They will decide that is who they will cater to and get how that c.a., is more accountable to the citizens. I get that the more efficient. I don't argue with that. I think you will pay a big cost for that efficiency and I don't think the argument that it's more efficient and more accountable holds up. You are not going to convince me on this form but I am open to continue the debate whether I should refer this. I am much more supporting of referring the other pieces. I have to think about some of the comments brought up today. It was not in any way, shape, or form a way of trying to undermine whether or not you get to this ballot when I asked the public process questions. I get to vote on whether it gets to the ballot. I don't need to evade anything or get there. It's that in my experience, final proposals are improved through public debate and time. I have never seen a final proposal that didn't improve with the process and where I disagree strongly with my friend, commissioner Saltzman, even if only those 15 people show up if they were the 15 people who dig in and make positive suggestion, you might get a better ballot measure if we don't take two weeks from publication, let's give the generous time line, two weeks from publication, three weeks to referral. As soon as that referral happens there will be political action committees formed on both sides, we all the know this. I know which interest will find which side and they would start working on sound bite. The time to debate is before it goes to the ballot if you want to improve the product. And I believe through nobody's fault and through good work on everybody's part you have pushed up against an agenda that simply does not leave a lot of time for that. That really does not affect me substantively. I can make this decision and stand by it in terms of referral but I do think, I do think you will engender several no votes in this room that I think actually might be yes votes knowing what the people think because it's a yes/no proposition without those symbol lick people having a chance to improve it. I think that's a process mistake on part of the proponents of this. So I like forward to working with each of you. I am proud of this -- of this city. I just can't buy the argument that because we can pull out a ranking my bye the milking institute we are 97th on something when we are one of the only triple a rated cities in the country of this size, that is a backing by the bond community that goes right to management. Friendship pull a rating is based 100% on management abilities. Very few cities it have. We have it. We are ranked very, very well in all kinds of fronts. So the proposition that the system is broken -- only argues we would be that much further ahead of the pack if we had a different system. And it's hard to buy that. It's hard to buy that we have done better than most places despite having a bad system. It defies human experience and frankly we are not that much better than everybody else that we survive despite having one leg in handcuffs. I do, however, want to end by saying my face in Portland, my belief in this city and all that has proceeded in the very small role I have played in it and all of you have played in it as individuals is much bigger, I think whatever form of government we have Portland will be the best place in the world to live as far as I am concerned. I don't fear the vote but I will take my job which I was elected to do and to whether to refer it much more seriously than a

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polyannish referring it. Should this pass at the ballot Portland would continue to prosper as it has in the past and I thank you for your work. Aye.

Potter: I have enjoyed the discussion. Because exact this is exactly what we want, discussion in the public arena. Physical therapy charter commission had not been put together we would not be having this discussion. That's important for everybody recognize. They were thoughtful. They did engage the public. [cell phone ringing] all meetings were public and televised and they did outreach in addition to the other things. When this group formed, I realize that we were putting together a very capable group of people that would do public process, thoughtful, and come up with recommendations that should be taken to the voters so that they could make those decisions. If, on february 7, we decide to send this to the voters, there will be four months of discussion in this community. And that as been stated in some of the testimony this is not first time that a ballot measure about the form of government has gone forward. But this is the first time that the city, in over 80 years, has looked at the entire charter from top to bottom. So I think we are going to have some very good discussion on february 7. I would ask you all to come back and make your cases so that the community watching this can decide for themselves. So I want to thank particularly david wong. I thought your presentation was measured and I appreciate that. I appreciate the work of the advisory committee. I appreciate all the folks who came continue testify so I look forward to february 7 and I vote aye. [gavel pounded] we will take a five-minute break.

[Council recessed at 4:18 p.m. and reconvened at 4:28 p.m.]

Adams: Take your time, randy. We have all night. [gavel pounded]

Potter: City council will come to order. We don't have to call the roll again. Please read the -- actually, we may have too because we don't --

Moore: We are missing somebody. Adams.

Adams: Here.

Leonard: Here.

Moore: Saltzman. Sten.

Sten: Here.

Potter: Here. Please read the 3:30 time certain.

Item 64.

Potter: Commissioner Adams.

Adams: Some of you have endured the 103 power point presentations that warren and I put together and I wonder if we have made progress on this by threatening to show it again and again to as many people as we could. We are for the record because it has not been aired out publicly on the record do a truncated version of the background information research on this but we will go very fast.

Warren Jimenez, Commissioner Adams Office: I am warren jimenez and I work for commissioner sam Adams.

Adams: This is a discussion, potential changes to the city's business license fee. Sometimes we have referred to as the b.i.t. which is the acronym for the business income tax. The proposal before council consideration is to increase the owner's compensation deduction to \$80,000, to raise the gross receipts exemption to institute a progressive minimum tax based on employees, gross revenues in Portland or combination of both.

Jimenez: So what is the b.l.f.? A lot of you know the question to this with superintendent exemptions the business law requires anyone doing business within the city boundary to first obtain license and pay a fee. The estimated fee is actually based on net income generated within the city of Portland. The b.l.f. in some form other another has started since the -- since the city was incorporated in 1854. They were rolled up into one business license fee in 1975 and the change was to assess based on the net income.

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Adams: Four quick slides to just give folks a little bit of the profile. We are a community of entrepreneurs, small businesses, 94% of all firms are 50 employees or less in Multnomah county. The most prevalent attributes of the businesses in our community, they are sole proprietor in terms of how they are organized. They bring in in terms of reported income, bring in less than \$200,000 gross. Most of their revenues are derived from sales within the city. And the number one business category is an acronym called FIRE which is insurance -- sorry, financial, insurance, and real estate. Business gross receipts -- sorry. Two perceptions stand in the way of this discussion about business taxes and business tax reform. One is Portland's b.l.f. makes it unfriendly to do business versus Oregon has the lowest business taxes in the United States. This is a story from November 8, 2005, on the front page of the Portland Tribune that talked about a number of firms leaving the city. We were, with thanks of the folks at the Bureau of Revenue, able to go in and dig out new information, but we also have the information available that has been available for some time and Warren will go over that in a minute.

Jimenez: There's also some good things here and contradictory things in this ranking by folks as far as best places to do business. Portland ranks 20th out of 200 but taking a look at the next slide there, again, this is the Portland metro area, you see we do well in some areas and not so good in other areas. One of the areas that we do well in is cost of doing business which we ranked eighth versus the income growth where we rank 181st out of 200. Econorthwest did a study in 2004 that addressed the issue of the business license fee and the b.i.t. And some of the conclusions that came out of that study were, are noted on here that first one is that local taxes on businesses and owners creates an incentive for small, closely held, highly profitable firms to locate outside of Multnomah county. And then one of the other conclusions that they made as well is that a professional service firms pay a large share of Portland and Multnomah county's business income tax. It's interesting when you take a look at the business license fee and compare it to some of our surrounding jurisdictions. You see some of our jurisdictions are actually a true fee. For example, Beaverton assesses a \$50 fee plus they added a per employee fee based on the size of the business you are. And then it also taking a look at Vancouver it's \$125 flat fee which is right across the state line, of course.

Adams: So again because of new computer system and new approaches in the Bureau of Revenue we were able to answer the question, are businesses fleeing Portland in great numbers? The last complete tax year where all the data is available is 2004. It's a useful year to look at given that 2004 was at the bottom trough of the national recession. In 2004 there were 661 accounts that were closed because of either ceased business, moved business out of Portland but stayed in the tri-county area, closed the Portland location but left other multiple locations open. Actually a total of 1208 economists we worked with said in terms of judging the city's business climate, the shaded boxes are the ones that you should hold a local government accountable for. That's 661 businesses closed. About 2% of the total accounts which are 34,631. A loss of b.l.f. revenue of \$6 hundred -- sorry \$388,417. However, the numbers don't show businesses are fleeing city in great numbers. Will actually in 2004, there was a net positive increase in b.l.f. accounts of 2,000 new accounts. However, while that's good news, we are not keeping pace in terms of job growth with the region. And we are not keeping pace in terms of returning growth with the region, either. On the issue of Oregon has the lowest taxes in the United States, the facts are that -- are the following.

Jimenez: I think we have all seen this headline published in "the Oregonian." Oregon tax burden drifting away from corporations. And actually this was a study completed by the Council on the State Taxation which represents big business and in terms of state tax, Oregon was the lowest. Another source which was Ernst and Young did the study on change in business taxes over a three-year period. And it showed that Oregon actually didn't change at all over that three-year period.

Adams: One way to describe this is Oregon is one of the best states in terms of state business tax burdens but Portland has a very unique business local city business tax compared to other cities in

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the state and in southwest Washington. What is a business? Any person can form a legal business entity and it will be treated for tax purposes as something separate from those that own that entity.

Jimenez: And there are six different entity types. Sole proprietor, a c corp, an s corp, a couple different partnerships, you have a general partnership and limited partnership and also one of the newest forms of an entity is limited liability company. And one of reasons why a business may choose one versus another, there are kind of three areas that they consider while making that choice. One is to limit liability so to the exempted to which they can claim against the business entity type and claim against the owners of the business entity. Also control the business entity who makes those decisions within that entity. And taxation the entity's income. How many layers of taxation occurs between the income and the income that's distributed to the owners. So the choice depending on which entity that you choose, has a significant impact on how the tax liability is hit on your business. Also why do some businesses pay the minimum business license fee? As you know right now currently it's \$100 but there are two main reasons why. The first is due to apportionment, that means if the business operates in Portland but all of their gross receipts are generated from outside of Portland, then, they would not pay on these gross receipts. And the second reason why is if a business does not generate a net profit, a loss, actually.

Adams: In terms of looking at what is a fair tax there are two principles mentioned most often. These are definitions from the general accounting office that taxpayer with the ability to pay more taxes should be taxed more. Progressive tradition of taxes. And taxpayers that benefit most from services paid for by the tax should be taxed more. So we did an analysis of both of these tax fairness principles. Again, I would like to thank the bureau of revenue for this. And there were some surprised. One is that there are around 1,000 businesses that gross over \$20 million a year that pay \$100 in tax. That means that Mike Roach of clothing store pays more money in his business license fee, I suspect, than over 1,000 business that is gross over \$20 million. And you see that there are about 20 -- about 2600 businesses that gross more than \$1 million that pay that \$100. At the other end of the spectrum is the fact that will be just over 100 businesses that pay well over \$50,000. In fact, these 100-odd businesses pay about 41% of the entire b.l.f. tax burden for the city. So we have got some that pay very little that are high grossing and then we have some businesses that pay a lot. Second principle tax fairness, those that receive most -- more of the benefits should be taxed more. There is, we used as a proxy for this and everything has its strengths and weaknesses. This is based in terms of accuracy of the data. This data was collected during the 2003 survey of businesses. And matched to accounts filing for tax year 2004. And you see, as was mentioned in the earlier slide, for, from econorthwest, that when you look at the number of f.t.e. employees collected with the survey, based on the amount that industry category pays, that indeed professional services paid per employee a very high amount followed by health care. Remember, nonprofits do not pay the b.l.f. In the city of Portland so these are doctors and health care professionals not the hospitals and then you see the listing down from there. So in terms of the change options that I heard from my colleagues that I heard in the community, and the list could grow a lot, lot longer but these right ones that we dug in and looked at, and did some analysis on, we will go quickly through them for the record. The first one was to eliminate the tax. Currently the city gets \$53 million due to b.l.f., b.l.f. proceeds. If you were to eliminate the tax that would eliminate about 16% of the general fund. Positive impact to that is that money would go into taxpayer pockets. The negative impact is this I think are best stated by the, again, the econorthwest report that said that you could eliminate this tax completely and you would only pick up roughly 1500 jobs in the next five years, which are cost per job created is -- this is a very inefficient result. And that assumes that we could keep services the same. That we could get the level of services the same. Well, like a lot of my colleagues up here we don't want to be defensive about these things. This just shows the general fund and where the other revenue has come from. Next slide shows and we are always looking to become more efficient. This does look at city f.t.e.'s per thousand and it

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shows there are fewer f.t.e.'s per thousand and the line bar graph show we have remained relatively stable in terms of our f.t.e. per thousand population. There are other things you can look at.

Jimenez: Another option is that we took a look at kind of revenue do you saying taxes across the board. Again, one of the positive things is that any business who pays more than the minimum will pay less so everyone will get a piece of it. However, in terms of real dollars, it focuses benefit on the largest payors. If you take a look at that and calculated that out.

Adams: The other thing we heard, the other group of businesses we heard from were a lot of start-up businesses. Warren and I have been out to see probably over 170, 180 businesses thus far in the last two years. We heard a lot of start-up business would prefer they be left alone until they get to a big are size than \$25,000 gross. And so one option we looked at and I am proposing today is to raise the current exemption level from \$25,000 to \$50,000. And the benefits of that are that we leave folks alone, and that we, the negatives are this does cost money out of the general fund. But I think this is also consist dent with the fact that we are still one of the number one destinations for 18 to 34-year-olds and if you have read richard florida's creative class, a lot of those are entrepreneurs.

Jimenez: Part of the proposal that's in front of city council today is increasing donors' compensation deduction and the level of that's being considered for today for immediately is \$80,000. What was on the table before was 125 and that's with the scenarios that are played out here. Again, this is another way of taking a look at this issue. If you were to play out the increase of donors compensation to 125 and take a look at those impacts and where those investments would be targeted, 59% of those businesses employ 50 or less. Of course, again, the negative impact would be to the general fund.

Adams: We also looked at how to address some those 2600 businesses gross revenues greater than \$1 million and 1,000 businesses with gross revenues greater than \$20 million that are currently paying \$100. And what we looked at was a progressive or tiered minimum tax. The positives of this, the general fund will have more revenues to underwrite the cost of tax reform or the tax roll backs, target tax roll backs. It will mean potentially for those businesses that now pay \$100 that they would be paying more in the future. Because we don't currently collect this information on our business tax forms it will take a year of -- it will take a tax year to collect all this information along with the gross receipts in Portland. Again, the proposal is to increase the owner's deduction to \$80,000 and \$125,000 benefit the next 5 years to raise the gross receipts exemption to \$50,000 to institute a progressive minimum tax based on one of these or combination of these three factors.

Jimenez: So what right impacts here? Take a look at these real quick. The cost of doing the first two items of the proposal raising owners compensation and the gross receipts exemption is \$3 million to the general fund. Quickly, just kind of highlight some of the things on the next few charts that are part of this summary chart here. Just taking a look at this is based on increasing those two things, making those two changes, the majority impacts in terms of entity types, sole proprietors are the bigger winners here. You can see the positive impacts are approximately 13,500 business or business license fee accounts, of those accounts, approximately 7,000 positively impact sole proprietors. Also taking a look at this and referring back to the econorthwest study, professional services paying the majority or the largest share of the business license fee, making these two changes, the biggest change in terms of estimated reduction in terms of dollars affects the professional services.

Adams: Why this proposal? It focuses tax cuts on the most mobile owner-controlled businesses. The entrepreneurs in the city of Portland. Sole proprietors. It balances tax cuts with the impacts on basic services to the city. It reduces the tax burden and the red tape for start-up firms. It better matches the principles of fair tax, \$20 million company who pay very little versus the small businesses who pay a lot. And professional service firms that are show up in terms of tax paid per f.t.e. will see a significant decrease. Implementation, increase the owner's compensation deduction

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to \$80,000 and this fiscal year, sorry, 07-08, next fiscal year. Bureau of revenue will collect the employee and gross receipts data. That will be used for phase two of this where we will be coming back with discussion on the progressive minimum fee. And fall 2007, we will take that information out on the road for additional comment and feedback and then winter of 2007 council will consider the progressive minimum fee. There are a number of people I want to thank, again, terry williams, in the bureau of revenue, tim gross, before he left, the alliance of Portland neighborhood businesses, small business advisory council, the Portland business alliance, the east Portland chamber of commerce, drew barton, amanda, jennifer, whole bunch of people have been very, very important parts of this public-private partnership. And if it's ok with you, mayor, unless anyone has any questions of me, we have some invited testimony.

Potter: Ok.

Adams: If I could have john topagna, sho dozono and mike roach come up.

Potter: Who wants to start?

*******:** Go first.

John Taponia: Hi. I'm john taponia, a managing director with econorthwest, Portland-based economic consulting firm and we have done a number of studies on the business license fee and the business income tax in Multnomah county over the course of the last several years. In the commissioner's wisdom they did not commission a new study this time because we have done so much work on it in the past so in good Portland tradition we are recycling some of our conclusions or I will recycle my conclusions today. I think there are really two key conclusions that were alluded to here I would reiterate as you think about a position on the proposal. First of all, the return on equity. The work that we did in february of 2003 as the city was considering a transition to a mix of a payroll tax and the current structure, we did do a number of analyses there, and discovered what was reiterated here today, that there are some industrial seconders where taxes paid as a share of number of employees or taxes paid as a share of payroll stands out relative to other industries. And the reason that happens is that there are some industries in the city that have a large presence and a lot of activity but they do most of their sales outside of the city. And therefore apportion out the tax and therefore pay a relatively low tax relative to the activity that they have in this city. So the proposed changes both the increase in the owner's deduction and the minimum tax together make a move toward improving equity relative to current law. I think the second, the second major point is simply an overall comment on the relative importance of taxes in a business location decision. Eco's position having looked at this numerous time both in Portland and other places is that overall, we would argue that taxes are, that taxes matter but they are a second tiered decision in a business location-decision. More importantly obviously are labor quality and labor costs. Natural assets in the area, good transportation networks, access to clients and markets and the like. Those are all first tier. However, if taxes differ within a region, as they do in Portland, then, someone who is looking where they want to locate within a region has the same access to most of those first tier decision criteria. They have the same access to labor quality and cost. They have similar access to transportation networks and to markets, et cetera. So then they go down and they look at the second tier criteria like taxes, and see if those differ. And so consequently, if you have a tax structure that differs significantly within a region and Portland does, with the business license fee and the b.i.t., it can make a difference and it can impact the location decisions for those affected firms. So by creating some modest reductions here you should expect a modest stimulus to job growth in the Portland area. So I think it -- the proposal wins on two points. Both on equity and then a modest stimulus affect with the reduction.

Adams: Thank you, john.

Sho Dozono: Sho dozono.

Adams: Would you explain --

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Dozono: I am challenged with the eyesight. It does not say I am buff. It says I am for buff although I am buff.

Leonard: I am glad you explained that.

Dozono: Business united for fair fees. Thank you, sam. Sho dozono. Owner of azumano travel services and several other businesses that are very happy to be in Portland and I do believe we pay taxes because I am on the corporate structure for full disclosure I have more than 150 employees in the city of Portland so many I am on the minority side of the business. I am no longer a small business. My father-in-law started the business back in 1949, and we have been fortunate enough to grow the business to a size we are. We operate in three states and 12 locations. Most of my biggest customers are across the country, not necessarily located here in Portland but we do generate the revenue here in Portland. So city of Portland does benefit what the fact I pay an amount of taxes as long as I am profitable I am more than happy to be paying taxes. Full disclosure. There's no agenda on, for me personally. I would not benefit. I maybe pay more taxes in the future. So the exemptions on either personal or the corporate side has no benefit to me personally. So I want to make sure although I have been involved in business for over three decades in Portland, I served on many civic and boards, but I did serve, continue to serve on the business alliance, Portland business alliance board. I was the former Portland chamber of commerce. I was chair several years back. So I have been engaged in business and have been looking at the whole controversy about the small business taxes on small business. And I am here just to simply support a fair and balanced tax for the small businesses and I want to echo john's comment that if there's any way to estimate rate and change the percept Portland is unfriendly to business I think we need to do all we can because the future of our city and economy does depend on the new creative, new talent that's coming into this our city. And looking stimulate that portion to come to our city and begin our form, our firm started as a very small firm. When I started the firm we had four travel agents. We have 250 employees throughout three states. I want to thank the city of Portland for allowing us to be successful. I want you want to encourage the entrepreneurs. It's the back bone of our economy. I make that statement. Thank you.

Adams: Thank you.

Mike Roach: Mike roach. Honorable mayor Potter and distinguished commissioners, having sat here so many times to ask for your support for tax increases and funding our public schools I must admit it feels quite out of character to be thanking you for a proposed tax decrease. So I want to first express my deep appreciation to each you for your unfailingly consistent courage and committed to our city's public schools. This resolution reflects a similar courage and commitment to our city's small business community. Increasing the b.l.f. owner's compensation deduction from \$60,000 to \$80,000 now and eventually \$125,000 and doubling the b.l.f. gross receipts exception from \$25,000 to \$50,000 sends a critically important message to our city's small locally owned independent businesses. That that message is we want you to succeed and we are putting actual dollars behind our words. The resolution effectively represents an investment by the city in over 13,000 small businesses, most of whom are locally owned and independent. Given it up to 300% more money stays in our local economy when it is spent with locally owned businesses I predicted this resolution will yield an excellent return on the city's investment while at the same time, enhancing Portland's distinctive lease one business grew are guru's michael porter's criteria for a successful 21st century city. As a board member of sustainable business network of boulder as president of the historically designated dale business and professional association and a member of the apmba I would like to conclude by reading a short passage from stacy mitchell's new book "big box swindle, the true cost of megaretailers and the fight for america's independent businesses." [laughter] this is a good passage. The ugly truth that the decline of independent businesses and the rise of the big bocks has been fueled by government policy. Which has championed fostered and financed chain store expansion in a country that values fairness and independence this is a troubling

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realization. It is however in one respect good news. It suggests that locally owned businesses are not the inherently antiquated and obsolete entities some make them out to be. Given the uphill terrain they have faced we might well conclude that the remarkable wonder is not that so many have failed but rather that so many have been skilled and scrappy enough to survive. It's good news, too, in the sense that policy is something we control. We can opt to end the favoritism and enact instead enact policies that better reflect the economic and community value of locally owned businesses. This resolution does exactly that. It's a big step in the right direction of acknowledging policies that better reflected the economic and community value of locally owned businesses. And I want to thank all of you for boldly moving forward on this resolution. Thank you.

Adams: Thank you, all of you.

Potter: Thank you, folks.

Adams: Martin medeiros, ken turner and ethan dunham. Are you going to use your really good line, martin?

Martin Medeiros: Yes, I am.

Adams: He's got a great line:

Saltzman: Tell us.

Adams: I can't wait. Go ahead.

Medeiros: Don't steal my thunder: My name is martn medeiros. I am an employer of a small and small business owner in the american bank building on pioneer courthouse square. I am a member of the small business advisory council and I am a citizen and budget advisor as well. I would like to thank the commissioners for giving me this opportunity and attention to a critical problem facing the city. And that problem is unemployment. Generally, but I wanted to especially draw your attention to how we employ people in this city. In 1975, less than 20% of the market capitalization, how we value businesses of the s&p 500 was attributable to what we call intellectual property, patents, know how, show how customer lists, knowing your customer, intangible things, essentially. Last year, that number was closer to 80%. So in america, and indeed in Portland, intangibles, intellectual property makes up value of the business. That is what employs people. Brains are valued over steel. Portland is losing its innovative and creative people. Those who create value, those that create intellectual property. Of course, this includes scientists, doctors, architects, artists, authors, account ants, entertainers, but it also includes retailers of goods, services, foods, chefs, and capital. Our future depends on innovation and creativity. These creative entities tend to be small yet they are saddled with a large tax burden of the city has and that is the b.i.t., b.l.f. or as one court in 1950 called -- determined it to be an excise tax. I think it's unfair and it penalizes small, creative entities. This restriction on the liberal flow of capital is why companies like northwest technology venture, cascade partners and many others have moved out of the city. These are exactly the same people that will create clean and efficient energy sources. Randy. New therapies for the sick.

Adams: Say bio-something.

Medeiros: Better things to live on. If you are not persuade by these anecdotal facts maybe the federal statistics will help. Oregon is poor and getting poorer. Today's news in the Oregonian shows that the statewide bond rating, different from the Portland's bond rating, is the third lowest in the country at aa minus. Shows that this is an issue. A second economic tidbit is the per capita income for individuals according to the nourish of economic analysis that shows poverty again. The gap between the national average per capita income in Oregon and the national average shows a widening gap with Oregon below the national average. And that gap has widened in the last eight years. Oregon at large will increasingly look to Portland to subsidize the local needs that result from per capita income declines. As you can see in the statewide legislature in the last session. The second indicator I wanted to draw your attention to is unemployment itself. And sam had this in his presentation. The bureau of labor statistics not only has Portland lost employment but the surrounding areas has gained employment. We are losing jobs to businesses outside of the city and

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outside the state. And I want policymakers, the council to look at one more final indicator that shows Portland to be a brain colony.

Adams: That's the word:

Medeiros: This -- this indicator of creativity and innovation is a number, the number of u.s. Patents issued versus number of u.s. Patents assigned. Those who control the patent generally control its economic december din knee. These tend to be the assignees. The good news is that patents issued to Oregonians and Portlanders are up. The bad news is, that a significant portion of those who are innovating here in Portland are assigning their patents outside the city and outside the state. The income generated from those patents is tax revenue we will never see. We will never see that revenue. It's innovated here. Someone else controls it. Someone else enjoys the treasure of our brains. Sound familiar? And the ratio of patents issued to patents assigned is getting worse particularly in Portland. So we are retaining less. And those statistics, p.s.u. Intern helped us compile that data. Why? Because we turn creative and innovative people away by taxing service companies, innovators, artists, shop keepers, small businesses, unfairly higher than other businesses. In Washington state the opposite is true. What is innovated in Washington, by and large, stays in Washington. This is very different than what happens here in Oregon. Some have criticized commissioner Adams' proposal as too little too late noting if adjusted for inflation the owner's compensation deduction should be closer to \$165,000 but I say the city's creative engine may be dead before such dream, some of as elimination of the fiction, is practical. Employment is happiness. According to a recent article in the economist. Doing gives dignity and purpose. Invigorating our intellectual economy is essential in today's world to provide jobs of all types. But what about schools? We must fund all levels of schools, but I want a foot note to this component of the intellectual economy, which the two buckets of k-12 and higher ed. A study in England asks the question, what helped boost the economy faster? K-12 funding or higher ed? And it concluded that actually higher ed wins because many reasons, and I don't think the study actually got into that, but we can hypothesize, parents, graduates want their kids, they demand more of the schools. They have a passion for their discipline. And graduates have to service college debt. It is these new graduates who start businesses and try to create unemployment that the b.i.t./b.l.f. Disfavors. These right entrepreneurs who get out there. Napoleon dismissed Britain's will to fight, calling England "a nation of shop keepers." In a place called Trafalgar Napoleon was shown it was the liberal flow of ideas, capital, and labor that made people care. The business income tax is unfair. It is a restraint on the free flow of ideas, capital, and labor and it encourages unemployment. Ironically a growing economy that will result in this liberalization will increase city revenues in the long term and some argue closer to the near term. Economic growth is essential to the strategic vision of this city. So the commissioners can choose to one of two things. The wrong thing which is do nothing and enjoy higher unemployment, underfunded schools and discourage creative works and ownership or the second thing, the right thing, if you do not feel you can eliminate all the unfair and injustices of the tax then fully support commissioner Adams' intelligent proposal and quickly move into the later phases of that proposal as question get the data and can make an informed decision. Thank you very much for your time and I will leave a copy of my comments and a lot of data on a lot of other stuff beyond the scope of what I can talk about today with the clerk.

Adams: Thanks, Mark.

Ethan Dunham: My name is Ethan Dunham. I am the past chair of the small business advisory council. I am here today just to make some brief comments and support of commissioner Adams' resolution. I would like to commend Mayor Potter and the commissioners for their leadership and courage to help us get here today. I think we have an opportunity to take a step toward fairness in the city business income taxes. One of the best things about this that we have heard and I have heard in my volunteering over the last four years on this issue is that we need to recognize that taxes ought to be paid by those who have the ability to pay them. If we go into the city that appears

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among business people to be the number one gripe. How come those guys downtown don't pay anything and I am out here struggling on 82nd and pay? We have a chance to, an stunt to eliminate that perception. The city of Portland is a wonderful place to live and raise a family and most of us who are here today have been able to participate in all of the wonderful things that this city offers, including its prosperity but we shouldn't forget those who don't share in that prosperity because it's what pays for the education for our children, how you are housing and medical care and to help more people participate in prosperity is something we should all do and all work together. So these reforms of the business income tax carries with it direct financial report -- support for those who can use it most. It's good government. Those self-employed and small businesses who are struggling to make it in many cases these same people would be unemployed or underemployed were they not running their own businesses. So when we support merging small businesses where all working toward making Portland a business-friendly city and even more significantly remember that we are also doing the good work of government by reducing the amount of fees and taxes that businesses pay and moving it or shifting that burden to those who can pay. That's the American way. So business people understand that. So we are helping small business people and families pay living wages, provide healthcare and become full participants in this great city. Thank you.

Adams: Thank you.

Ken Turner: Mr. Mayor, council, it is a pleasure for me to be here speaking on this issue today because I have been involved with it for several years. More years than we really should have to admit. And have gone through several of the presentations of commissioner Adams. [laughter]

Saltzman: Which is worse?

Potter: Doesn't sound like you are bragging.

Adams: He's not.

Turner: I'm here on behalf of the small business advisory committee. Also I chair the 82nd avenue of roses business district, member of the apmba and the east Portland chamber of commerce. All small business entities. I also manage eastport plaza shopping center, the home of dozens of small businesses that also operate on the same side as with the big box so we can work together. On behalf of sbac I would like to state its support for commissioner Adams's proposed b.i.t. bill reform. The sbac has been involved in this dialogue regarding reforms since the sbac's inception and sees this proposal as an opportunity to bring much needed reforms to the current business tax fee structure. The b.i.t./b.l.f. has been operating 30 years without significant reform and this has resulted in an unfair distribution of the tax burden. Portland had a very different business population in the 1970's when the law was first written. As a result of this lack of reform business fees and taxes are assessed based on type of business, not on the ability to pay that tax. The following excerpt from commissioner Adams' research illustrates this point and I quote "our analysis showed that based on a 2004 business survey, professional service firms paid the highest b.l.f. Charge of \$449 per employee, transportation, warehousing businesses paid the least at \$75 per employee. Again, quoting, "we uncovered the fact that in tax year 2004, the last year for which the tax data is available, 2658 firms with gross receipts over \$1 million paid only \$100 in b.l.f. charges including 920 firms that have gross receipts of more than \$20 million. The sbac sees commissioner Adams' proposal as a good starting point and we look forward to working with city council on developing additional b.i.t./b.l.f. Reforms, specifically, sbac supports the increase of gross receipts from \$25,000 to \$50,000 which will help the thousands of shop keepers in Portland. This will be a tremendous support to them. And increase the owner's compensation deduction from \$60,000 to \$80,000 with the express intention of raising it to \$125,000 within five years. The passage of this reform measure is based on several reasons but a few of them are, it's just a matter of fairness as has been spoken to before. It makes good economic sense as has been spoken to before because it encourages businesses not only to grow in Portland, but it also encourages people and businesses from outside of the area to look at Portland as a place to relocate. And bypassing this proposal, the

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mayor and the council will send out a strong message that Portland is indeed, contrary to popular belief a. Business-friendly city that welcomes new businesses. In closing, again to encourage passage of this. And the sbac requests continued involvement in the issues affecting this proposed reform and its implementation. Thank you very much.

Adams: Thank you, kevin. I want to point out, ken, we have served on committees on this topic I think going back seven years. You were in high school and I was in elementary school. [laughter]
*****: Thank you.

Adams: Would patrick donaldson, connie hunt and dave lister?

Sten: Can I make a comment? Martin mentioned something I want to get on the record, I don't know if it's possible to deal with the it during this round of reform but one of the issues that's popped up as we have been looking hard at this structure with your leadership is that one of the venture capital funds who there is an exemption in our rules for mutual funds and that essentially the issue is that, I think it's an inadvertent that venture capital investors gets charged on their earnings as opposed to the owners of the venture capital fund and it makes it make no sense to put a venture fund in Portland. That anticipated that with mutual funds so they are treated in the common sense way and I think we should be working on -- martin mentioned it in packs. I wanted to call it out. I think we should be working on a change on that and if it was possible to work on it during this package as we, this budget time, I don't know at this point it has huge budget consequences but I think it has potentially important unintended consequences. I want to highlighted what martin was saying there. It's come up and it's very important.

Adams: I appreciate you highlighting that. We have had some initial discussions with revenue and the city attorney's office and you see them both whispering over there. That is something that we are working on. We haven't teased out the issue entirely but it's definite lie consistent with this resolution.

Dave Lister: Mayor Potter, gentlemen of the council, i'm dave lister. It's been my privilege to council some of you on some technology matters over the last few years and I wanted to just briefly mention that I did volunteer to serve on the charter review commission and seems appropriate to thank the selection committee I was not selected to serve. [laughter] I am the co-other than and co-founder of integrated data concepts a company has become one of the poster children for the inequities of the current b.l.f. A year ago I completed a three-year term of service on the city's small business council. During that term of service I chaired the committee which produced the sbac's economic development policy, a blueprint for success for Portland small businesses. Reform of the city's business license fee has always been a key component of that blueprint. This march my company will celebrate its 22nd year in operation. And during those 22 years we have been located in Multnomah, clackamas, and Washington counties. And as such I have had an opportunity to experience the tax structure of all three jurisdictions. The footer of my campaign letterhead last spring, eric will remember, posed a simple question. A sole proprietor making the same salary as a Portland city commissioner pace \$guelph00 a year in city taxes that the commission are doesn't pay. How is that not discriminatory? Commissioner Adams reform appropriate proposal brings fairness to a tax system which has previously been patently unfair. Raising the owner's compensation deduction recognizes that regarding salary amounts in excess of \$60,000 as net profit is not realistic in 2007. Particularly when mid-level city managers or rank and file city employees earning some degree of overtime can earn that much or more. Raising the threshold at which any business must begin to pay recognizes that businesses earning less than \$25,000 are not yet businesses at all. And need the city's help if they are to become viable. Increasing the fee for the largest of companies who through the inequities of the current system have benefit able to pay the \$100 minimum ensures those companies begin to pay their fair share of the city's services they consume. Our small company, which has over the years provided living wage jobs to anywhere from four to seven employees, was paying more on our b.i.t./b.l.f. Return than we were paying the state and federal

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governments combined. It was about 1% of our gross revenue. It was 25% of our net revenue. And that's practically a franchise fee. When we outgrew our Portland location the b.i.t./b.l.f. Was a determining factor in our decision to move to Washington county. The cost of our business license went from \$3500 to \$55 annually. The savings has aloud us to invest in new equipment and you've our employee salary and benefits packages. Small closely held professional services companies like ours have been particularly hard hit and those companies, clean, nonpolluting providers of high quality jobs, are exactly the types of companies that Portland should seek to retain. I want to thank commissioner Adams for this initiative. And I want to thank his co-sponsors, mayor Potter, commissioner Sten, and commissioner Saltzman, and I want to urge commissioner Leonard to vote yes for b.l.f. Reform. Thank you.

Sten: Mayor, can I have a point of privilege? While I think mr. Lister's decision to move out of city was helpful and in my campaign against him -- [laughter] it was also helpful in making this point. And actually throughout course of many spirited debates and presently ones at that, dave and I came to some shared view of this and I want to thank him for that and as I was in the process of thinking this through actually debating with dave got me some real clarity on it and resolved to fix it so thanks for jumping in all of these issues and helping me see that.

Connie Hunt: Hi. My name is connie hunt. I am the owner of the east bank saloon and restaurant across the river in southeast Portland. My husband pudgy hunt and I have owned that business together for 28 years. I am also the past chair of the Oregon restaurant association. And I am thrilled to be able to say that on behalf of myself and the restaurant association, we applaud commissioner Adams and the other sponsors of this resolution. We feel it is an amazing stem forward to relieve the tremendous burdens that we in the hospitality industry seem to feel. I have got a few statistics I want to throw out to you. There are 9,000 restaurants, actually over 9,000 restaurants in the state of Oregon. Half of those restaurants are in the greater Portland area. And two-thirds of those restaurants are independently owned. We employ 110,000 employees across the state of Oregon 158,000 if you add the supportive services together. Tourism and hospitality combined are the number one socioeconomic driver in the state of Oregon. That's the good news. The bad news is that national statistics tell us that 80% of all restaurants will fail in the first two years. There's a lot of reasons for that. But a lot of it has to do with a very, very small bottom line that we are faced with every day. Very unstable conditions. Any kind of raise in utility costs, employment, anything like that affects us a little bit harder than some of the other industries around us. The numbers that I told you about are wonderful. And they deserve a great amount of respect. But they also deserve a lot of nurturing because of that tremendous failure rate. We have often said in small business, we feel -- we have been told by government that we oftentimes appear to feel too much like we are being attacked personally when things come at us from government. The fact is, this is personal. When you a small business owner and independent owner, it is personal. I love what I do. Every single day it's the greatest business i've ever known. I love it. But the reality is, I live, eat, and breathe it 24/7. It's like a child. So it is personal. My personal time, my personal energy, and probably most importantly, my personal finances are online every single day. I don't have a rainy day fund other than my personal bank account. That's the reality of being in business. I heard earlier, small businesses have been referred to as being a little scrappy. We business owners are scrappy. Well, I want to complement you guys because I think that's a compliment. I want to compliment all of you for being a little scrappy, too, for taking a look at this and moving us in the right direction. So from a very personal standpoint, I want to thank you all very much.

Adams: Thanks, connie.

Patrick Donaldson: I'm patrick donaldson. In october of 1975, when I went down to the city and got the paperwork to form my small business, I was told by the clerk at the city hall that how did it feel to be an entrepreneur? Well, I could barely say the word and I still haven't been able to fick out how to spell the word but 32 years later here I am president of a small business based in the

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hollywood district, and I am very small come business association activities in the hollywood boosters, one of almost 40 business districts here within the city. I want to talk about something that's, that really is not about the facts of the proposal that have been put forward by four sponsors. But instead I want to talk about the climate what is being created here. We have all talked about the fact whether this is or is not a good place to do business. In 1975 I suspect my story is similar to most people at this table and well as everyone else in this room. We choose to do business here because we love this city. We love doing business in this city. Most of us, if we don't have our businesses based in the city, or at least have our businesses based in the city we also live in the city.

So we have a double dog in this fight so to speak. What I have noticed in the last couple of years is something a perceptual shift as well as a realist I can shifted and that is that each one of you as well as your staffs and each of your bureaus has been business friendly. You have all struggled mightily to understand who and what we are and listened very carefully and ask very insightful questions.

Also we have instead shifted from being the customers from hell, awaiting for the service from the city, to being the customers that are trying to understand the pressures that you face as you try to do the business of the city. So in that regards we together are in this point. And we are collectively, we here, not just those of us at this table those of you there, but also the Portland business alliance, the Portland area's chamber of commerce, the Portland development commission, all of those 40 neighborhood business districts, all of those 30 or 40,000 businesses that are out there that every day as connie says risks capital on behalf of themselves and their customers. So today is an opportunity to put a fork in it to say it's done. Is Portland a business-friendly community? I have no hesitation looking anybody in the eye, another colleague of mine in business, and saying, absolutely. Have we reached of where we all want to go? No. Are we on that path together? Absolutely. These stickers that we have are not a phrase for e-harmony.com so litigation sitting dates. It is not an advertisement for a clothing optional beaches at sauvie island. But instead is something to remind us all it's not just about businesses united for fair fees. It's about all of us as a community. We talk about tax reduction, that is stereotypically viewed as a conservative viewpoint. When we talk about tax fairness that is considered a liberal viewpoint. When you bring those two things together, what does that el nino? That's progressive. That's progressive. And I hope that at the end of today there's an opportunity for all five votes to be a resounding affirming aye vote. Thank you.

Adams: Thank you very much. Sandra mcdonough and then it's off the list.

Sandra McDonough: Good evening. I'm sandra mcdonough. I am president of the Portland business alliance greater Portland many chamber commerce. Most of our 1300 members are small businesses with 50 employees are he is are or less and about 75% of them are in the city of Portland. As you have already heard today more than once these businesses are the backbones of our communities. And they are integral to the health of offer neighborhoods. I will personally shop on a regular basis at paloma and I know we all support our neighborhood businesses wherever we can. These businesses create the majority of the jobs in our community and they generated the tax revenues that fund our roads, our police, our firemen and our schools. In fact, as you all know very well over the last five years, our local businesses have paid an extra tax to the city amounting to something around \$40 million now, to help keep our Portland schools open during a very critical time. They did this because they are committed to our city and to our schools. But if you ask these business owners to name the number one issue facing them here in Portland, they will almost always name the city's business license fee first. It puts them at a competitive disadvantage to other businesses in the region in locations that do not have a similar tax. Sometimes it causes them to leave Portland. But more often I think it causes businesses not to locate in Portland in the first place. And that costs us jobs. This is a very bold step that you are considering today and it demonstrates that Portland's elective leadership does appreciate business. The jobs we create, and the value we add to this community. I can't underestimate the importance of the resolution that you

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are considering for the signal it will send to our local business community. As you know we have worked on getting relief from this tax for a very long time and it is become a bellwether issue. This tax put is a huge step in the right direction. We support the increase in the gross receipts minimum to \$50,000 and agree that it will help keep our small, creative cogs in Portland. And we support the increase in the owner's compensation deduction to \$80,000. We are very pleased to see the council's proposed commitment too raise that owner's compensation deduction to \$125,000 over five years. Raising the owner's compensation deduction to that level will more appropriately reflect the value of small, locally owned businesses in our community and it will correct the inequity caused by the fact that for decades this deduction was not adjusted for inflation. I wanted to thank all of you for considering this ordinance today and I want to thank you also for listening to me, my other colleagues at the alliance and our members for many, many years about this issue and taking it very seriously and being committed to maintaining a healthy small business community and overall community in our city. Thank you.

Potter: How many folks do we have?

Moore: I'm sorry. We have about 12. 12.

Potter: Ok. Thank you.

Potter: Thank you, folks. When you speak please state your name for the record. You each have three minutes.

Amanda Fritz: I'm amanda fritz and I am speaking just for myself but I think i'm speak for many citizens in thanking the people in this room and Portland business owners for providing the jobs and taxes that support all citizens. My oldest child entered kindergarten the year measure 5 passed and my young it is child will graduate from wilson high school next year. And I can't begin to say thank you enough for the support of the businesses in keeping our schools open and functional and in some semblance of order and that this business tax has been greatly appreciated by parents throughout Portland. I urge all Portlanders to shop in Portland, buy local first. We could support our businesses with our purchases decisions day in, day out to thank them for what they have done and what they continue to do for our city. I support this proposal. I would suggest that making the exemption and deduction levels index linked and adjusted for inflation would be a waste way so you didn't have to revise them ever 10 years, 20 years. I think that would work better because I don't think most people in the city understand that the dollar figures have not been revised in decades. I would like to see a city policy of no net loss in revenue the same way we have no net loss in housing. That when you are promoting something that's going to cut taxes, there should be a concurrent proposal to regenerate that revenue. And I do appreciate the prep that's coming for the minimum fee changes but I would like to see them done at the same time. I am I remember vividly the -- general fund that was promised we would come back and regenerate that money. Parks. It's always the parks, it's always the bureau, the nonrevenue bureaus that take the hits. They take the hits and it's unfortunate that at the same time we are doing this tax cut, in the parks bureau we are having a discussion of sponsorship of parks 'and part of the policy is an expectation that the city council will not fund parks adequately and we will need to seek corporate sponsorship. I would like to make sure that the big companies who are own only paying \$100 are paying their fair share of taxes so that we don't have to offer them their name on a park in order to get the revenue that the city deserves. And so while I support this part of the proposal, I hope that there is certainty that the second half will come back and that we will find the revenue.

Justin Gottlieb: Justin gottlieb. Good evening. I would first like to start by voicing my support for reform of the business license fee. I am a small business owner who represents many small and entrepreneurial businesses. And in addition a member of the creative class. For me, and most of my clients, the taxes and fees that we are discussing are construed as a sign of success. For instance if my business were to reach the minimum threshold currently set out in today's proposal I would have the ability to pay my employee, cover overhead, pay myself, and consider hiring an additional

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person. This is the consensus of most of the microbusinesses I am regularly in contact with. The real proponent of these taxes breaks is not emerging or microbusinesses but medium to larger small businesses with established revenue streams. They are looking for a break and they should get one.

We will hear today many arguments that the b.l.f. Is not fair, that it is not equitable and government is not efficient. Therefore we shouldn't have to pay so much in taxes. In essence all these points are false. We should not strive to create equal outcomes but instead look to creating equal opportunities. Therefore, what is the rub of this debate? I propose what we are really talking about is the effectiveness of these taxes and fees and how we can utilize them to create mutually beneficial outcomes for our local businesses and our residents. How do we create a win-win situation that preserves the city's tax base while giving businesses much-needed relief? I suggest that in addition to raising the b.l.f. levels we should also consider using a combined approach 20 create an outcome-based model. The proposal of today to raise the gross receipt exemption to \$50,000 and the owner's compensation deduction to \$80,000 is fine. But in the future when we consider the \$125,000 threshold over the next five years, we could use this as an incentive for local businesses to invest in micro and emerging small businesses. Thus using the carrot and the stick mentality. Establish businesses have an incentive to purchase locally produced goods and services that will create and develop economic growth within our community as well as getting the added benefit of a tax relief. This is a long-term strategy that will provide jobs, revenue, and a solid tax base. We could structure or local system this way and ask ourselves what right outcomes of our policies that will lead to a greater tax base and more employment over the long term? Thank you for your time.

Steve Buckstein: Hello. I'm steve buckstein, senior policy analyst and founder of cascade policy institute, we moved a few blocks outside of Portland but since we are a nonprofit we don't pay the b.l.f. Anyway. We don't have that dog in this pilot. Oregon as a high etec state or low tax state for business I think everyone here understands that it's more expensive to do business in Portland than it is in the rest of the state because of the business license fee. And the b.i.t. I am glad that this proposal is up for discussion and I just want to make three quick points for your consideration. First, the one that dave lister made famous maybe, is that the rationale as I see it for the current \$60,000 owner's exemption is that that level of income is the maximum level that an owner can claim is payment for his labor. While any income over that is considered to be profit. This proposal would raise the labor exemption to \$80,000 and possibly higher in the future. Of course, all of you who are going to make this decision make over that \$80,000 level as dave said, right now, a business person in the city of Portland making the same salary as any of you has the privilege of paying about \$1,000 to \$1200 more in income tax in the b.l.f. Tax than you do. So if you think that isn't fair as I think it isn't fair, you might want to ask yourselves, should you consider raising the exemption immediately from not the \$80,000 but at least to the salaries you make? So that they are not paying a tax that you are not paying. Second, any income tax, any income tax including the b.l.f. Punishes economic success. It raises the cost of working, saving, investing and risk taking. Thereby restraining economic growth. In our mobile age of instant communication people and their money are moving to locations where they can earn the best return on their investment of time and money. Reducing the impact of the b.l.f. To any degree like you are doing today is good. But please understand that what's left will still leave Portland a more expensive place to do business than surrounding communities. Finally, taxing business may be popular but economists understand that business only collects taxes will it doesn't pay them. Only people pay taxes. No business has a pot of money that doesn't ultimately belong to some specific individual. While you can see the impact of the b.l.f. on business owners and many of them are here today to tell you that impact other individuals will continue to bare burden in ways that you can see. Customers in the form of higher prices and employees in the form of low are wages come to mind. So the ultimate solution I believe is too eliminate the b.i.t., charge for services received by businesses which is different than an open-

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ended business income tax, and my paper prosperity or Portland was published about a year ago that's on our basketball site lays out a plan to do that over five years to eliminate the b.i.t. without any impact on the general fund. So I thank you for listening and I encourage your movement in this direction. Thank you.

Potter: When you speak please state your name for the record and that will be --

Peggy Anderson: Peggy anderson, I am president of the knob hill business association and board member of the alliance neighborhood, alliance of Portland neighbors associations and I will make this brief. I have been listening to commissioner Adams over the many months about the b.l.f. And representing the business association of nob hill. I have two board members that are in the audience this evening to support that we encourage to you move forward with this proposal. Just with our small area we are looking at the reconstruction of 23rd avenue in september starting september 2007. And the businesses are quite concerned about the impact. And any help with license fees would be much appreciated and that's all I have to say. Quick and short.

Debbie Kitchen: Well, I am debbie kitchen. My husband and I own a small construction company general contractors and we are no northeast Portland. We are members of the central east side industrial council. I am on the board for the Oregon remodelers association which has many small business members. And also on the board for the building owners and managers association. I am here in support of the proposal. For our company, we are a small company. We have 88 employees. Many of offer subcontractors and vendors are locally owned small businesses. And so that definitely, their health has a great impact on our business and in addition our livelihood depends on a strong local economy and the growth and retention of small businesses who occupy the office, restaurant, and retail space that is we remodel. The current structure I think is not fair and it has a disproportionate burden on local small businesses and professional service companies. So I support the both aspects of the current proposal and would encourage the council to look at moving to the \$125,000 deduction in five years or even shorter if that's possible. I would also encourage the city council to continue working with small business organizations. Several are represented here. The small business advisory council, the small business council of the Portland business alliance and many of the other groups because I think that we can craft a proposal that has more equity in the local tax structure and will benefit the economy and small local businesses. Thank you.

Bill Newman: Good afternoon. My name is bill newman. And along with my partner gordon hoffman, we run a venture capital fund northwest technology ventures. And it's venture capital fund that invests in small promising start-up companies. Oftentimes those companies are based on technologies coming out of the universities such as Portland state or Oregon health sciences university. And I am thanking you for the opportunity to speak to you today. We definitely support reform of the business license fee. It's an important and necessary update. However, there are other problems with this license fee that I would also urge you to consider and I appreciate commissioner Sten and mayor Potter, your giving me some time to bring to your attention this issue, which I would like to bring up to the broader council today. As I mention, we are a venture capital fund. And we manage investors' monies. What we do is we make investments in small start-up companies. Aside from that particular investment focus, however, we are not markedly different from trust funds, mutual funds, and other money management companies. We pay the business license fee on our investment business just like those funds do. However, we have recently learned that the city of Portland takes the position that not only is our business subject to this fee, which we do not dispute, we realize that's the cost of doing business in Portland, but that our investors' investments are also subject to that fee. And that's in contrast to trusts, mutual funds, and money management firms. We were informed that this was a measure of interpretation and it should be brought to the attention of the city council. And we would urge to you address that. Now, a little addendum to this story, sadly, after having our fund in Portland for five years, we have had to just

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recently in the last two months, move our fund outside the city of Portland limit because we learned of this exposure. We simply can't expose our investors to the business income tax that they should rightly not have any exposure to. We accept our business's exposure to it. We can't expose our investors to it. It's simply an issue of equity and we feel that venture funds should be treated no differently than other management, money management funds in the city and I thank you for the time to bring this to your attention and urge to you address this as you are now addressing the other issues related to the business license fee. Thank you.

Adams: It's a great issue. We wanted to get this done and there are other issues that came up as during the course of our work on this package. Yours is definitely one of them that we will be addressing in the months ahead. So it's a great issue. It's a real problem. And it deserves our attention and it will get it.

Newman: Thank you. And all of us in that industry here in the city and our service providers are ready to provide you with any assistance you need in drafting any amendments or modifications to do ordinance.

Adams: Count us in. That's the others. Thanks.

Potter: Thanks for being here, folks. When you speak please state your name for the record. You each have three minutes. Who's first?

*******:** Who's supposed to be first?

Potter: Go ahead and start.

Steve Rawlinson: Sure. Hi. My name is steve rawlinson and I am owner of three star fix advertising. Small ad agency here in Portland, Oregon. I am member of the small business advisory counsel just elected recently and also I am on the p.b.a. I am not on the pbbra. But a member of Portland business alliance. I come from a family of entrepreneurs here in Portland. We have about three generations of entrepreneurs. My great-grandmother teller was owner of teller construction company here in Portland. My grandfather took the business over and ran it successfully until he passed away. And my grandpa and my dad's side was opened the price water house here in Portland, Oregon. His name was charles rawlinson and he was there until he retired and had a long, successful career. I moved down to california in 1983, after high school and finished up college down there, and had an opportunity to work in a powerhouse economic powerhouse, california, and work on a lot of, you know, major accounts and had a good opportunity to learn the trade down there. Also lived for four years in mexico city which is also pretty big powerhouse. He came back to Portland and decided to open a business, and I remember when I went in to speak to my c.p.a. About getting, you know, my license and getting set up, he said, he said, if your client requires that you be in Portland, that's the only reason you should be in Portland. Because the taxing and all that's going to, you know, just drive you broke. Excuse me. While I went ahead and started the business in Portland and I have all intentions of growing and keeping it going, I am hoping that some day I can run a campaign that says, widen and who? I am still looking for my nike. I am hoping they are going to come. I am sure they will. But anyway, I support -- I also kind of second my support that, of the small business advisory counsel and the Portland business alliance and I thank commissioner Adams for bringing this forward. I think it's a real good step forward to make Portland a business-friendly city. I am amazed that, you know, we are in between california and Washington, powerhouses, and yet we only have one fortune 500 company in the state. I know that we are talking city here, but really I think we need to do everything we can to possibly make this really a business-friendly city and so I want to thank you very much for having, giving me the time to speak and thank you very much.

Bob Ward: Gentlemen, my name is bob ward. And I am the managing partner of cappy bar ventures. We are a local seed stage venture capital company and right now we are the only venture capital company headquartered in Portland. So what I am going to relate to you is exactly what you heard from bill newman, and that there is a quiet exodus taking place from Portland now with v.c.

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Funds and other forms of private equity as well from what I understand. And I think that this could have severe impacts for small businesses, which we are talking about today. And to give you an idea, our small venture fund has leveraged \$2 million into \$44 million for, in the form of co-investment into the companies we put money in. So despite our rather small limited resources, we are able to leverage that significantly and that can mean a big difference here locally. And if you look at the local infrastructure in general and compare it to other regions, seattle in particular, you will find that our footprint as far as v.c. Money goes is 1/10 that of seattle. Numbers are even worse when you compare us to the bay area. I would encourage you to husband these resources and to encourage them to come to this area. They are a major source of local growth. And it is from what I know, Portland is the only method met area that wages this type of tax against venture funds. So from that standpoint a change is necessary and I very much appreciate your bringing this up before we have the chance to speak with you. So again, I think if we want to change from being a brain colony into an area that fosters and retains the intellectual property that's developed here that this is a good first step. And an absolutely necessary one. Thank you very much for your time.

Hugh Mackworth: Good afternoon. My name is hugh mcworth and managing partner of venture. We are the second largest fund in Oregon with about \$100 million with offices here and in the bay area. The, we have been paying the b.i.t./b.l.f. Since our formation back in 2000 and we have no problem with that. However, we were shocked about a year ago when we found out the city's interpretation is that this, that the fee would also apply to a passive unlimited partnership with, whose investors are by and large not from Portland. We have i.b.m. Corporation, we have the small business administration, we have investors from all over the country. And the idea that an entity would with no employees, no revenue would be subject to this tax was quite startling to us. In conferring with our attorneys and accountants, we got some understanding of some structures and we have moved our, at considerable annoyance and time and energy, have move our limited partnership out of the city. We were very keen on keeping the management company in the city. Because debbie coleman and I have enjoyed participating in the economic activity here. We believe we have successfully moved our limited partnership outside of the city so it is not subject to this tax. And we are looking Portland to hearing whether or not that is accurate. If it turns out not to be then we will immediately move the management company out of the city. That is, it is our if I dory responsibility not to pay this tax. It's critical. And I would just add that location matters. You know, if you do, if you do inadvertently cause capital venture firms as we already have with northwest technology push them out of the city, then, their startup companies that are eager for their financial investment will follow. Being close to the companies is important to venture investors. We are very hands on, work very closely to those entities. So in summary, I will just say that I am glad to hear the positive support for this that you would have no -- I believe you would have no true economic cost of making such a transition because we will structure in ways to get around it. But the you would have potentially significant economic development advantages in making some of a transition and certainly this symbolism of saying that Portland welcomes venture capital funds I think would be a positive one for start-ups and the Portland community. Thank you for your time.

Potter: Thanks for being here, folks.

*****: Ladies first.

Potter: State your name for the record. You have three minutes each.

*****: Excuse me?

Potter: You have three minutes each.

Pat Lawrence: I am pat lawrence. I live in the city of Portland. I also own a business in the city of Portland. My business is sun back business brokers and many times we see businesses that leave the city. Maybe we just kind of fly under the radar. We see them leave because they close, because they can't afford to stay here. Also they leave and go to other areas like vancouver, Washington and Washington county and clackamas county. And it hurts me to see this and I am sure it does you,

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too. So my appeal is emotional because I see these businesses go away and I think you want as a city to have a very prosperous growing city with businesses locating here and growing here. And so I ask you to support sam Adams' resolution and thank you for listening to me and all these other people. [laughter]

Adams: You're welcome:

Richard Hawkins: My name is rick hawkins and I am a shareholder with geffen measuring company, a local accounting firm up the street. I start might career here in Portland with the national accounting firms and I can assure you that the inequity with respect to the size of the firm, my firm today is close to 80-person firm compared to an over '00-person firm that I was with formerly with and fees that we are paying today are probably three times what the fees were of the national local firm here in Portland. So I really commend the commission to analyze these changes and truly do support the changes that are being recommended. From a client perspective looking at my clients, over the years, and I have been in practice over 30 years, there's been a number of clients that have moved from the city. And there's been specific reference here today with respect to the venture firms. And flee venture firms that I have done work for have moved from the city because of those, this potential tax burden that may impact them. But I feel that this is a movement in the right direction. People with emerging companies for which we do a lot of work, their employees want to be in Portland. They like being in Portland. But management has to measure the costs and as a result, in the majority of cases they do move from the city because of this business license fee. So these are changes that are important. I encourage to you support them. And we need to continue to make changes in this fee structure. Thank you.

Potter: Thank you, folks.

Moore: That's all who signed up.

Potter: Ok. This is a resolution. Call the vote.

Moore: Adams.

Saltzman: Before we do that I guess I would like to raise the prospect of amending this to include the venture capital firms.

Adams: Why don't we say report back in 60 days.

Sten: I was going to suggest an amendment to say it's therefore be it resolved it's the council's intent to address the venture capital issue and instruct staff to report back us to with a proposal within 60 days.

Leonard: Including the economic impact of such a proposal.

Sten: Absolutely.

Saltzman: I second that.

Potter: Call the vote on that.

Moore: Adams.

Adams: I'm sorry. That came to our attention in the last couple months and we didn't have time to get it done for this. But 60 days gives us time to wrap it up. Aye.

Leonard: I do hope that were not just blindly agreeing to a proposal that could cost the city a lot of money. And were going to all sit back independently and analyze what the report is to see what the impact is on the receipts of the city. If that's the case, aye.

Saltzman: I certainly appreciate we need to look at the revenue impact but it sounds like we are losing firms at a pretty rapid clip here and I would like to keep this sector for because I think it does complement so much of what Portland is all about. We will look ate in 60 days. Aye.

Sten: If I am wrong on the facts then we should revisit the policy from right on the facts it's the right policy and the facts as I understand them and I do want to see them as you suggest commissioner Leonard, are that we don't have very many of these firms and the ones we have are leaving so we are not losing any money because there are not going to be here. And the second fact pattern is that what I would consider comparable funds that existed when this legislation was

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written in the 1970's i.e. mutual funds and this fund didn't exist enjoyed the exemption for the logic for this one. There's already analogy in our rules that's been in place for quite some time and I think it's an unintended consequence that hurts business. If that fact pattern is wrong I would want to revisit it but that's what's driving my thinking. Aye.

Potter: Aye. [gavel pounded] call a vote on the resolution.

Adams: Well, I want to thank my colleagues on the city council for their support. Commissioner Saltzman has been steadfast over two years. Commissioner Sten in the early summer came to me saying that he wanted to support some change. Mayor Potter, I am grateful for your co-sponsorship and commissioner Leonard for keeping an open ear over these past two years. I especially want to thank warren jimenez on my staff who has worked his -- he's worked really hard on this. [laughter] he really has. [applause] i'm very grateful I have a great staff. This is the first time that Portland has lowered the b.l.f. on an ongoing basis since it was consolidated in 1975. And I hope that this will serve as proof of our determination that, in Portland, we want to be a great place for even more businesses to prosper and grow and provide those family-wage jobs that make this a complete community. I can't tell you how proud I am to have been part of this with all of you and I just want to thank you. Aye.

Leonard: Since first taking elective office in the Oregon legislature in the early 1930's -- did I say - - [laughter] right now it feels like the early 1930's.

Adams: You need to buy new moisturizer.

Saltzman: Did you write the federalist papers, too? [laughter]

Adams: Ah aw, you need a hug.

Leonard: I need a hug. Thank you.

Adams: Start over.

Leonard: Ok. Since first taking office -- I should always what I write. Why write it down? Since first taking office in the early 1990's, 1993, to be exact, i've been involved in constructing budgets on the state level or the local level and the greatest economic boom times in the history of Oregon have also been in the legislature and on the city council being charged with having to construct budgets during the most severe economic down turn in this state's history. And i've developed some conclusions from that experience and that is during economic boom times tax receipts obviously exceed demands for service and proposals for tax reductions as we are discussing here today are very popular. And we hear testimony exactly like we did today. Hardly any disputed. During economic down turns, demands for basic government services, including public safety, fire, and police, prison guards, those kinds of things, exceed tax receipts. The result is again in my actual experience slashing public safety budgets, laying off or eliminating vital fundamental public employee positions, and also making some. Most gut wrenching decisions the public official can ever make. I've been either from whatever your perspective blessed or cursed by having to sit through some. Most human tragic kinds of testimonies, the impact budget cuts have on, and I am not talking about public employees but services that citizens actually depend on, often for their very lives. This proposal came up once before and I voted no. And much of my reluctance to support the previous proposal, or much of the reasoning for my voting no before and my reluctance to support this current proposal is steeled in those experiences. And only those experiences. Had I shown up tonight and listened to hay heard here I would be like everybody else, a quick yes vote. Actually, martin's argument that he made that Oregon's bond rating as opposed to Portland's bond rating is the third lowest in the country makes my point. I don't know that he intended that. But when he said that, I realized, well, that's actually the point that I am trying to make. Measure 5 passed in 1990. Was slashed property taxes throughout the state and shifted the burden to fund local schools from local property taxes to the state general fund thus competing with other state vital services, those kinds of things. Measure 50 passed a few years later and reduced even more the amount of the receipts that state government and local government depends on to provide those

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services. I was in the legislature when the single point sales tax measure passed and I won't explain it in detail here except to say it has huge dramatic reduction on the general fund of the state to provide service that is we all depend upon. And it's interesting in this debate to me that some that choose to move to Washington or clackamas county because as they do say which is accurate that taxes are less there, we don't hear the other balance, the balance of that argument, which is this.

Many of those business communities, in suburban areas of Portland couldn't exist without the social and economic viability of Portland. In many ways we subsidize their economic health by being a vital city that provides good services and provides a safe city and provides housing to people who can't otherwise afford housing and more importantly, what I think often is missed, fire and police services in any dense urban area in the united states are required at a much higher level, much higher staffing level simply because the infrastructure. High rise buildings demand a lot of firefighters downtown to hit a high rise building in a very short period of time to save people's lives.

That's not necessary in Washington or clackamas county. Police services in the city require more per 100,000 population because of the unique issues urban cities throughout the united states share.

So my bar is high 37 let's just put it that way, to permanently reduce the income for the city that I grew up in. And it is my reluctance is not steeped at all -- I was really happy the one man from the hollywood district who testified. Is he here still? There he is. Great testimony. It was actually very persuasive. His point that this is a group of people that cares a lot about the business community really was nice to hear because I believe that. I feel -- I know we all do in our own way. But I have this very steeped reluctance to just permanently give up a permanent source of income to fund services that I know when the economy goes down we are going to have to find the resources somewhere to pay for it. But as I said the bar is high as it is, commissioner Adams, in his really what I will call diligent work, he had to put up with meeting with me and listening to my various concerns and then he went out to the community and did this presentation, this excellent presentation that he did. And he satisfied my concerns. As hard as I was on him and as tough as I feel about this issue and as prepared as I am to sit here and vote no by myself, as unpopular as that would be, it's really a testament to commissioner Adams' hard, diligent work that I was able to philosophically get myself to the place where I could go to sleep tonight and honestly feel like I gave a, an earnest vote of support for this proposal because I think he's made the case that, on balance, my concerns notwithstanding that we can afford to make this change, and we can afford then to even look at other more equitable ways to raise revenue than this entire business license fee by itself. I think he and I are having some important discussions about actually changing the way we raise revenue and getting away from that kinds of a revenue source entirely but replacing it with something municipal more responsible. So it's with really a lot of tipping of the hat to commissioner Adams that I vote aye and appreciate his hard work. [applause] you're welcome.

Moore: Saltzman.

Saltzman: Well, somebody should vote no I guess. [laughter] but it won't be me. [laughter]

Leonard: Thanks.

Saltzman: I look at revenue foregone by making these changes and I think these changes are really in the scheme of things modest. I would prefer we were going to \$125,000 right now on the owner's compensation. And I realize that we have to temper revenue loss with the investment. And I do regard this as an investment in jobs and supporting the hard working, probably the hardest job there is and that's owning and running your own business. I have great amount of respect for people that do that. I've done it myself and I know how hard it is. And I know how hard it is to fathom all the fees and the taxes that you have to pay whether it's in Portland, beaverton, anywhere else. So I think that this is really, we have to take advantage of the good times to make this investment. I've watched on the sidelines over four or five years ago when mayor katz convened a group and charged them with coming up with changes to the business license fee, but it had to be revenue neutral. I felt sorry for those people but maybe even sam Adams was part of that group but it was

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doomed to failure. You can't get there being revenue neutral. You have to take a risk and this is a risk well worth taking here. And I think it will pay off in dividends and we need to speaking of dividends we need to make sure we do take care of the venture capital funds as well. I think they deserve a home in Portland and deserve not to be deterred from Portland as a place to live and to work. More importantly I think Sandra McDonough said, it's also sort of a pay back. We have asked the business community to step forward several times now to support our schools in dire situations.

And they have done that. I know it hasn't been easy. And finally this issue regardless of the debits or pluses, how much money it cost us, how much money it's going to put in the pockets of a small business owner, this issue has become a bellwether issue. Its symbolic is more important. That's why it's finally important to be able to say we have heard your message. All of us as candidates have heard the stories. We have all talked about the need to do something about Portland business taxes. Now is your chance to finally deliver. I want to thank commissioner Adams, mayor Potter for their work on this. And it feels good to really say we've done something, we haven't just talked about it or studied it some more. So I am very pleased to vote aye.

Moore: Sten.

Sten: It also want to thank Sam for your work on this. It's been very good and I am bin laden to get this done and through. I think most of our difficult votes up here and at this point this one is not that difficult. But generally they are not kind of big ethical quandaries. They are generally balancing two really good points and that's usually what most of our land use cases are about. Most of our taxes cases are about. Do you allow this or thought that? And they are come competition with each other and they both have a good ends and obviously we need to raise revenue to run the city people expect. I have in other words heard a business person argue we could eliminate this fee and make those kind of cuts. That's not an argument people have made but over time it's just become a little bit unbalanced. Actually, day and I had some spirited arguments at one time about the fact that last spring, I was really aggressive in asking questions about a similar proposal and to be blunt at this point I don't think the proposal was all together and I actually, wasn't necessarily believed on this but I was saying one of the reason I was asking so many pointed questions because I think there's something we have to get to but we have to do it right. To commissioner Adams' credit he went back and did all of the right. If you look at numbers, the places of thresholds are set, the commitment to go back and adjustment the minimums a little bit to get at the other inequity issues, this is a broader and more comprehensive and thoughtful approach and need to be committed. I also think that our world, these days, the old forget who's old. It's a cliché but who's saying it was perception and reality are so tied. And I think that for whatever reasons ideological which is out there, political which is out there, the argument about our are we pro or anti-business has spun out of control in years past and neither side was accurate too be blunt. What's most pleasing to me and I hope we can join it is that we will make Portland as friendly as people perceive it to be. And we need to join with all of you and send the messages that need to be sent. This is, this is by any measure one of the most successful and attractive cities in the country right now. Yet at the same time people are flocking here and doing all sorts of things, paying crazy housing prices to want to live in the city because of the value in the city we have been arguing with each other instead of marketing the strategizing to take advantage of all that talent that's here and get businesses in place. That's our next step together. We need to make this move to ask to you make the next move and I am asking to you say let's change the rhetoric. Let's change the argument. Let's get out there and promote Portland so your businesses ask prosper and peck provide services that are needed so it really feels good and I'll just stop. It's getting late and vote aye.

Leonard: Potter.

Potter: Thanks for leaving me a couple of minutes. I just wanted to really say thanks to you, commissioner Adams. Your leadership and actually your persistence has really paid off on this. I think what really tipped it for me, because we deal with this issue all the time at city council, is

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what is the equity in the situation? How is this fair or in the fair? Often we turn back fees to somebody because we didn't follow our own process. To me this is a much larger issue in the sense of howl people it affects. But I came to do conclusion that this really was regressive on small businesses. And that I know that there is risk involve. I think commissioner Leonard said its very well when in terms of when the economy goes south and we know it's cyclical and we know it will this involves a certain amount of risk. But listening to some of these stories from the small business owners about when they get up in the morning, the day is full of risk. And that you don't have a rainy day fund. And that you make things work. Really impressed me. And I think this is the right thing to do. I think that our small business community really, really deserves this. And I appreciate you folks sticking around Portland. And I want us to grow together as a community and work with the business community as we have. Commissioner Saltzman is right that a lot of the things that have occurred in the last few years is because of business community supported it. All the way from our schools down to the police and fire reforms. So I am thankful for what our business community gives back to the citizens. And I am thankful that is some small repayment on our part to a group of people who worked very hard to make Portland a successful, vibrant city so thank you all. Thank you, commissioner. I vote aye. [gavel pounded] [applause]

At 6:17 p.m., Council adjourned.