



CITY OF
PORTLAND, OREGON

**OFFICIAL
MINUTES**

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **7TH DAY OF MAY, 2008** AT 9:30 A.M.

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

Commissioner Adams was excused to arrive at 9:58 a.m.

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

On a Y-4 roll call, the Consent Agenda was adopted.

| COMMUNICATIONS | | Disposition: |
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| 556 | Request of Volodymyr Golovan to address Council to suggest the Independent Police Review Division conduct an investigation and the 2006 Portland election (Communication) | PLACED ON FILE |
| 557 | Request of Sharon Nasset to address Council regarding the Columbia River Crossing Project and the National Environmental Policy Act (Communication) | PLACED ON FILE |
| 558 | Request of Lisa Iacuzzi to address Council regarding changing the camping ban ordinance (Communication) | PLACED ON FILE |
| 559 | Request of Homeless Liberation Front to address Council regarding the homeless protest and related matters that affect the community (Communication) | PLACED ON FILE |
| 560 | Request of Arthur Rios, Sr./Homeless Liberation Front to address Council regarding the protest in front of City Hall (Communication) | PLACED ON FILE |
| TIME CERTAINS | | |
| 561 | TIME CERTAIN: 9:30 AM – Transmit Mayor’s message for FY 2008-09 proposed budget (Mayor convenes Budget Committee) | PLACED ON FILE |

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| <p>562 TIME CERTAIN: 9:45 AM – Declare intent to initiate local improvement district formation proceedings to construct street improvements north of Francis St in the SE 31st Avenue Local Improvement District (Resolution introduced by Commissioner Adams; C-10026)</p> <p>Motion to accept amendment to accept additional petitions that were received after the resolution was filed: Moved by Commissioner Saltzman and seconded by Commissioner Adams. (Y-4)</p> <p>(Y-4)</p> | <p align="center">36602 AS AMENDED</p> | |
| <p>563 TIME CERTAIN: 10:00 AM – Amend fee schedules for electrical, enforcement penalties, facilities permit, land use services, neighborhood inspections, noise control, plumbing, signs, site development, zoning and certain construction permits (Ordinance introduced by Commissioner Leonard)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> | |
| <p align="center">CONSENT AGENDA – NO DISCUSSION</p> <p align="center">Mayor Tom Potter</p> <p align="center">Bureau of Housing and Community Development</p> <p>*564 Amend subrecipient contract with Central City Concern by \$417,728 for services for homeless adults and provide for payment (Ordinance; amend Contract No. 37597)</p> <p>(Y-4)</p> | | <p align="center">181785</p> |
| <p>*565 Authorize subrecipient contract with Affordable Community Environments for \$225,000 to provide assistance in the rehabilitation of its community residence and provide for payment (Ordinance)</p> <p>(Y-4)</p> | <p align="center">181786</p> | |
| <p align="center">Bureau of Planning</p> <p>566 Adopt and endorse the Memorandum of Understanding with International Centre for Sustainable Cities and provide for payment (Second Reading Agenda 520)</p> <p>(Y-4)</p> | | <p align="center">181787</p> |
| <p align="center">Office of Management and Finance – Business Operations</p> <p>*567 Authorize acquisition of vehicles for use by City Bureaus (Ordinance)</p> <p>(Y-4)</p> | | <p align="center">181788</p> |
| <p>568 Authorize the donation of a surplus mobile office trailer (Ordinance)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> | |
| <p align="center">Office of Management and Finance – Purchases</p> <p>*569 Authorize an Intergovernmental Agreement with Multnomah County for the Technical Assistance Program to assist small certified businesses on construction projects (Ordinance)</p> <p>(Y-4)</p> | | <p align="center">181789</p> |

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| Office of Neighborhood Involvement | | |
| *570 | Authorize an Intergovernmental Agreement between the Office of Neighborhood Involvement and Multnomah County Public Affairs Office for mediation services for the Community Residential Siting Program (Ordinance) (Y-4) | 181790 |
| Portland Development Commission | | |
| 571 | Authorize the City to serve as fiscal agent for the Portland Development Commission for a U.S. Department of the Interior Save America's Treasures grant of \$195,832 for the restoration and re-use of the Eric Ladd Cast Iron Storefront Collection (Ordinance) | PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM |
| 572 | Authorize the City to serve as fiscal agent for the Portland Development Commission for an Office of Economic Adjustment, Department of Defense grant of \$260,161 for community site reuse planning activities related to the closure of Sgt. Jerome Sears U.S. Army Reserve Center and 2nd Lt. Alfred Sharff USARC (Ordinance) | PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM |
| Commissioner Sam Adams | | |
| 573 | Provide grant to Sweatfree Communities, Inc. to support formation of the State and Local Government Sweatfree Consortium (Ordinance) | PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM |
| Bureau of Environmental Services | | |
| *574 | Authorize an Intergovernmental Agreement with the Oregon Department of Environmental Quality for participation and funding for the collection and analysis of sediment samples in the Willamette River (Ordinance) (Y-4) | 181791 |
| *575 | Authorize the Bureau of Environmental Services to acquire certain temporary construction easements for the Outfall 28 Diversion Structure necessary for construction of the East Side Combined Sewer Overflow Tunnel Project No. 7594 through the exercise of the City's Eminent Domain Authority (Ordinance) (Y-4) | 181792 |
| Office of Transportation | | |
| 576 | Set a hearing date, 9:30 a.m. Wednesday, June 4, 2008, to vacate a portion of SE 42nd Ave south of SE Crystal Springs Blvd (Report; VAC-10034) (Y-4) | ACCEPTED |
| *577 | Approve an Intergovernmental Agreement with Lane Regional Air Pollution Authority and accept \$87,211 in funding for Sunday Parkways project (Ordinance) (Y-4) | 181793 |

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| <p>*578 Amend Intergovernmental Agreement with Metro to define the scope of work and budget for the current fiscal year and provide resources for the local match required for Metro contribution to the Portland Streetcar Loop Project (Ordinance; amend Contract No. 52731) (Y-4)</p> | <p>181794</p> |
| <p>579 Grant revocable permit to Scandals Lounge and Restaurant Inc. to close SW Stark St between 11th Ave and 12th Ave on June 14, 2008 through June 15, 2008 (Ordinance)</p> | <p>PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> |
| <p>580 Call for bids and authorize a contract for the 122nd Ave Traffic Signal Replacements and Pedestrian Improvements project (Second Reading Agenda 535) (Y-4)</p> | <p>181795</p> |
| <p>Commissioner Randy Leonard</p> | |
| <p>Bureau of Development Services</p> | |
| <p>*581 Amend contract with Mary H. Zinkin to complete managerial coaching, team-building and organizational development consultation (Ordinance; amend Contract No. 36198) (Y-4)</p> | <p>181796</p> |
| <p>Water Bureau</p> | |
| <p>*582 Amend Intergovernmental Agreement with the Regional Water Providers Consortium related to protection of sensitive information (Ordinance; amend Contract No. 52523) (Y-4)</p> | <p>181797</p> |
| <p>583 Amend contract with Black & Veatch, Inc. to extend term and increase compensation for conduit trestle vulnerability reduction design services (Second Reading Agenda 537; amend Contract No. 35458) (Y-4)</p> | <p>181798</p> |
| <p>Commissioner Dan Saltzman</p> | |
| <p>Parks and Recreation</p> | |
| <p>584 Enhance tree protection services by implementing a processing fee for the combined street tree removal and replanting permit and establish civil penalties for violations (Second Reading Agenda 542; add Code Section 20.40.215) (Y-4)</p> | <p>181799</p> |
| <p>REGULAR AGENDA</p> | |

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| <p>585 Authorize the Portland Office of Transportation to enter into a contract with Max J. Kune Construction, owner of the old Sauvie Island Bridge, to rehabilitate, relocate and acquire the old Sauvie Island Bridge center span for the purpose of moving it to NW Flanders St over I-405 (Second Reading Agenda 543; Ordinance introduced by Commissioners Adams, Leonard and Saltzman)</p> | <p align="center">REFERRED TO COMMISSIONER OF PUBLIC UTILITIES</p> |
| <p align="center">Mayor Tom Potter</p> | |
| <p>S-586 Establish a Rainy Day Fund for FY 2009-10 (Resolution) Motion to accept Substitute Resolution: Moved by Commissioner Saltzman seconded by Commissioner Adams. (Y-4) (Y-4)</p> | <p align="center">SUBSTITUTE 36603</p> |
| <p align="center">Bureau of Housing and Community Development</p> | |
| <p>587 Adopt and authorize submission of the Action Plan 2008-09 application to the U.S. Department of Housing and Urban Development for grants under the Community Development Block Grant, HOME Investment Partnership, Emergency Shelter Grant and Housing Opportunities for Persons with AIDS Programs (Second Reading Agenda 555) (Y-4)</p> | <p align="center">181800</p> |
| <p align="center">Office of Management and Finance – Business Operations</p> | |
| <p>588 Authorize a contract and provide payment for the Portland Fire & Rescue Station 1 Seismic Upgrade and Facility Remodel project (Second Reading Agenda 545) (Y-4)</p> | <p align="center">181801</p> |
| <p align="center">Office of Management and Finance – Financial Services</p> | |
| <p>589 Adopt City Comprehensive Financial Management Policies (Ordinance)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> |
| <p>590 Authorize revenue bonds for Enterprise Business System Project (Ordinance)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> |
| <p>591 Authorize South Park Blocks Urban Renewal and Redevelopment Bonds (Ordinance)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> |
| <p>592 Authorize water revenue bonds to finance water system additions and improvements (Ordinance)</p> | <p align="center">PASSED TO SECOND READING MAY 14, 2008 AT 9:30 AM</p> |
| <p align="center">Office of Management and Finance – Purchases</p> | |
| <p>*593 Amend contract with Pacific Consulting Group, Inc. to provide Quality Assurance services for the Enterprise Business Solution Project (Ordinance; amend Contract No. 35627) (Y-4)</p> | <p align="center">181803</p> |

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| <p>*594 Authorize contract with SAP Public Services, Inc. to provide implementation consultant services for the Enterprise Business Solution Project (Ordinance) (Y-4)</p> | <p>181802</p> |
| <p>Commissioner Sam Adams</p> <p>Office of Transportation</p> | |
| <p>595 Assess benefited properties for street and stormwater improvements in the SW Texas Green Street Local Improvement District (Second Reading Agenda 517; C-10014) (Y-4)</p> | <p>181804</p> |
| <p>596 Authorize application to the Oregon Department of Transportation, Transportation Enhancement Program for a grant of up to \$1,000,000 for Phase Two of the NW Flanders Bike Boulevard, Sauvie Island Bridge Relocation Project (Second Reading Agenda 547) Motion to accept amendment to make a request to continue to pursue the state resources for the Flanders Bike Boulevard and Bridge: Moved by Commissioner Adams and seconded by Commissioner Leonard. (Y-3; N-1, Potter)</p> | <p>PASSED TO SECOND READING AS AMENDED MAY 14, 2008 AT 9:30 AM</p> |
| <p>597 Authorize application to the Oregon Department of Transportation for a grant financed by State lottery funds to provide for the purchase of streetcars used in public transit systems (Second Reading Agenda 548) (Y-4)</p> | <p>181805</p> |
| <p>Commissioner Dan Saltzman</p> <p>Office of Sustainable Development</p> | |
| <p>*598 Accept a \$35,884 grant from the State of Oregon Department of Environmental Quality for a retail grocery food rescue program to be implemented by the Fresh Alliance for the Oregon Food Bank (Ordinance) (Y-4)</p> | <p>181806</p> |
| <p>599 Update city waste prevention and recycling policy, increase fees for companies collecting solid waste from commercial accounts in Portland and prohibit the storage of solid waste, recycling or compostable containers on the right of way (Second Reading Agenda 553; amend Code Chapter 17.102) Motion to accept amendment of effective date is July 1, 2008: Moved by Commissioner Saltzman and seconded by Commissioner Leonard. (Y-4)</p> | <p>PASSED TO SECOND READING AS AMENDED MAY 14, 2008 AT 9:30 AM</p> |
| <p>Parks and Recreation</p> | |
| <p>*600 Authorize contract with the lowest responsible bidder for the construction of the proposed Lents Park Improvements (Ordinance) (Y-4)</p> | <p>181807</p> |

At 11:54 a.m., Council adjourned.

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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.

May 7-8, 2008

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| <p><u>WEDNESDAY, 2:00 PM, MAY 7, 2008</u></p> <p>Council to convene as Portland Development Commission Budget Committee</p> | |
| <p><u>THURSDAY, 2:00 PM, MAY 8, 2008</u></p> <p>Council to convene as Portland Development Commission Budget Committee</p> | |

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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.

MAY 07, 2008 9:30 AM

Potter: The reason I ask that is because, when a community takes care of its children, it's a good indication the community is healthy and safe and well. And we invite young people in to talk to us each week and share some of the information they have about what's important to them. This morning we have three young folks from ron russell middle school with their teacher, shelly hamus.

Could sarah, edwin, and kim come forward, please? Who's going to start? You, edwin.

Edwin Garcia: My name is easy within -- edwin garcia. I live in southeast Portland and attend ron russell middle school in the david douglas school district. My mom is from honduras. She has raised me as a single mother, asking for nothing from the system. She has worked hard to provide a life for us. Currently I participate in track and field. I also enjoy basketball, football, and soccer. He enjoy reading books. My language arts teacher has encouraged me to read beowulf. I live in the area of southeast Portland. I love this area because of the rich cultural diversity it represents. You can drive down 82nd avenue and see signs for stores and restaurants written in other languages such as vietnamese, chinese, russian, and spanish. I am faced with gangs, drug, crime, and other illegal activities. When looking at how the problem can be solved, I feel it is vital our citizens take pride and ownership of their community. This involves neighborhood watches, litter patrols, community centers, and other neighborhood activities. I feel the youth of my community need to be more involved. During the summer, many youth do not have access to activities, ending up wondering the streets or playing video games. I feel a community center would unite my community as well as provide sports facilities, computers, and adult mentors for our youth. Sir, I am asking you and the members of city council to use some funds to build a community center accessible to the neighborhood which serves david douglas school district. This would be done through the parks and recreation department, similar to the mount scott recreational center. Thank you for listening to what I have to say, and I appreciate your immediate action.

Sarah Wilson-Arnet: Hello. I live on 127th and market street. My neighborhood is fairly quiet with a few exceptions here and there. We have a few parks in my neighborhood, and right across the street is a shelter for women and children who don't have a place to stay. I asked my friends and family about concerns in the community. A couple people mentioned the violence at the max station. I think there should be more police on duty to keep it safer. Another issue is the gas prices are continuing to increase. There are some good things in the community. The church I go to participates in the 82nd pickup. Once a month, we go to 82nd and pick up trash. I enjoy working for the community. Overall, I think the area I live this is nice and diverse. Thank you for your time.

Kim Phan: Hi. I'm an eighth grader at ron russell middle school. My neighborhood is pretty normal. Despite looking normal, there are problems like graffiti, gang, and sex. I believe our community is becoming accustomed to these social problems. We shouldn't do that. What is happening now affects the future of our community. We need preventive programs to make it a safe place. These days, parents are uncomfortable with their kids walking or taking the bus. A neighborhood watch program would make a difference. I would not participate in the community. I really believe that together we can make a difference. Thank you.

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Potter: All these three young folks are from the school's leadership class, and I think they certainly demonstrated leadership this morning. Can we give them a hand, please?

[applause]

Potter: Thank you for being here.

*****: Thank you.

Potter: Council will come to order. Karla, please call the roll.

[roll call]

Potter: I'd like to remind folks that, prior to offering public testimony to city council, a lobbyist must declare which lobbying entity they are authorized to represent. Please read the first communication.

Item 556.

Potter: Please state your name for the record, and you have three minutes.

Volodymyr Golovan: Thank you. Volodymyr golovan. Dear, mr. Mayor and city commissioners, i'm here to ask you for advice and for help. I wrote a complaint against my prosecutor, eric wassmann, to Oregon department of justice and to Multnomah county d.a. Asking them to investigate from mr. Wassmann broke any law in the course of my investigation. And I recently received a letter from department of justice which says that attorney general hardy meyers and district attorney michael schram, in my investigation mr. Wassmann investigated himself. I believe it's a conflict of interest and ask that mr. Wassmann investigated himself, found himself not guilty, and decided not to press charges against himself, which I believe is in violation of ethic laws that he did not disclose the conflict of interest. And I would like to ask mayor and city commissioners to formally request a new investigation of Portland's election scandal of 2006 based on newly discovered evidence which mr. Wassmann refused to even find out what the evidence were. And to form malibu request an investigation of prosecutor eric wassmann. But, please, if you decide to do that, don't suggest the investigation agency do assign the case -- I mean, please suggest that investigative agency not to assign the case of wassmann to be investigated by wassmann. And I believe that voter-owned election scandal of 2006 is an extremely important matter to taxpayers, and it is absolutely necessary for you, mr. Mayor and commissioners, to have a meeting with me personally so that I could show you everything and explain to you everything. I got nothing to be afraid of, and I would be happy to open up and explain everything, especially because the newly discovered evidence suggests that there might be a special interest group that has been trying to kill voter-owned elections by all means possible, ethical and unethical, legal and illegal, and meeting with me will help you make the right decision. That's what I would like to ask you to do. Thank you very much.

Potter: Thank you. Please call the next.

Item 558.

Potter: Please call the next.

Item 559.

Lisa Lee Iacuzzi: my name is lisa iacuzzi and I represent sent a blog called "not a good queer". I'd like to talk about the campaign ordinance. It's an unfair ordinance because it criminalizes poverty. I'd like to respond to the editorial that the "oregonian" just wrote. The fact that they cited that people were camping all over the city recklessly is really not a fact. People were camping under the bridges. People were hiding. People were making themselves very invisible. And yet they were still arrested. And giving a misdemeanor violation trespassing, too. So I don't think the public was very aware that poor people were being criminalized for being poor. I don't think the public was aware of it at all. So i'm here today to let you know that the campers outside are not going to leave until the camping ordinance is modified, adjusted, some type of compromise. I'm disappointed not to see commissioner Adams here today in this. He knows the campers are outside, campers, protesters, whatever you want to call us, are outside and wanting this issue to change. I don't think

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people are ready -- I think if you made phone calls and you realize almost the last two years every domestic violence shelter has been full. It's like finding a bed is a needle in a hay stack. You wouldn't believe the people who are outside. It's a wide, diverse group of people, a lot of runaways, teenagers, all of the gamut that you could possibly imagine, and they come about 1:00 at night and they leave about 6:00 in the morning, 7:00 in the morning. So you only see a very small part of the people who are protesting. I don't believe that we're getting public support. We're getting public support because I think the people are finally happy to see people taking control of their lives. I don't want anything from you. I have a master's degree. I'm actually a licensed teacher in Oregon. I don't want anything free. I just don't want to be treated like a criminal. Thank you.

Potter: Thank you.

[applause]

Potter: Folks, during the course after regular city council meeting, we do not clap. You can raise your hands and go like that if you support someone, but that's the only show of support. Please call the next.

Item 559.

Princess H: Good morning. I'm princess h.

Potter: Could you perhaps get a little closer to the microphone?

Princess H: I'm princess h., and i'm affiliated with the homeless liberation front. I have been one of the original protesters sleeping outside of city hall as of the 25th of april, 2008, and I come before you with a statement, no gestapo tactics. It is inhumane of the city of Portland to not allow me to exist. Thus I am. And they are and they are diverse and they are culturally diverse as well, and we want a place to rest. We deserve a minimum of four hours rest and a better functioning eight hours rest. I'm kind of tired right now. Even resting outside is a bit weary. With the ordinances in place, without proper and adequate provision and accommodation, Portland is touting itself as unprogressive and inhumane, and i'm here to ask you what you're willing to do about that, and i'm also asking you to negotiate with us, to work with us, to resolve this matter until Portland is a city that is truly ready for progress and resolution, because it's been noted by yourselves and others that poverty is increasing, and it's a fact. We want to do something about it. We aren't looking for a free ride. We aren't looking for a ticket. We are looking for a way to truly progress in a city that's already touted itself as having that reputation. Thanks.

Potter: Thank you. When you speak, please state your name for the record.

Item 560.

Arthur Rios, Sr.: Arthur rios sr. Good morning. Hello. My name is arthur rios sr. I represent myself and the homeless liberation front which is currently protesting outside this building. I was homeless for nine years, an addict for 25. I am just under two years housed, clean and sober. On april 25th of this year, there were nine people protesting in front of city hall. Several of whom have been swept from under the burnside bridge the night before. The message spread from word of mouth, and we have grown. As of may 5th, we had 76 people protesting out in front of city hall. Homeless folk, like the rest of our great city's people, have needs. We recognize the city efforts through the 10-year plan to end homelessness. We feel that this process misses several things through. This law has been proven to unfairly target homeless people. 79 of the 88 warnings and citations between august 31st, 2007 and january 22nd, 2008 were people who were homeless. And the anti-camping law, it has -- if a person has nowhere to sleep, it is unfair to give him a ticket for the basic human functions. Open shelters for people who do not fit the basic stereotype. Couples, families, people with pets all need shelters that they can use. Designate a -- build more affordable housing. By our own city council's guess, the downtown region of our city is 2000 low-income housing units short of what is needed. With this many units missing, there are many people with jobs who do not have a place to call home. Stop the sweeps. It is morally wrong to sweep people if they have no other place to go. Sleeping on the sidewalk because you have no other place to go is a

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crime of desperation. Our city should have enough compassion to protect each of those without a home. Designate a green zone where it is safe to exist and people will not feel prosecuted based on their housing status. If we -- it would be great if we felt really and truly listened to, respected by city hall. This includes opening immediate dialogue with us about meeting these needs and involving us in the 10-year plan to end homelessness in a meaningful way. We will continue to protest in a nonviolent manner, demanding our basic needs and calling on our allies to support our movement. Thank you.

Moore-Love: That's all the communications.

Potter: Normally we don't make comments on the communications section, but I'd like to thank the folks for coming in to testify and for showing support of the issue of homelessness. I understand your concerns, and we are sympathetic to the needs of the homeless community, and I also respect your right to make your voice heard. The city opened emergency shelter beds this week and are opening more soon apt will hopefully use creative solutions to accommodate couples, those with disabilities, and those with pets. I'm also going to work closely with the housing authority of Portland to accept section 8 housing vouchers that will provide real homes for people. Right now, as many as 40% of the vouchers are being returned unused because the market has historically low vacancy rates and people with section 8 housing vouchers are having a difficult time finding housing, and that's wrong. You've also asked that the anti-camping and sidewalk ordinances be suspended. I want to be honest with you I won't support either of those measures. I believe they are important to the livability of our city for everyone. The solution to homelessness is not camping. It's helping folks get into housing. The city has been doing that. We have moved nearly 3000 individuals and families into permanent housing as part of the 10-year plan to end homelessness, and that work is continuing. Nearly 1000 apartments have either been built or are being brought online, and our goal is 2200 in the 10-year plan. We're looking at how we can enhance services around shelter beds we provide so that people are not caught in the endless cycle of shelters to get help while in a shelter to transition to a home. None of this will happen overnight. All of us up here on council are committed to making it happen. Appreciate you being here this morning. We are going to hold off moving to the consent agenda until a fourth council member is here. Please read the 9:30 time certain.

Item 561.

Potter: I'm convening the budget committee for the purpose of receiving the budget message. Committee members received copies of the late last week. The mayor's message is part of that document and a copy is also attached. The meeting of the budget committee is continued to thursday, may 8th at 6:30 p.m. At the king elementary school auditorium where we will take public testimony. Located at 4906 northeast sixth avenue, and we look forward to seeing all of you there. Thank you. And now reconvening the city council. We will hold off on the 9:45 time certain until commissioner Adams is here. 10:00? Do we have the folks here to testify?

Leonard: Yes. I believe so. Do we have, denise, the folks here needed?

Potter: Are you ready for the 9:45? It's the local improvement district on 31st and francis. Please read the 9:45 time certain.

Item 562.

Andrew Aebi, Bureau of Transportation: Good morning, andrew abbey, local improvement district administrator. I passed out an amendment that I'll ask you to approve here in a moment. I just want to show you a couple slides on the project. The first slide here is a map of the petition support that we received to improve southeast 31st avenue north of francis street. We have 87.4% petition support to move forward with the project, including a petition received for the wavered property that is shown in blue there on the east side of the street. 31st avenue is a dead end street north of francis street. Just a quick recap of the project. It's a fairly small project area. We don't have that many properties. We have a mix of rental properties, vacant lots, and one owner-occupied

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home. The project objectives are pretty straightforward. This is an inner southeast neighborhood. When you turn down 31st avenue, you see a large sea of gravel at the end of the street. There's a lot of dust and mud and, during the winter, there's typically a lake of storm water there that isn't properly drained. The project would pave the street, provide for storm water drainage, and also build new sidewalks that connect to the existing sidewalk network. Just as importantly, what the project would also do is construct curbs along 31st avenue. What we have a problem with right now are vehicles coming down 31st and then using that as an illegal cut through to get to Powell boulevard. Here's a picture of the project area from July of 1999. There was a building on what is now a vacant lot. There was arson and the building was torched. You can see the firefighters working on putting that fire out. Since that fire occurred, that building has been demolished and removed. What we now have, though, is a vacant lot. You can see that gravel area where people are coming down 31st avenue and they're driving down that area to get to Powell. What this project would do is build curbs and prevent that cut-through traffic. Fairly straightforward project. I wanted to ask council to entertain a motion to amend the resolution to accept additional petitions that we received after the resolution was filed. And we have some property owners here to speak with us today, and I'm of course happy to answer any questions you might have.

Potter: Do you have the amendment with you?

Aebi: Karla has the original and I think passed out the copies with the Tuesday memo.

Saltzman: I'd be happy to move that amendment.

Adams: Seconded.

Potter: Please call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye.

Potter: Thanks for being here, folks. When you speak, please state your name for the record for the record. You each have three minutes. Do you want to proceed?

Bradley Matson: My name is Bradley Mattson. I live at 3818 Southeast 31st. I own the two pieces of property on the west side. That would be -- that comprise about 100 linear feet of the project.

Janice Wilson: I'm Janice Wilson and --

Potter: Are you folks speaking together?

*******:** Actually, no.

Potter: Did you wish to say anything else?

Matson: Certainly. The concern that I have and the concerns that the neighbors who are not right on the project but are just to the south of the project on 31st avenue have mostly liveability issues. The traffic, as Andrew mentioned, that is eliciting going through Mr. Emmert's property is a big concern. They tend to four wheel through that and come down through 31st avenue with excessive speed and somewhat recklessly. I believe Andrew has done a very good job in resolving some of the issues that we would have, and I am in support of the project. However, I don't know that there is a real good financial reason for doing it from my perspective.

Wilson: I'm Janice Wilson, and I own the duplex at 3724 and 3726 Southeast 31st. And I don't live there. I just manage the duplex. And I believe -- I think that, if we go ahead with this, it would be great for the neighborhood, the community in that there's a lot of people that go down there and dump garbage and all kinds of stuff. It's hard to get the duplex represented because of these streets. It's got big chuck holes, and there's a lot of people that are out there -- you know -- drinking liquor and alcohol, and there's syringes and needles. It needs to be cleaned up. And with the street and sidewalk and curb and that, it will really clean it up and make it a better place for everybody.

Potter: Thank you.

Terry Emmert: My name is Terry Emmert, and I'm speaking in support of the improvement as we do own the vacant piece of the property at the end of the street. And I think Andrew has done a good job putting the people together as we've been trying to get people together on this over 10 years. There's camping on the property and dumping on the property that has been going on for as

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long as we've owned the property, and I heard the testimony earlier, and unfortunately, when they dump on private property or they camp on private property, you, the city, fine the property owner and leave it up to the property owner to clean it up. And it's been a clean-up problem every year and a tremendous clean-up problem. And so we think that this improvement to the neighborhood would maybe help prevent that and also prevent people driving on through the property. And I do believe that the city is in earnest about taking care of some of these problems. They shouldn't be penalizing property owners from trying to secure their property, no different than the city wanting to keep their sidewalks and parks free for the public. Anyway, we give complete support to this project. Thank you.

Potter: Thank you. Is that all that signed up?

Moore-Love: That's all.

Potter: Anybody who wishes to testify to this specific matter? Please call the vote.

Adams: Andrew, thanks for your great work. Aye.

Leonard: Aye. **Saltzman:** Aye. **Potter:** Aye. Please read the 10:00 a.m. Time certain.

Item 563.

Leonard: Denise Klein of the Bureau of Development Services.

Denise Klein, Bureau of Development Services: Thank you, Mayor and Commissioners. My name is Denise Klein, and I'm with the Bureau of Development Services. I'm the Administrative Services Manager. So this is the annual time that we come before you to talk about our fee increases. As you know, we start by looking at our services. We start by talking to our customers, talking to our constituents and stakeholders about the level of service that they receive and working really closely with them throughout the year before we ever attempt to talk about fees. We also look at our economic forecast and make revenue projections, put together our financial plan, and only then do we look at what should our fees be, should there be any fee changes. So we're always looking five years out. So we have seen changes for many of our programs. What is missing from our list of the increases is the building and mechanical fees. We are not increasing either one of those this year again. This will be the fourth year in a row that we have not increased building or mechanical fees, and those are some of the most costly fees for our stakeholders, developers, customers. So that's good news. For the rest of the fees, most of them are in the 5% range. There is one that is higher. It's our field issuance remodel program which we started several years ago as a pilot. It's been a very popular program. What we do is for contractors who wish to sign up with us. These are remodel contractors for single-family homes. We work with them directly and have our inspector meet them in the field, look at the project, approve the plan, do the inspections. So it's kind of a one-stop in the field shop sort of thing. We started out with a fee, and we've been looking at the fees, have worked with our customers. They're certainly supportive. It's a 12% fee increase, but they're very supportive. We have a waiting list of people to get in the door, and we're expanding that program. We've been quite successful. We're very proud of it. We also work with all of our stakeholder groups when we get to the fee setting time of year, and we talked with at least 14 stakeholder groups, have sent out notices that we're proposing fee increases. In the cover letter that went to you, there were indications that a couple of our stakeholders had some concerns about our fees. One of them is the plumbing industry and I want to let you know that we met with them yesterday, met with two representatives of that industry and came away from the table that they are ok. They wanted me to relay to you that Portland heating and cooling contractors, PHDC, is ok with the fee increase. They would like to meet with us every six months to look at our workload, at our statistics, our revenues and our fees, and so we're going to be doing that with them instead of a once a year meeting but meet with them twice a year to go over that. It struck me this year that, when we met with our stakeholders, they have a lot of trust in us, and I have really appreciated that. An interesting thing that happened the other day is, one, we were meeting with two stakeholders, and one said, well, if the economy really tanks, will you really lay off staff? And we didn't have to

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answer that question, because another one of our stakeholders answered the question. Said, yes, they will. So I was really surprised and appreciative that our stakeholders have that kind of trust and confidence in us. You all have been reading the papers about the national economy and so have we. We are keeping a very close eye on our workload, on our numbers of inspections, the numbers of plans coming in the door, working real closely with our stakeholders to keep a very, very close eye on what's going on with the national and local economy. So we're going to be really watching more closely than we normally do to ensure that, if we do see the glimmers of downturns, that we'll be ready to deal with that.

Saltzman: So just to follow up on that, you're watching. Have you seen any trends?

Kleim: Yes, we have.

Saltzman: Fewer building permits?

Kleim: Yeah. We have seen from last year a bit of a drop from last year in permits and in valuations, but our projections for the out years in our financial plan took that into consideration. I wouldn't say we're 100% confident, but we're comfortable, I would say, with our revenue projections, but we're also watching them real carefully. We've seen a drop in residential construction, but we've also seen that commercial construction is still holding very well right now, so that's kind of made up for it. We've also seen, as we always see, when new home construction goes down, we see an increase in remodeling. So we see work coming in the door even though there's not as many new homes being built. So lots of remodellings going on.

Saltzman: You are seeing lots of remodeling?

Kleim: More remodeling. Mm-hmm.

Potter: Questions?

Leonard: Thank you, deniece.

Potter: Is there anyone signed up to testify on this matter?

Moore-Love: No one signed up.

Potter: Is there anyone here who wishes to testify to this particular matter? It's a nonemergency and moves to a second reading.

Leonard: I'd like to just say a couple things. Appreciate the excellent work of the bureau of development services in general but denise in particular. There was a time when we would have these annual hearings and have the construction industry and the development industry in here not happy, not happy with the service they got and not happy with the fee increases. The bureau now has work groups where all those folks are involved in making these decisions, and they have come light-years from where they've been to where they are now, and I want to recognize that and let everybody here know how much I appreciate their outstanding collaborative work and their very focused solution-oriented problem solving that I think serves Portland really well. Thank you, denise, and thank you to everyone at the bureau.

Potter: We'll move to the regular agenda. Please read item 585.

Moore-Love: You want to take care of the consent agenda first?

Potter: Oh, yes. Excuse me. Any commissioners wish to pull any items from the consent agenda? Any member of this audience wish to pull any particular item from the consent agenda? Please call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. Move to the regular agenda. Please read item 585.

Item 585.

Adams: With the council's permission, i'd like to move this back to my office. The project will not be going forward.

Potter: Hearing no objections, please read item 586.

Item 586.

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Potter: As mayor, I long advocated for a rainy day fund to shelter Portland's infrastructure and public safety from budget cuts and rough economic times. I'm proposing that instead of immediately expending any excess funds during the fall budget and monitoring process city council reserve those funds for next year's budget process. The past two years council has appropriated \$30 million in revenue for projects about the in-depth review by council budget teams and most important without input from the community. Today we're seeing results of a worsening economy. I've allocated nearly \$5 million in ongoing and one-time resources for our public safety communication system. Even this amount won't fully complete that project. The next city council will face a challenging economic environment. Casey?

Saltzman: There's also an amendment I'd like through offer at the appropriate point. Maybe that's after Casey.

Casey Short, Office of Management and Finance: Thank you, Mr. Mayor. Casey Short, financial planning manager. What this resolution does is simply reserve any additional beginning fund balance that will come into the general fund next year above what's already anticipated. 25% of that for the public system for the revitalization project, and the remainder will be set aside to be used as a resource for the 2009/10 budget. That's quite simply what it does. There's a contingent point in there that, if revenues go down by 3% or more from what's anticipated, then the provisions of this will be moot because we'll be up to our eyeballs in trying to cut budgets so we'd need every resource we had. That's the gist of this resolution as it's currently before you.

Saltzman: I'd like to offer, I guess, an amendment in the nature of a substitute. What amendment accepts what the mayor is proposing but also says that we need to look at our current year's budget to begin identifying resources for a rainy day fund in addition to looking at resources in our next year budget. So the intent of this amendment is to identify unused resources in the current fiscal year we're in right now. It ends July 1st. And have them put into a rainy day fund of up to \$5 million. If what \$5 million is not accumulated in this ending fund balance for this year, the unanticipated funds in the full budget monitoring process, as the mayor is proposing, would then fill that gap, so the intent is to get the 5 million for the rainy day fund but also to look at this year's fund as the beginning of that \$5 million fund. It seems like each year we have an ending fund balance based on unused resources. How much have those been historically?

Short: I happen to have with me the proposed budget. Last year, this year, 07/08, the actual ending fund balance for the prior year was 81 million. The year before that, it was 70 million. The year before that, it was 51 million. Some of this -- and I don't have any idea how much -- was encumbrances, anything with obligation to pay and they carried the authorization forward. The largest portion of it has also already been included as a resource to the following year's budget. For example, the proposed budget includes an estimate, and it's clearly only an estimate at this point of 38.9 million in the beginning fund balance, which consists of our estimate of what revenues will be above expenditures at the end of the year. And a part of that is encumbrances again. Where that's going to shift up or down we don't know at this point, and we're not going to know until the year is over.

Saltzman: That was my next question, if you can provide an estimate of what you think the year-end balance to be.

Short: We just don't have it, Commissioner, and we won't have it until the bills start coming in. Probably until August because we've got the year end and then another six weeks or so to clean up all the bills that come in toward the end of the year, the payments that get made, all the reconciliations. It's a long, drawn-out process, and we don't make an estimate at the end of the fiscal year because we don't know what revenues will come in finally and what expenses we've got that we're going to have to cover.

Saltzman: Under this amendment to the mayor's resolution, we're asking O.M.F. to identify resources that might be obtained through reserve accounts, vacancies, and other line items relative

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to historic spending rates. What is the meaningful point where the council can say, ok, we're going to take whatever number that is and say this becomes part of the rainy day fund now, which we will be creating today? Versus making the decision about the fall bump and whether that revenue will be needed to make up the 5 million?

Short: Worker normal -- we normally get these numbers to you in the fall bump pretty much through the audit process, and it takes that long, till november, to finish the annual audit. It's due legally by the end of december, and it's usually done, at least materially done, sometime in october or november. It can drag on into december, and we don't have the final numbers until that's done. But all the things that you're asking for, if I understand the intent of your amendment correctly, which is to find unspent revenue in the pryor year, in 07/08. That all gets figured into the beginning fund balance for 07/08, the beginning balance for next year which we bring to you in the fall bump along with everything else, all the requests for funding, and any difference between what we budgeted and what there actually is available is there, and we tell you what that is in the fall after we've closed the year's books -- the prior year's books.

Adams: This allows us to book, this amendment, which I support, allows us to book at least up to a \$5 million rainy day reserve fund as part of the approved and adopted budget process, and I like that approach, because the original version left it up to, if there's any money left over, and so I support this approach and this amendment.

Leonard: I suppose it also begs the question, if we're inquiring about ending fund balances in the current budget, that become as component of constructing the proposed budget that we're in the middle of debating. One has to ask that, without disagreeing on the project for what's funds, because I don't think there's disagreement here at least with me on the specific items that are being proposed to be funded but, for an example, something the mayor and I have worked together on is that the 800 megahurts center at the 9-1-1 center and cadmium. There's no disagreement on that. Why, on a project like that, that would have a life-span of at least 15 years, would we virtually use up all of our one-time resources on that when this would allow us to put away \$5 million now plus another 5 million probably in the fall bump?

Short: I think the answer to that, commissioner Leonard, is that the proposed budget commits all the available ongoing dollars and, if we're going to increase the amount of ongoing dollars to pay over a longer time for this project or anything he is, we've got to reduce commitments for other ongoing commitments that are included in the proposed budget in order to make room for that spending on that project.

Leonard: Obviously. But my point is, I guess, more of a question. Is it typical for us to pay for a capital improvement project by anything other than over the term of the project?

Short: It depends on the nature of the project, cost of the project, what the funding courses are for the project.

Leonard: Pick a project. The current c.a.d. System, the current 800 megahertz radio system, how were they paid for?

Short: In the past, I don't know. What we're proposing --

Leonard: I do. They were paid for over time.

Potter: Actually, the c.a.d. System right now is being paid partly out of an electric light settlement, 4.2 million, plus some additional one-time resources for this year and then I think all of that's going to be out of either that settlement money or one-time money.

Leonard: That's my point is that the best use of that one-time money when we're heading into recession? Should we not have a discussion about hower funding projects in the proposed budget? How we fund them so we can set aside money versus just focusing on any fund balance.

Short: Well, I think your question, commissioner Leonard, is that's the crux of a policy decision for the council to have about how you want to spend the money and how you want to structure it.

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Potter: I had another question about the proposed amendment, and that has to do partly with one of the other projects that commissioner Leonard and I work on, which is project 57. We're going to reduce the number of jail beds we need, and there will be additional money to apply to treatment beds, prostitution alternative programs, and whatever is needed to accomplish those things. Would that money be considered as part of that \$5 million if it is not spent?

Short: Yes. If it's not otherwise spent, that's an additional resource for the general fund.

Adams: That would be up to the discretion of the majority of the city council.

Short: Absolutely.

Potter: The other question I had is that one of the issues raised in this, if this money was taken from unexpended funds associated with positions, would those positions be eliminated if the \$5 million was taken?

Short: Well, that gets to a question that I wanted to ask about how we're going to structure and actually implement the resolution, the substitution or the proposed amendments that commissioner Saltzman has put forward. As I understood commissioner Saltzman, we were looking at whether we captured all the savings and revenues that might have been available at the end of the year to earmark \$5 million of that to set aside as a rainy day fund. That's somewhat at odds with or inconsistent with what I heard commissioner Adams say, which is to include those funds in the approved and adopted budget. It will be a difficult task, to say the least, to find understands in the budget between now and next wednesday when the council is scheduled to approve the budget. We might be able to pull it off with an estimate by the time we adopt it at the end of the year. And what we would be bringing to you, I think, if we were to go ahead with it in the way of looking at the 07/08 savings or additional revenue would be for us in financial planning to identify where some vacancies are, what some historical spending rates have been, although we would only be doing that for the current year with partial year information because the year is not done yet. I think we'd also need to go back to the council to understand why some of these vacancies were there, why some of these things were underspent, how much of them need to be carried over, what some of the mitigating factors are so we're not just shooting in the dark about looking at numbers.

Saltzman: You could give us estimates by the time we do that adopted budget.

Short: We could. End of june. The 23rd, I believe.

Adams: I want to express my frustration, because I made this request two weeks ago to your office, as you know, and you were countermanded by the mayor's office in pursuing it. I want to express my frustration that now you are legitimately telling us that this will be difficult to do because you might not have enough time. I understand you're sort of caught in the middle, but this was a good request two weeks ago. It's a good request now. What i'd also like you to pursue, in addition to the possibility of providing us the best estimates you can, and that is to get an extension of time from -- for a deadline for submitting something to tsc so we have more work -- we have more time to work on polishing this budget. Council might know that I was updated forecasts from the pdot fiscal shop based on gas tax and mileage estimates from Oregon department of transportation that we have a hole of \$2 million in the revenues at the transportation department for the city. And so i'm going to be asking the city council to fill that. We will be looking at cut options, revenue options, but I also want to look and I propose that we use some of that rainy day fund now, because it's raining in the Portland office of transportation. It's pouring.

Leonard: So, mayor Potter, in the interest of transparency and having an open discussion, I would like to have us at least as a council have an understanding about the use of staff during the budget. It's become unfortunately obvious to some of us, but some of the professional staff that we have historically relied upon to help us answer these questions have been constrained by your office. If not you directly, somebody within your office from working with us and providing responsive information and providing the technical assistance that we need to do our job. I have not had this experience before, and i've experienced what commissioner Adams has experienced, and i'd sure

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like to have a commitment from you that the staff has the relationship with us just as the city attorney does that they work with us unfettered by any political interference from anybody.

Potter: I'd like the o.m.f -- and I don't know if you can do it or somebody else -- to respond to what the request was from commissioner Adams but also i'd be interested to find out what it was that you asked for and were not provided.

Leonard: It an always what's not provided. It's that your office insists on being included in what I consider to be confidential discussions with my office. So as i'm preparing with o.m.f -- as i'm preparing an alternate to your budget, your office knows about it because they've been directed to be told of any inquiries from my office. That compromises my ability to develop creative alternatives that may or may not be something I pursue for fear of them being politicized. And the city attorney has been outstanding in, as you know, working with each of us on individual issues that are confidential to commissioners' offices and not shared with other offices. That has historically been exactly the relationship we've had with o.m.f. Until this budget year, and i'm disappointed and am asking for your commitment that that will not continue. Sharing my budget with o.m.f. Staff which is then shared with your staff by direction of your staff, and that's what I consider political interference.

Potter: So --

Ken Rust, Director, Office of Management and Finance: Mayor Potter and members of the council, i'm ken russ, the director of o.m.f. This is a complicated area for us as o.m.f. Bureau directors to work in. Unlike the city attorney's office, we do report to the mayor, but we also report to the entire council, I in particular. We have, we believe, an obligation to keep our commissioner in charge informed of the particular requests. Generally it works pretty well. Sometimes it can be clumsy. There have been instances here where it has become clumsy. We're in a difficult position trying to provide factual information and to respond to requests. But during the budget process where the mayor is proposing the budget and has given budget instructions to us as to how to prepare the budget, it puts us in a difficult position when we're being asked to in effect modify the mayor's proposed budget or do things that are counter to what or at least in addition to what the mayor has instructed us to do in terms of prepares his budget, to do that without full council consideration and direction to us.

Leonard: Ken, I so much appreciate what you're saying, but you do understand it puts those on the council at a distinct disadvantage in preparing alternate proposals.

Adams: If I could add to that, we are in the approved portion of the budget process. I don't think anyone on this council did anything to interfere or to ask questions while the mayor was putting together his proposed budget. Once the proposed budget is announced, it has been the practice of this city council that, during the approve budget process, that is the time when the council can ask the questions that we have on any issue related to the budget, and o.m.f. Has traditionally been responsive to those requests.

Leonard: And kept them confidential.

Adams: Up until now. So I was told, when I asked and I sat down with casey after I had the briefing on the mayor's proposed budget, that I wanted to have a \$5 million rainy day fund as part of our approved budget making process. Then the resolution came in from the mayor with an alternative. Fine. So during the two weeks when I asked about it, the mayor came in with a resolution. I wasn't consulted. That's his choice not to consult me. But I was also told that casey could not pursue -- so you're all caught in the middle. I got an email from the mayor's office that said they would not support my request to do the kind of research task that I asked for to create that rainy day fund. Meanwhile, during the same two weeks, they then submit a resolution proposing a rainy day fund. So my point is, similar to commission Leonard's, during the approved budget process, it is the council that is coming up with an approved budget, distinctive from the mayor's proposed budget.

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Leonard: To be fair, these aren't issues we're directing at either of these two gentlemen.

Adams: You're absolutely right.

Leonard: They are outstanding members of the city staff. This is not in any way -- I mean, I totally get your point. So these are not issues we're directing at you.

Adams: You're absolutely right.

Saltzman: I think now we have something at least, in my proposed substitute, that does both. It will get us moving on creating a rainy day fund. It establishes the rainy day fund account. It gives us the possibility of putting money in from 07/08 budget into that rainy fund account and states whatever remainder we need to get to the 5 million level will be the first priority on the fall budget monitoring process.

Leonard: And I support that, and I think that's a great move, and I appreciate that. But my question is a little different.

Saltzman: I understand.

Leonard: And I am asking mayor Potter if he would agree for us to go back to our historical relationship with o.m.f. And allow each of us to work with staff there that we depend on confidentially.

Potter: Maybe I miss interpreted, ken, but I thought you said -- and I assume it's for the previous mayor as well that you reported to the mayor and that your relationship with the mayor was as a bureau director to a commission and that, in that capacity, you felt an obligation to keep the commissioner in charge of your area apprised of what was going on in the area. So what I heard from commissioner Leonard is that this is a new process. Has this happened before my arrival?

Rust: Well, mayor, i've been at the city now for 15 years. I've worked under two different mayors. I don't believe that we are acting differently. We have acted in the past. We've always had a fine balance to walk between the request of individual council offices and their hope that things would stay confidential, also with our responsibility reporting to the mayor to keep the mayor's office informed as well. We try to be very straightforward with that and not make it a surprise. I don't believe that we are acting differently. That's been my experience.

Leonard: Can you give an example of a time before even this budget year or a commissioner's request to you was not pursued out of a directive from the mayor's office?

Adams: During the approved budget portion of the budget process.

Leonard: I just want to have this question answered. Can you think of a time when a mayor, this one included, before this incident said, do not pursue that request from that commissioner? I'm directing you not to do that.

Rust: I'm pausing 'cause i'm trying to think about that, and I haven't always been in my tenure in the budget position.

Leonard: Are you tenure currently, have you ever had that happen before?

Rust: This has been the first time. I know when we had this request, we were concerned about our ability to respond to that and our ability to receive direction from the mayor as well that the question was raised with the city attorney's office about our ability to respond, and i'm not sure that we've got clarity that we can do that or that's appropriate for us to do in the budget process that we are in. So there is an ambiguity that does concern me about our ability to respond, commissioner.

Leonard: To be clear, my own experience was -- I frankly, mayor Potter, will tell you I have no problem with you and your office finding out what i'm working on. But I do have a problem, when I think that it's at least confidential among us, than having anna griffin from the "oregonian" coming up and saying, well, commissioner Leonard, mayor Potter's office says that you're going to put the city more in debt with your proposal, a proposal i've only shared with o.m.f.

Potter: That occurred this year?

Leonard: That occurred this week.

Potter: On what?

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Leonard: Well, I can repeat what I just said. Anna griffin from the "oregonian" said that your office criticized my budget alternative as compromising the city's finances. It's an alternative I have only been working on with o.m.f. So therein lies my problem. So what i'm just asking is, as a matter of courtesy, I hope you respect the fact that we, the council, are independently elected and rely on that excellent staff to provide us with unbiased, unfettered information, and my experience here on the council -- and this is my sixth budget mere -- this is the first time i've run into political obstacles in developing confidential information. Commissioner Adams is actually being stopped from pursuing something he wanted. I'm asking you to respect our ability to ask staff for that information and make it confidential.

Potter: I'd be glad to have a discussion with you and the city attorney over that to figure out. Obviously ken rust is concerned about the ambiguity as well.

Leonard: But you want to retain your right to deny my ability to get information?

Potter: That's not what I said.

Potter: Something that would meet the needs of the entire --

Leonard: Do what every other mayor has ever done in the history of the city and that's respect the ability of me and my colleagues to get information unfettered from your office.

Potter: That's not what ken rust said, but i'm glad to sit down with the city attorney and discuss it.

Saltzman: Getting back to the amendment to establish the rainy day fund --

Harry Auerbach, Chief Deputy City Attorneys: It require as second.

Saltzman: That was my first point. I don't think anybody's seconded it.

Adams: Second.

Saltzman: And then I would ask that you come back with a more precise time line for us to consider next week as to decision points about this year's resources, starting to see that rainy day fund account. And come back next week with a time line.

Short: And my concern is, commissioner Saltzman, that if we come back with the time line next week that present, that presents a time line problem because council is scheduled to approve the budget next week. Commissioner Adams suggested or recommended or asked or directed or whatever the right term is --

Adams: I'm not sure anymore what I can do exactly in talking to you.

Short: We asked the conservation commission for an extension of our deadline submitting the budget. We have already done that and gotten an extension from the 15th of may, which is the statutorily required deadline, to the 19th to give us a few days after the council approves the budget to get it into shape. I can ask them, and i'm --

Saltzman: I wasn't suggesting necessarily that you come back with a schedule that says ask the tsc to delay once again, but I am saying, let's assume tsc still acts on whatever date but then you did mention, by the time we adopt the budget in june after the tsc had its hearing, it would be a potential --

*******:** The issue there.

Saltzman: That would be a potential decision.

Short: The issue there is consistency with the time line that we have established and the point that commissioner Adams raised, which was wanting to have \$5 million either in additional revenues or expenditure reductions identified in time to include it in the approved budget, which is next week. Unless we get an extension and the council wants to take more time. And I don't know if we would get an extension, but --

Adams: Just remind me. The official moment that we are in the approved budget making process starts when?

Short: About 9:45 this morning when the mayor released his proposed budget.

Adams: So we've been -- we're going to be given how many days to consider, discuss, and review this budget?

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Short: Seven.

Adams: Seven days. Just to again reiterate my frustration, I have not been able to pursue lines of questioning and inquiry that I wanted to pursue until, I thought, today, and then you're giving us seven days. My individual request -- and maybe i'm the only one up here -- is that we see from tssc how long we can get in terms of a delay.

Leonard: We're independently elected folks. We aren't to be railroaded to vote for anything that we choose not to vote for. And if we choose not to vote next week because we want more time, we absolutely have the constitutional right to set aside this budget until we're ready. And I frankly am not ready, and i'm willing to take the time necessary to understand the process, to have the questions answered that I need answered, so we put together a responsible budget that prepares this city for economic downturn. I am not going to be pushed into a corner because of a political time line set up to cause me to feel some pressure to vote for something that's not in the best interests of Portland. And I don't need tssc to tell me that.

Saltzman: I'm simply asking you to come back with sometime lines. I'm not prepared to say we need to ask tssc. I know we have stat for roy responsibilities to have a budget in place by july 1st.

Leonard: June 30th, yes.

Short: And the council has to vote on it in june, and the law requires the tssc have it for 20 days, and then they hold a hearing and certify the budget before the council can act on adopting it. There are legal time lines.

Leonard: But after that, in that time after tssc hold its public hearings and we adopt it, we can amend it even then?

Short: You can amend the budget at the time you're adopting it as long as you don't increase expenditures by more than 10% in any fund.

Leonard: But if we didn't increase expenditures but changed how we were spending the money --

Short: You can do that at the adopted budget.

Leonard: In any fashion we like.

Saltzman: The \$5 million isn't going to touch that 10% threshold.

Short: And you're not increasing spending.

Leonard: You're moving it around. In my view, our time line is -- if june 25th is the current date that we have set to vote, that's the date by which we have to make our final decisions. We can approve something tentatively that goes to tssc and then have until june 25th to make final decisions.

Adams: Just so that i've done my job as transportation commissioner, because we have this new gap in the transportation revenues, i've asked for the next two weeks to 30 days that we go through all of our proposed projects, because we assumed, back in october, a lower inflator related to energy costs than we're actually seeing occur, so we need to complete that review, and then we've also got a \$2 million gap in revenues on the operating budget. So as much time -- and maybe it's separate and distinct from the rest of the city budget, but as much time as we can have in transportation to try to put humpty dumpty back together again would be appreciated.

Potter: I just wanted to understand or clarify the legislative intent of this. It is the legislative intent to not cut anyone -time or ongoing positions as a result of finding the \$5 million.

*****: Correct.

Potter: Is that --

Saltzman: I think it's to look at options but not to direct. This isn't directing that that occur. But it is saying -- you know -- let us look at that option.

Short: And the timing for coming to that option would be -- you want us to come back with that next week. Or bring you a time line next week.

Saltzman: Yeah. Time line. Time line. Right.

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Short: Ok. And we can do that and describe alternatives for what happens in the approved and adopted budgets. And I will -- the shorthand of how I interpret the direction that I think i'm getting or am going to get from council is that you want us to find a way to set aside \$5 million in the 08/09 budget at whatever phase is agreed on finally either through a combination of increased revenues or reduced spending that we are comfortable with saying, here are -- here is a way you can get to \$5 million. And if we're going to be doing that and identifying individual reductions in bureau budgets, we'll need to be coming back with those individual distinct reductions. We can't, for example, just say bureau x needs to reduce its personal services, expenditures by whatever amount. The law requires us to eliminate positions or elimination funding for individual positions. So it has to be that specific.

Saltzman: Yes. And I think that captures my intent.

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

Potter: Further questions?

Adams: Just that I want to provide an emphasis on give us a menu, a salad bar, a couple of choices on the budget salad bar, but the emphasis should be on cutting revenue or finding savings within existing revenue, not raising fees or taxes as of this point in the recession with the strains on household incomes and to book up front that which would normally fall to the beginning fund balance in the future so that the security of not leaving -- you know -- it means that, in the future, we might have less beginning fund balance, but i'm fine with that because i'd like the security of a rainy day fund.

Short: What i'm understanding you to say, if we set aside the expenditure side, we don't have to go there, for example, if we were to be able to identify with confidence that the actual beginning balance for next year will be \$5 million more than what we've got in the bum jet just because of the differences between the money that comes in and the money that goes out that that would be sufficient to meet the needs that i'm hearing the council express.

Adams: Limiting out of town traffic to only essential travel, looking at not necessarily -- looking at the option of not starting new projects based on outside consulting contracts. Really looking at anything that isn't considered absolutely basic and necessary to the operations of the city.

Potter: Is that also going to involve the t s.r. T contracts that might come about in order to complete the revitalization of our public safety --

Short: I wouldn't read it that way, because what I heard commission Adams say was nonessential contracts -- I would consider this an essential contract.

Saltzman: That would not be my intent.

Potter: Further? Go ahead and call the vote.

Adams: Thank you, commissioner Saltzman, for bringing this forward. I think it's the right thing to do given our uncertain economic times. Aye.

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

Potter: Yes. I actually appreciate this, too, because I think it will help us find that money. This is the fourth budget season i've requested a rainy day fund, so i'm glad that it's finally occurring. Aye.

*******:** Is that the motion to substitute?

Leonard: That was the motion to substitute. Correct. That was voting on the substitution. We need to vote on the --

Potter: Please call the vote on the --

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. Please read item 587.

Item 587.

Potter: Second reading. Call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. 588.

Item 588.

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Potter: Second reading. Call the vote.

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

Saltzman: Well, I want to say I received a briefing between last week and this week from Portland fire and rescue staff and also Connie Johnson from O.M.F., and I'm comfortable with everything now. I guess the one request I want to make now -- I'm not going to hold up the vote or anything. There were a list of 11 items that will be deducted if bids come in too high. I think one of the first items to go was energy-efficient windows. I guess my request would be that maybe that be one of the last items to go, if you have to, 'cause that really is going to pay for itself over time. If you could maybe take the energy-efficient windows and put that lower down the things that might get axed if the numbers come in too high? Otherwise, I'm pleased to support this. Aye.

Potter: Aye. Please read 589.

Item 589.

Potter: This is a really important tool for the city in terms of helping us set up policies to present the first comprehensive city's financial policies since adopted in 1982. The council adopted policies are important to provide guidance about our spending the city's dollars. We use this as an opportunity to update the policies to include reference to our funding commitments to the city's infrastructure. It makes it easier to find information in one place. These policies and procedures are reviewed by bureau directors, council staff, city finance managers, bargaining unit representatives, and citizens who serve on the O.M.F. advisory committee. With that, I'll turn it over to our financial planning manager, Casey Short.

Short: Thank you, Mr. Mayor. As the Mayor said, it's been 16 years since the council has adopted a set of comprehensive financial management policies. We've been acting under the old ones. It's more than time to update them. O.M.F. has spent a lot of time working on this update and, as the Mayor referred to, we have consulted with bureaus and your offices and others to review the draft policies that we came up with. I'd like to briefly give you some highlights of what some of the changes are. Many of these things are housekeeping or just acknowledging that we do business differently than we did 16 years ago and incorporating current practice into the policies. One of the first things that these policies do is require that they be reviewed and updated every two years so we don't get into this again. It further assigns responsibility for management of each of the sections of the policies to a specific person or entity in the city. So there's somebody responsible for making sure these things are current. As far as programmatic or substantive changes to the policies themselves, the first one I want to highlight is one we were just talking about a few minutes ago which is that this new policy provides that 25% of any unanticipated beginning fund balance will be reserved for capital, for maintenance in the general fund in the fall bump and the remainder will be set aside for use in the following year's budget process as a resource. This is different. This is something new that we haven't done before. It also revises the policy on general fund revenues generated by a bureau, parks fees, fire inspection fees, on down the list, and changes the way those are managed that give the bureaus both more responsibility and more flexibility in managing those funds. Clarifies direction on the use of one-time funds, says more clearly what those funds can or cannot or should not be used for, policies on general fund reserves. Rather than suggesting that, if the reserves have to be tapped we start restoring them within 24 months, this requires that the reserves start being restored within 24 months -- within 24 months. It gives the ability to plan for operating and maintenance costs by requiring bureaus to identify future maintenance needs, establishes requirements for city-issued grants, something we have done a lot more of than we did 16 years ago without guidance from formal city policies, so this is a good thing, and it adds new things to get more into the electronic aid. It establishes new policies for electronic payment process and treasury, holding accounts to keep the city in line with best practices, and it also updates the debt management policy. I'm more than happy to answer any questions. That would go into effect

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on the 1st of July, and this is a nonemergency ordinance, so it wouldn't be voted on until next week.

Adams: Casey, besides the beginning fund, I'd like you to go through that again a little more slowly. Are there any other substantive changes?

Short: This is probably the most substantive, and I'll get back to that in a second. I think the next one is how we treat bureau-generated revenues in the general fund. In the past, the policy has been that, if a bureau exceeded its revenue projections, that they kept half and the general fund got half. If they fell short, the general fund would pick up half of the shortfall. With this new policy, it proposes, if the bureau generates more than they budgeted for, they keep it. If they get less, they have to cut their budget to stay within their discretionary general fund allocation. If they need more money from discretionary general fund, however much more they need to stay within the budget that year gets reduced from their capital appropriation in the following year and following year only. I think that and what we're suggesting we do with the fund balance are the two most substantive pieces of change in these policies. The fund balance piece is essentially what was written in the original draft of the rainy day resolution, which is that we codify, if you will, the direction that the council began with this year's fall bump to say that 25% of excess beginning balance at the end of the year that you deal with in the fall bump typically -- 25% of any of that money would go for capital maintenance or repair and the remainder would not be available for the council's use to spend in the fall bump. It would be set aside as a resource for the following fiscal year. So essentially doing what the original draft of the rainy day resolution said it would do. If you get 5 million or 8 million or \$12 million more to start the year than you thought, a quarter of that would go to capital and the rest of it would be set aside as a one-time resource in the following year's budget process.

Adams: If the bureau raises it, they get to keep it. Could you have the appropriate person on your staff get back to me and my folks and the pdot staff about how this change in policy would impact the safety fund money, the red light camera revenues and the pdot?

Short: I don't believe that would affect pdot, because we're just talking about general fund, and that's in the transportation fund.

Adams: The policies that guide pdot in this area fall under where? Pdot?

Short: A lot of the policies are focused on the general fund and how we're building the general fund. There are references to those sorts of things but nothing in here or in the prior policies that limit the flexibility of a nongeneral fund agency to deal with its revenues, positive or negative, as they see fit with of course commissioner in charge and council approval. We'd take a look at it, but it's not stipulated in here.

Adams: Thank you.

Potter: Other questions?

Adams: Good work.

Moore-Love: No one signed up.

Potter: Is there anyone here who wishes to testify to the specific matter? It's a nonemergency and moves to a second reading. Before we move on to item 590, o.m.f. has requested we hear items 95, 93, and 94 together. Are there any objections to hearing those items together? Hearing no objections, Karla, could you please read item 594, 593 and 590, in that order?

Items 594, 594 and 590.

Rust: good morning. For the record, I am Ken Rust. I'm the director of the office of management and finance. Joining me today are Jennifer Simms, the C.F.O. for the city and project sponsor for the enterprise business solution project, along with Sue Kiel, pdot director and member of the e.b.s. Executive steering committee. There are several actions in front of you today relating to the city's enterprise business solution project or e-b.s. As you know, this project is designed to replace the city's aging Ibis financial system with a modern integrated financial and human resource

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management system, something the city has never had. We began this effort in 2003 with an assess many of the city's needs and requirements along with the review of the technology tools that could meet the city's current and future business needs -- current and future business needs. Council directed o.m.f. To proceed with the project in 2004. Since that time, we have completed the first phase of the project, which included defining our citywide business needs and selecting a software application that could meet those needs. This resulted in the selection of the s.a.p. Software application. Following phase one, we undertook a competitive selection process, including extensive reference checking and site visits to obtain a qualified firm to assist the city with configuring, testing, and implementing this s.a.p. Software, also developing interfaces for information exchange. Examples of these type of systems include the maximal work order system used by pdot, cynergen project applications used by water and b.i.s., the cayente billing system and others. The phase two implementation schedule is built around an underlying assumption that both the finance and h.r. Payroll modules would go live siph mull tapously. Our most recent schedule anticipated ago live date of january 24th of this year. Late last year in 2007, it became apparent we would not be able to go live under the schedule for several reasons. First necessary development in system interface work had not yet been completed. Adequate system testing had yet to be performed. And we are experiencing higher error rates in initial tests of the payroll system. Based on this information, I directed the project team to begin work on determining a reset schedule, identifying the extent of work needed to address the issues described above and analyzing alternative strategies that would enable the city to achieve a successful implementation. We brought in s.a.p. Public services to provide an assessment of the status of our implementation and get their views on alternative implementation strategies. The effort began in earnest in january, and I have been briefing your offices on our progress since that time. It became apparent the problems we were dealing with were much more serious and complex than originally thought. Key issues included the time evaluation and payroll strategy was flawed and would need additional significant work. More time and effort would be needed to complete the development and system testing work, the combined go live strategy needed to be reconsidered, and lastly project management and leadership was seriously lacking and in need of major change. Based on these results, I have worked with our city project team, our quality assurance consultant and city bureaus to develop a strategy that will enable the city to move forward with the project in a successful manner. The strategy includes replacing the current consultant with s.a.p. Public services. This recommendation is being made because we leave s.a.p. Has more experience and a much deeper bench to draw on. They are the most knowledgeable about how to best implement their software and we believe they have the ability to bring the right emphasis to bear on this project. Second review and confirm the work done to date. We've who an initialesment performed by s.a.p. Which indicates most of the work can be used in the final implementation of the software. We are looking at splitting the implementation of the finance and h.r. payroll projects into two phases. The revised schedule calls for finance module to go live on november 1 2008 and the h.r. Payroll module to go live on april 1st of 2009. We also want to focus on risk management simplification, deferring some functionality to a future date in order to make sure we don't compromise our revised schedule. While we have accomplished a lot on the e.p.s. Project, more work is need the, and unfortunately this comes at additional expense. We estimate that the additional 14 months that will be needed to fully implement both models will cost an additional \$18.4 million, increasing from 31 million to about 49.5 million. Although we have identified some additional resources that will help offset these costs, we expect that we will need to finance about \$10.3 million of cost, and this will have an impact on -- beginning in fiscal year 2009, 2010. I know that this is frustrating and disappointing news to you, and I feel exactly the same way. However, I do know that we must continue the effort to replace the city's aging financial system. It is 18 years old. It is outdated and in danger of being unsupported by the current vendor. The city staff supporting this application will soon be retiring,

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and we have no ability to back up the skill set they possess to run that system. I also want to assure you that this is not a software problem. In fact, the s.a.p. Software is successfully run by 42,000 corporations. Nike and intel are two local sector examples. Multnomah county, tacoma, Washington, the state of Washington represent some of the governments that successfully run s.a.p. To meet their business needs. It is also important to note that, until we are ready to implement. The s.a.p. System, we will continue using the city's existing business information tools to pay employees, process accounts receivable, and pay vendors doing business with the city. We will not turn the new system on until we are confident that it will produce accurate and timely results. Finally I would like to ac than the support and dedication that city bureaus and staff are providing to this project. This has been hard work, work that has gone longer than expected and will continue for some time but work that we all acknowledge needs to be done. Your support for this project is what will make it a success. With that, I would like to turn now to sue and ask that she talk about the project from a bureau director's perspective, and I will then have jennifer walk through the first of the e.b.s. Items that are in front of you this morning.

Susan Keil, Director Office of Transportation: Susan keel, director of transportation. As ken says, i'm a member of the executive steering committee, and that committee is comprised of bureau directors in combination with ken and jennifer. Members of that committee recognize the significance of e.b.s. To the conduct of the city's business. We have been reviewing information as it's dropped throughout this entire process and discussing with ken and jennifer and project staff. We've been clear that the new systems would not be implemented until we were sure that they would perform well. I think some of the things that ken says are very significant in that most of what has been done to date, the lion's share, is usable under this new contract. We've learned that the project was more complex than we originally envisioned and that the time line was too short given the complexity of our city systems. The proper time line for the required work I think is, as ken suggested, the split go live strategy is a better one and, although ken said that there has been great effort on the part of the bureaus to help implement this, it really puts additional pressure on the bureaus by going to this longer time line and the split live strategy. I've been very pleased, sitting with that committee of bureau directors and high-level staff to see the group rise to the level are looking at the city in total, acting more like you do on an every-day kind of basis because people have set aside their bureau-specific kinds of concern and looked at what was in the best interest of taxpayers, ratepayers, and the overall city. I was proud to be part of that group. We have asked pointed questions when information came forward, challenged assumptions, and risen to that level of making the best choices for the city generally. The committee and I fully support the recommendations before you today.

Jennifer Sims, Director, Bureau of Financial Services: Mayor Potter and members of the council, i'm jennifer simms, director of the bureau of financial services. We have three action items before you today related to the e.b.s. Project. The first item is an emergency contract for professional services to serve as the prime integrator, replacing ariston with s.a.p. Public services and completing the implementation of s.a.p. Software. This is a fixed fee deliverable space contract for an amount not to exceed \$11.77 million. S.a.p. Will provide the leadership and support to go live with the s.a.p. Software in the two phases as described by ken. S.a.p. Has the experience, knowledge, resources, and commitment needed to successfully complete this project. The second action item is to extend the contract of pacific consulting group to match the new planned go live date for the project. The amount added to this contract is \$331,360 for a contract total of 1,095,000. P.c.g. Has served as the quality assurance advisors on the project since august of 2004, and we recommend they continue as their knowledge and advice is essential. We bring both of those items forward as emergency actions in that it is urgent to retain these key consultants on the project that minimize costs that would be incurred with the delay. The third is an ordinance author rising of ordinance bonds to provide additional funds to complete the project. The ordinance

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delegates needed tasks to the debt manager. It is expected that initially a line of credit would be utilized and later refinance the with longer term debt. A competitive process will be used to secure the line of credit. This is a quick summary of the three action items before you. Thank you.

Saltzman: Do we have representatives from pacific consulting here today?

Rust: We don't have the p.c.g. folks out here today, dan.

Saltzman: At some point one of you told me in one of our briefings on this that the city has over 500 different payroll routines. In other words, different ways of calculating people's pay. It seems - you know -- mind boggling, to say the least, but it seems like we're trying to adapt our system or the new system to that 540-plus payroll schemes. Why can't we reduce the number of payroll schemes? It seems like a way that maybe this payroll module could get done a lot quicker, to my simple mind.

Rust: Commissioner, actually I think it's what we had briefed you on were the number of different work schedules that we have in the city's payroll system, and unfortunately it's more than 800 different work schedules. Clearly that makes configuring any system more difficult when you have so many different ways in which people's schedule can affect the hours worked and the paycheck that they receive. I think the difficulty at this point in time in changing that is that many of these are a result of union contracts that have been developed over a long period of time, and I think it points out to us that, going forward, we need to do much more careful work about allowing changes in contracts that, while maybe useful for a small number of employees and helpful at a moment, can forever complicate the ability to maintain that in a system and to change or upgrade those systems over time. Clearly there's a balance point between the need for flexibility and the needs of employees with the effort it takes to maintain and sustain that. I don't think, in the past, that there's been much of a balance. It's mostly been doing those things and being very accommodating. I think we need to take a much harder stance of that and look at that at the balance point to determine that we're not really creating a system that makes it extremely complicate and maybe not very easy to implement changes to it over time.

Saltzman: Maybe we need to embargo going forward on any additional payroll schemes. I don't use the word "scheme" in a negative manner. I'm just paying payroll algorithm, payroll routine, whatever you want to call it. Do you need us to clear that embargo?

Rust: I'm not sure if that's the necessary action, but certainly there may be something like that and having the council weigh in on that and giving us your support for that would be very helpful. Now, I recognize we want to be careful that there are important business needs and work requirements in the city that we have to accommodate, but we need to have really a focus on the balance point with the aim towards, when we have two ways of doing things, the easy way or the hard way, let's try to choose the easy way. Oftentimes we've ended up choosing the hard way.

Leonard: I would advise you that an embargo on bargaining with the unions on work schedules would be akin to an embargo on pay raises. It may make people here feel good, but it has no legal authority. State law gives unions the rights to bargain wages, salary, working conditions. So that is not the avenue by which I would—I agree with Commissioner Saltzman we need to address it, but that's not the way to address it.

Saltzman: I wasn't suggesting an embargo on bargaining, but I am suggesting that maybe the universe of bargaining alternatives out there can be accommodated within the 840 current payroll approaches we have.

Leonard: We just--We don't have the authority to limit that. Then we can encourage that for good reasons but we don't have the authority limit that.

Potter: And if we could set up a commission to look at that which would involve bureau personnel, union folks to come up with some standards that would achieve that balance?

Leonard: That would be a perfect topic for a labor management discussion. I would call it that and not a commission. That's exactly what we try to get them to do. Stuff exactly like that.

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Saltzman: Can we have that addressed? We do have a labor management city group, don't we?

Rust: We have a citywide labor management committee, and many bureaus do as well. It's appropriate to talk about. Clearly it's a bargaining issue, and I think what we need to be mindful is - of, as we're bargaining those work schedules, being aware there's an additional requirement that we maintain those systems and maybe we need to find more creative ways to work towards a solution that works for both parties.

Potter: There's another issue I think complicates this whole area, and that's the 300 shadow computer systems that operate separate from the main frame system. That's one area where we could put together a group of people to look to see how we could begin to eliminate some of the shadow systems in order to simplify this e.b.s. process.

Rust: We went through a process of trying to document how many computer systems, and some being very large stand alone systems. Business applications that are not going to be replaced by sap, but they also include a lot of small individual databases and spreadsheets that sit and reside on people's computers that take information and exchange it with the other system. We documented over 300 of those, and a lot of those will not be connected to sap. So people will be needing to use the new system to produce the reporting information that they require. It wheat be stale, it has a much more robust reporting ability, should be able to replace those without any loss of functionality to the bureaus. But we do have a lot of work to get ourselves on a path where we have fewer standalone systems. The idea being with one of the key objectives of this whole system is to have one source of truth. Data gets input into one system, is shared amongst a variety of applications, but it's not entered into several different systems and we're never certain whether that's the right piece of information or not. The system has the power to be able to do that is allow us to take advantage of that in a way we've never had in the past. If we duty indicate what we've had in the past, to allow a proliferation of shadow systems to sprout up again, we'll undermine our ability to rest the value out of the system we're creating.

Leonard: That's where on resolution -- our resolution for us would be thoughtful and on point, to prohibit bureaus from having shadow systems. Absolutely positively prohibit that.

Adams: The current main frame for the city hasn't really had the kind of function yacht that would allow a lot of the work by the bureaus to be done any other way than in, quote, shadow systems. I think the inti grace is really important. I would like -- i'm reading "the Oregonian" story today, the - however many separate programs are -- 322 separate programs for basic business functions. 2003 study found. It would be useful I think to us to know of the 322 separate programs, how many of those should go away with this new system, and how many are like maximo that this system won't provide functionality even once this is implemented. That could be part of the resolution as some guidance for the resolution, because I think we want to send the message to and help educate our bureau management and workers, we'll have opportunities to use this new system without having to continue your standalone system.

Potter: Could you folks prepare a resolution and distribute it to the council for input?

Rust: I believe we can, yes.

Leonard: Do you think that's an appropriate approach?

Rust: I think it's good for to us look at that list. As commissioner Adams mentioned, there are some large systems we won't replacement sap isn't the solution to everything, but there are a lot of things that can be replaced and it may be that we have a situation where over time more functionality will be brought into sap. We may find that we do not need a standalone project management system, or there might be a new work order system inside of sap and their ability to do that work we want to move and migrate too. I think we want to look at increasingly use the functionality of sap to dot city's business because once that information is in that system, we know it will be easier to maintain and cheaper to run it over time.

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Keil: From my perspective in that executive steering committee, there is absolute commitment to do exactly what you're saying, to cut down on those separate kinds of systems to use sap to only hold on to that which is absolutely required. Now, the question when you get down to the details you may have resistance to do that, so --

Leonard: This group you're a member of, helped draft a proposal?

Keil: I'm sure we can.

Leonard: That would be workable that wasn't -- didn't have the unintended consequence --

Keil: Absolutely.

Leonard: Thoughtfully directed that we have a single system and a single process?

Keil: It's essentially get on board. And stay on board. And that business on the different time schedules was discussed at length. Clearly it's not that there are all that number of time schedules that are required, Some of it is interpretation, and we're on board with cleaning that up as well.

Adams: I think also if the group, sort of the converse of that is to have the group begin the discussion of -- since we're on sap, the standalone systems that are most compatible with sap, have someone start the identification and sorting process. I wanted to underscore, as you know, i've been concerned about the cost estimates of this from the first time it came before the city council. What exactly -- I can't ask, that because we'll get sued. But just reiterate for us and the public why you believe this is the last of the cost overruns. What have you done? What is different moving forward than what we've -- the path we've traveled thus far?

Rust: First i'd like to say that we've done a lot of work on this project, and we know a lot more about what it's going to take to get to the finish line. As mentioned by jennifer earlier, the vast majority of the work that's been completed will be used. It's not as if we're starting at ground zero. A lot has been done, and a lot has been learned and a lot of work is going to be taken advantage of. I think the biggest thing -- when i've talked to your offices about this project, i've told you, as we were trying to figure out what the next step was needed to be, that i'm not going to bring a schedule or budget back until I have Confidence in it. The reason I have confidence in what we're bringing forward today, we spent a considerable amount of time understanding the nature of the issues that we're facing. We've done a lot of work at one of the big problem areas has been in configuring our payroll system and time evaluation. We've conducted over 1500 tests of the way people are paid to determine just exactly what the problems are going to be in terms of configuring payroll. It's critically important that people be paid accurately and timely. So that information and the work that's been done on the other pieces of the project is all going to be very helpful and instructive moving forward. So the work that's been done informs us. Second, tso to get a qualified firm sthrai confidence in that has the proper skill set and leadership to take us to success. I'm extremely disappointed in the performance of the vendor that we're moving away from. I do have high confidence in s.a.p. Public services. They understand the significance of this project. They understand the importance of it, of the project to us and to themselves. And I believe they are going to be the kind of partner with the experience and the knowledge and having work order tough implementations in the public sector with a realistic schedule and a knowledge of what we've done to this point, and a deep understanding of their own Software to take us to success. And those are the kinds of things that commissioner Adams make me feel able to bring forward to you the budget and the schedule today that I think is what's going to lead us to success, and result in no additional surprises.

Adams: The other question I have, so you've known about this problem since december? Is that right?

Rust: That's when it became very apparent as we were ramping up, thinking we were in a position to go live on january 24th. When we started seeing that the development work that was necessary for completion was lagging, and the significant issues showing up with payroll, it became apparent

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to me at that point that we had to make a decision that we were not going to go live, and that's what I did in december, yes.

Adams: The original estimate of 20 some million dollars was based on just back of the envelope, it was their original estimate of 20 some million dollars for this project?

Rust: The original estimate was negotiated with the consultants for the scope of work that they were -- they had agreed to deliver with us for us, rather. It included our own project staff and time, based on the time schedule for implementation, the statement of work I think you should note, it wasn't as if we didn't know what we wanted. We knew exactly what we wanted. Our statement of work is 184 pages long.

Adams: The original estimate was what?

Rust: \$27.9 million. And we had one amendment that increased that to \$31 million.

Adams: There weren't any earlier internal estimates?

Rust: There was early work done beginning back in 2003 that had consultant estimates only and not city staff costs and other project costs built into that estimate. So it really was not a fully loaded estimate, commissioner add amounts.

Adams: In terms of how we're going to pay, we're going to borrow \$10.5 million to pay for some of the cost overruns, and is that \$10 million include the debt service cost? Is it just 10 million that -- for how many years we take out of bureau budgets? I'm sorry, go back over how we're going to pay for our --

Rust: The plan for paying for the increased cost is there are several sources of funds that will be used. We have some costs already that are being borne by bureaus for operating the system, expecting would it have gone live by now, or would do live during the course of this next year. Those funds aren't needed for supporting the operation, so we'll use those to pay for the project itself. We have a budget note from a year or so ago that committed all carryover funds, any excess balance in the o.m.f. organization to be committed to the project. And we think that contributed about a half million dollars. We are also looking at some debt restructuring on our pension bonds that we believe will free up some resources that would otherwise be distributed to bureaus. And those savings will help them offset costs associated with increased cost of this project. The remainder will be financed initially with the credit, and then fund over an eight-year period of time consistent with the term we've used with the first phase of this project through the issuance of general fund-backed bonds. That debt service is approximately \$1 million or so, beginning in '09-10. So that's what bureaus will be distributed, a portion of that cost beginning them.

Adams: It's an overhead charge to the bureaus?

Rust: Is it overhead or --

Keil: For general funds. For us the estimate on it was \$124,000 in that year.

Adams: So with the carryover and the pension bond savings and the line of credit, is that what adds up to the 10.5 million?

Rust: The 10.5 million, commissioner, is the line of credit borrowing. The difference between the 18.5 and the 10.5 are these other sources of funds.

Adams: Ok. So the -- what would we normally do with a pension bond savings?

Rust: In the absence of using it for this project, it would be distributed to bureaus on a pro rata basis and it would used to help offset the expenses those bureaus would be incurring.

Adams: So it would be discretionary resources to the bureaus?

Rust: Yes.

Adams: Sue, do you know what That is for pdot?

Keil: No.

Adams: Ok. So the cost of the -- barring the 10.5 million, is that the cost that includes the interest costs?

Rust: No, it does not.

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Adams: With interest costs, how much is it?

Rust: I don't have that off the top of my head. But typically we don't show -- when we do capital projects we don't show the capital projects because we're indifferent between paying in a lump sum today or borrowing over time and paying interest. Because the present value equivalency is exactly the same if you did the discounting of the cash flow. So from the point of view of the project, we have the financing decision is separate from the project cost decision and we don't believe it's appropriate to treat it as a project cost because we're making a decision to finance, we could pay it in a lump sum and have the exact present value cost equivalency as a result.

Adams: Thanks.

Potter: Further questions? We'll go through each of the ones individually. Please read item 594.

Moore: No one signed up.

Potter: Oh. Ok.

Potter: Call the vote [on item 594].

Adams: Aye.

Leonard: These are the kinds of issues that haunt those of us up here more than anything. But they happen. And they happen -- they are real world, they happen in the private sector all the time. They don't get the notoriety they do when they happen to us, rightfully so. So for me, the issue is always not so much that these kinds of incidents occur, but how do we manage them, how do we react to them? And I have to tell you, ken, I think your reaction has been perfect. I think you have handled this professionally. You have assumed responsibility where appropriate and assigned responsibility where appropriate. So I find your reactions to have been credible, to have been -- to have served all of us well, and I really don't have -- there's a cost overrun, but I don't have a lot of issues with how this has been managed, other than obviously just wishing it didn't happen, but it just happens. And so I really appreciate the work of you, your staff, how you approach this, and I have high confidence in your high confidence that this is going to get done. So thank you very much. Aye.

Saltzman: In the interest of fairness, I will point out my strong concerns about this now becomes the largest sole source contract or no-bid contract in the city's history. Many of you recall several weeks ago I was raising the same concern about the contract for the sauvie island bridge as being a no-bid contract. Well, this -- given ordinary circumstances, I certainly would not approve a no-bid contract of \$11.5 million. But I do think these are not ordinary circumstances, and I think the case as commissioner Leonard has said, has been handled by o.m.f., all of you well and responsibly, and I believe this is clearly -- it's also a fixed fee, but clearly a path to successful implementation of the new enterprise business system. So I will support this, but I don't do it easily. Aye.

Potter: I think this has been a difficult issue for the entire city. But in terms of backtracking and figuring out what to do differently, I think that we have done the best under the circumstances. As commissioner Leonard pointed out, often in the private sector these things occur with little or no public attention. When they occur in a public setting, I think we owe it to the public to explain what we've done, what we're going to do in the future, and that the project will be completed in a timely manner. So I do appreciate the work of o.m.f., I appreciate the work of the committee, and the forebairns of the taxpayers who pay for these things. So I vote aye. [gavel pounded] please read item 593.

Item 593.

Potter: O.m.f. Staff have described this issue s there anyone signed up to testify?

Moore-Love: No one has signed up.

Potter: Ok. Please call the vote.

Adams: I should have asked, can I ask a question?

Potter: Sure.

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Adams: So how frequently will you be coming back so this is on the issue, not this particular project, this particular ordinance, how frequently will you be providing updates to your -- [inaudible]

Rust: Commissioner Adams, I typically have this as a standing agenda item on each of the agendas with your offices when I brief on council individually. I expect I will continue to do that. This is a very high priority project and one that i'm sure interests all of you, so at least once a month you'll be hearing from me on how we're doing. And we certainly will be happy to provide more information if that's the interest of your offices.

Adams: If you could in writing, in addition to that in writing say whether we're on revised time line, on revised budget, I think that will be useful too.

Rust: We'll do that.

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

Saltzman: Well, I do want -- this is for our quality assurance contractor, pacific coast -- pacific consulting group, excuse me. I think they've been doing a great job. And I just want to say to commissioner Adams and others, i've asked to receive their monthly report, which is very informative, and unfortunately, Lately, they've been raising red flaks two months. -- flags. But I would hope at any future point you're back before us on the project that there will be a representative from the contractor here too. But I think you're doing a great job, and pleased to vote aye.

Potter: Aye. [gavel pounded] please read item 590.

Item 590.

Potter: Is there anyone signed up to testify?

Moore-Love: No one signed up.

Potter: It's a nonemergency, moves to a second reading. Please read item 591.

Item 591.

Potter: Staff?

Eric Johansen, Office of Management and Finance: Good morning, mr. Mayor, commissioners.

I'm eric johanssen, the debt manager in the office of management and finance. This ordinance authorizes the issuance of urban renewal and redevelopment bonds for south park blocks urban renewal area. You may recall the last date for south park blocks to issue bonds is july 23rd of this year. Approval of the ordinance will allow us time to sell and close the bonds prior to the area's expiration date. In addition to authorizing new money, this particular ordinance also authorizes the refinancing of any outstanding south park blocks bonds. Based on the recommendations of the urban renewal advisory group, the proposed bonds will be structured such that the debt for the district, outstanding and proposed, will be repaid by Fiscal year 232004. The amount of new money bonds to be sold will defend upon interest rates at the time of sale, but we expect to realize 35-40 million for new projects in south park blocks. Bonds are expected to be sold in late june and closed in early july. Bank of america and citigroup are the managing underwriters of the sale. I'd be happy to take any questions.

Leonard: What are the bonds funding?

Johansen: A number of projects that have been -- will be approved in the south park blocks budget. I can't speak to the particulars of those.

Leonard: Is it typical for us to authorize bonds before we've identified the project?

Saltzman: We have identified those. I think it includes some section 8 acquisitions and things like that.

Keith Witcosky, Portland Development Commission: Portland development commission. The - - most of the bonds are going to be invested in a number of the section 8 preservation projects that were identified by the urban renewal advisory group. There's also resources going to rental and preservation housing, and I think they'll probably be some projects associated with Portland state

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university. My understanding is today was the discussion and the vote will be next week. We'll have this afternoon when we meet with city council serving as the budget committee to go into the extent you want. To, basically each and every line item for all the uranium areas so we can get much other in depth on south park blocks as well at that time.

Leonard: But that isn't the context of the budget. We're voting on authorizing bonds, and I'm assuming are paying for specific projects. And I think I've asked this before as well. I'd like to see, you know, for instance, if the bonds are 5 -- 5 million, that's a figure you came up with to reflect specific projects.

Johansen: In this particular case, because this is the last opportunity for the district to issue bonds because of the expiration date, the sides of the bond issue is being driven also by the revenues that we've projected will be available between now and fiscal year 232004. There are projects to consume all of those revenues, but the actual sizing of the bond issue is based entirely on the last date for debt service as well as the revenue stream to support those bondz bonds. That happens to be 35-40 million.

Leonard: As we've had discussions, I know at this time because I remember these discussions, but I think it's important to make clear here that as we've had policy debates on the independence of Portland development commission, I have been told ad nauseam that your opportunity commissioner Leonard, to question what the development commission is doing, when you vote to approve bonds. So I've heard that. So now I'm being told, you're vote fog approve bonds, but we haven't identified what the projects are specifically yet. So --

Witcosky: You're not going to vote today. Correct? This is the first reading. You're going to vote next week. The thinking was we can get very deeply into all of the projects -- I've got our budget --

Leonard: I don't want it to be deeply, I just need a line item to what you're asking me -- that's all. That should come with the first reading. Because that's the opportunity to have discussion, right? That's when the public is here to discussion. So to have a process whereby we submit what the budget -- I don't mean to be picking on you, but I want to be clear, this is a process thing, I want to have happen each time we do this. The public has the opportunity to discuss this, I have an opportunity to discuss it, and the appropriate time to do that is at first reading. Now if you submit the project information at second reading, the mayor will say, there's no testimony today. Well, that's processwise, not appropriate. So I'm just asking, and I know I've asked this before, when you submit this stuff, just submit along with the information that we have, the projects that it funds. They don't have to be specific, but certainly you came up with this number thinking of specific items that added up to this number. So I'd like to see that.

Saltzman: The urban renewal advisory group which commissioner Sten and I served on, there is a list. And it should can be there's no reason why it shouldn't be here.

Leonard: That's all I'm saying.

Saltzman: There's a list of what we anticipate the expenditures --

Leonard: There's no way you picked that number without a list. I get that. You're on one hand saying you want input, commissioner Leonard, in the decisions p.d.c. makes, do it when the bonds come up.

Potter: It's my understanding in terms of the process, this authorizes the bonds, but we do not actually purchase the bonds, we purchase them as the projects come on -- come available. Is that correct?

Johansen: In this case we'll be issuing the entire amount of bonds prior to July 23rd.

Potter: Ok. So you'll get us the list of the projects that the budget committee has looked at and approved?

Saltzman: The urban renewal advisory group, yes. Before we vote.

Potter: Ok. This week?

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Witcosky: I'll give it to you today.

Potter: That's better. Thank you. Further questions? Do we have a sign-up sheet?

Moore-Love: We did. Veronica bernier.

Veronica Bernier: Good morning, mayor Potter. Commissioner Saltzman and randy Leonard. I'm a Portland state university graduate, public health. Good morning, audience. Oh, sam Adams isn't here. That's ok. We can let go of the navigator for a while. That's a joke. I know randy would get that. I just want to speak to this park blocks initiative, because it is close to Portland state, and I just wonder if we are pro growth at Portland state. We have a new president, and he's been inaugurated and he had a very good send-off, I thought, nice wine and shrimp cocktail. Anyway, it was a nice party, so we enjoyed that. I want to say to keep a good effort going, we need good growth.

According to former mayor vera katz, Portland has always been a pro-growth city. There's a lot of players here, and we need to support growth within reason. That is to keep the concept green, number one, and number two, try not to get involved in growth -- for gross per se, keep the architectural levels congruent, which means when you square off for -- square up an area like a block, try to make the architectural buildings square and level so that you don't go above the 500-foot height limit. We don't want too many skyscrapers downtown. I think they understand that. And also keep the green, which means include trees, a lot of trees. That's what makes it green. We don't want too much concrete and steel downtown. And so that's just my off the cuff remark. You're looking well today, mayor Potter. Good to see you. Always good to see you.

Potter: Thank you. Is that it?

Moore-Love: That's all who signed up.

Potter: It's a nonemergency, moves to a second reading. Please read item 592.

Item 592.

Eric Johansen: Good morning. Eric johanssen, debt manager in the office of management and finance. This ordinance authorizes the issuance of water revenue bonds to finance improvements. The ordinance authorizes up to \$84 million in water revenue bonds, bonds will be secured by a first lien on water system revenues. Annual debt service on the bonds is projected to be \$5.8 million per year and proceeds of the bonds are expected to fund a portion of the bureau's anticipated capital program for about the next 20 months. We expect these bonds will be sold through competitive bidding in late july of this year.

Potter: Questions? Do we have anybody signed up for testimony?

Moore-Love: No one signed up.

Potter: Anybody here who wishes to address this specific issue? Nonemergency, moves to a second reading. Item 595.

Item 595.

Potter: Second reading, call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. [gavel pounded] please read item 596.

Item 596.

Potter: Commissioner Adams?

Adams: I have a revised ordinance. This was a second reading, right?

Potter: Yes.

Adams: It's an amendment. Can I amend the second reading?

Leonard: You can, but -- it has to wait until next week to be voted on.

Adams: I understand. This continues to pursue the state resources for the flanders bike boulevard and bridge, allows to us make that request, but it doesn't -- it obviously would not be for the reuse of the sauvie island bridge. The reason why I want to continue to pursue this is that in the last nine years this is the deadliest street corridor in the city, with 211 people seriously injured, and 14 people killed, and the flanders street bicycle boulevard and bridge project I think has been before

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the city council three or four times. So this -- these resources f. We get them, would obviously go towards a new bridge, not a reused bridge.

Auerbach: Are you moving the substitute?

Adams: I move the substitute.

Leonard: Second.

Potter: Call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** No. [gavel pounded] now what -- does this proceed to a second hearing?

*******:** Nonemergency.

Potter: Ok. Please read item 597.

Item 597.

Potter: Pyrotechnic second reading, call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. [gavel pounded] please read item 598.

Item 598.

Potter: Commissioner Saltzman?

Saltzman: This is to accept a grant from the state d.e.q. to run one of the Oregon food bank's food rescue programs called fresh alliance. The program collects usable dairy, deli, and frozen meat items from 57 Portland area grocery stores that will divert food from the waste stream and will also provide food to hungry people.

Adams: How can you oppose that?

Potter: Is anyone signed up to testify.

Moore-Love: No one signed up.

Potter: Is there anyone here who wishes to address this issue? Emergency, call the vote.

Adams: I'm all for the rescue of food. I do my part. Aye.

Leonard: Aye. **Saltzman:** Aye. **Potter:** Aye. [gavel pounded] Please read item 599.

Item 599.

Saltzman: This is a second reading, isn't it?

Moore-Love: We have an amendment.

Saltzman: I need to offer an amendment, because we left out the effective date from last week's version. The effective date is July 1st of this year, 2008. So I'm adding that and if the attorney rules we need another reading, we'll do that.

Auerbach: You do. Unless you put an emergency clause in it.

Saltzman: I'm comfortable -- ok. We'll have another reading next week. But I do need to amend this, change the last paragraph --

Potter: Making it effective July 1st?

Saltzman: Right.

Leonard: Second.

Potter: Call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. [gavel pounded] so it will move to a second reading. Please read item 600.

Item 600.

Saltzman: This is a -- it's great to see this project at city council. The Lents park improvement plans really got going in the summer of 2004 with extensive citizen involvement throughout the process. This contract will provide new sidewalks around the park, improve spectator areas, and a new concession building, and field improvements as well as a new tee ball field, sports associates amenities. I urge council support.

Potter: There anyone signed you to -- up to testify?

Moore-Love: No one signed up.

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Potter: Is there anyone here who wishes to address this issue? Emergency, call the vote.

Adams: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Potter:** Aye. [gavel pounded] council is adjourned. We'll convene at 2:00 p.m. as the Portland development commission budget committee.

At 11:54 a.m., Council adjourned.

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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.

MAY 07, 2008 2:00 PM

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Potter: We'll have a roll call.

[roll call]

Potter: We'll then have bruce warner, the executive director of the Portland development commission, tell us how the events will proceed today.

Bruce Warner, Portland Development Commission: Good afternoon, mayor, counselors, and welcome to your first meeting as the Portland development commission budget committee. This is the first time you're meeting in that capacity, since the charter was approved by the voters in 2007, and a subsequent state law was enacted that allowed that to occur. The budget committee has I think as you know certain responsibilities under state law, or as 294 and dave our acting general counsel is here, if you have any questions. This meeting is the time where the council's charged by your charter to primarily review our budget to assure that the proposed budget is aligned with the city adopted policy goals and priorities. And it's also this meeting either today or tomorrow, is the opportunity for a public to testify before you as the Portland development commission's budget committee for input into the budget before you take action. As you know, we've got two hours Scheduled today. We have two hours scheduled on thursday to complete the work of the budget committee. It doesn't mean you need to take both days to do that work, but one of those days you need to provide an opportunity for the public to testify. If you don't do it today, we need that opportunity tomorrow. We'll get into this more, but if you approve the budget with or without changes, it goes on to a tax supervising and conservation commission for their review and endorsement and ultimately the p.d.c. Board of commissioners for their adoption before july 1st of 2008. I just want to go over the agenda. I think you've done the roll call. I guess gave you a quick overview of the charge. In order to do your work as p.d.c.'s budget committee you must elect a presiding officer to run the meeting, which can be any of you based on the vote of the four members present. That would be one of the first things you need to do. We can give you a little more detail on the time lines of what we see as the budget adoption process. The second item is where I will briefly go over the highlights of my budget message which was proposed budget was given to you. We'll go over the recommendations of the budget work group, comprised of maika rich commissioner sten and Leonard as long with two of our p.d.c. Commissioners. I'm also going to ask keith to Identify any other issues we know about that have surfaced since that budget work group. The discussion is what it is, an opportunity for you to talk amongst yourselves, but ask us questions, we'll give you answers. We've provided time, 30 minutes, for public testimony if you get to that. The fifth agenda item is really to -- we'll keep track of any items you bring up that need follow-up for tomorrow. We'll get those identified if there are those. And then obviously if we can, take formal action, which we approve the budget, we'll get into that, we have a resolution, that is a p.d.c. Resolution because you're acting as the budget committee today. And then again, you can see the next steps are identified after the budget committee takes its action. So I think i'll turn it over to the committee and let you folks elect your presiding officer, and then get into the meat of the agenda. Does that explain the task pretty well?

Potter: Yes.

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*****: Ok.

*****: [inaudible]

Potter: Do we have a nomination?

*****: [inaudible]

Potter: Call the vote.

Potter: Aye. **Adams:** Aye. **Leonard:** Aye. **Saltzman:** Aye.

Warner: This is a new roll. -- roll. You're doing it well. Mr. Chair, if I could, I was presiding -- I should say why Don't I ask tony barnes, our principal budget analyst, to go through the budget before you. And ask keith to talk a little bit about some of the details that we're going to be talking about today.

Tony Barnes, Portland Development Commission: Good afternoon, mr. Mayor, councillors. Tony barnes. Just a quick recap of our budget schedule for the rest of the budget process. Upon approval of the budget by this committee, we'll be forwarding the budget to the conservation commission. We -- following approval of the budget and forwarding of the budget to the -- we'll be forwarding the budget to our board of commissioners. We have scheduled a work session with our board on june 11th. We'll be working through decisions of this committee with our board and any other recommended changes they'd like to see go forward in the adoption of the budget. On june 25th we'll be holding a hearing with the tax supervision conservation commission and our board, they'll be having a public hearing. Our board will take action to adopt the budget with any final changes.

Warner: For the benefit of the budget committee, the -- to go from here to the tax conservation and supervising conservation commission, they take action, then it goes to the board for adoption. Our board has the ability to make further changes to the budget at that time. If there's any changes that are Above 10% of any fund, it has to go back to the tax conservation -- supervising conservation commission before our board can take final action on the budget. And mr. Presiding officer, I forgot I want to go over the budget message. I would point out if you folks have this document which I sent to you, there's a tab entitled budget message. I wanted to take a couple moments to identify the key things. Commissioner Saltzman, you have a copy?

Saltzman: I don't have one with me.

Warner: If you go to the tab on my executive director's message, what I wanted to do is make clear i'm please the to present and you our community with our proposed 28-2009 p.d.c. Budget. We've done a good job of working with your staff, with the budget work group and have come up with a budget that does integrate the commission goals, the city goals and outcomes and measures, and ultimately implemented the urban renewal plan the city council has approved. In terms of the things that are important to note, we have put in to our budget time and moneys to allow the committee time to consider the future of urban renewal. As you know, there was a group that looked at the downtown urban renewal areas and what ought to be done with the two expiring districts, and with the river district, but we're also working with the community in the lents urban renewal area and the desire that we look at a new Urban renewal area in the downtown Portland area and maybe another one on the east side. So we have effort and work at time built into our budget to do that. The other thing I want to say is we are putting an increesd emphasis on economic development within the urban renewal areas to identify economic strategies for each one of those urban renewal areas. And efforts to really advance the elements of the city's initiatives on sustainability and alternative fuels initiatives. But 30% set-aside is part of the budget. The other thing that's very important is we have a number of projects that are relying on tiff funding to complete the funding package. Mainly on transportation projects. And I would note the overall budget is down a bit from last year. Mainly due to bond proceeds being spent on projects during this fiscal year. So our overall appointing budget is -- continues to be a little over \$200 million. In terms of key initiatives, I just wanted to point out on page 2 of my message, we have monies in our

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budget to work with the city of Portland on conducting an update of its disparity study which was done in the early 1990s. This is a piece of work that was done to examine potential racial and gender disparities in the construction industry, as well as the construction trades, apprenticeship systems. And we know the city is moving forward on that, and we have monies to help fund that particular study during this next fiscal year. I also would point out the work group, the counselors and the commissioners made it clear they want to see better integration of development, commissioner development and housing programs, and as you know on making some major changes that will not be implemented until after the fiscal year, but the monies are in the budget to be able to accomplish that. Finally, dimension the downtown waterfront south park blocks are being allowed to expire. But the committee really wanted us to look at a new u.r.a. Downtown that looked at areas like Portland state university, goose hollow area, lincoln high school, the conway site, and making sure we don't forget the needs of the central retail core in Portland. So we'll continue in this budget to focus on economic development and really our prioritizing the target industries to try to do really I would say catalytic things in those particular areas. Then finally, housing in terms of this section is a priority both for homeownership, helping bridge the gap and minority homeownership, and again, providing opportunities for people who can't afford hope or housing. Turning on to page 4, I just have to go on record as noting that the work group and others really identified a number of key properties that are critical to the future of Portland, and We need to spend time o the first was the freeway land site, which is in the lents area. 100 acres plus property, it's privately own and we're working with other agencies of the city and figuring out what would be the best plan for the development of that area can really make a difference in that community. The headquartered hotel continues to be in our budget and we're hoping by the middle of this summer metro will be making a decision whether to move forward with that project or not. Union station, we need to have some monies to continue to work to try to find solutions to the deferred maintenance, but also try to figure out ways to make this facility continue to be a wonderful landmark for Portland. And probably the most exciting one on this list is, as you're aware, we have a letter of intent now with u.s. Postal service to actually purchase their downtown office and processing facility, which would free 13 acres for redevelopment in the heart of downtown Portland. And that would allow them to hopefully move to a site near the airport. And we will know by the beginning of next year whether we have an agreement on a price and an agreement on a by to take that down. And the last thing I noticed was things we're doing in old town-chinatown that related to the uyijamaya, an asian grocery store, and the redevelopment of the gomd smith blocks to really provide huge opportunity for Reinvestment in that particular area. And then last on the conclusion on page 6, the first part, the first part of the conclusion paragraph, the focus of this budget continues to be on achieving the goals and policies established by the city council and the p.d.c. Commission, and p.d.c. Projects and programs will continue to support citywide priorities, strategies, and focus areas as well as specific objectives in every one of those adopted urban renewal plans. That was probably too long, but I wanted to make sure you knew what was important for you to know as you look at the budget. If you have question, i'd be glad to answer them.

Leonard: Just a process question. Is it the intent to pass this on today?

Potter: To approve the budget?

Leonard: M-hmm.

Potter: That was discussion point. We also have how many hours tomorrow? Two hours? If it doesn't get done today.

Leonard: Because it is my intent to, if we're going to pass it today or tomorrow, to propose an amendment that would require that any of the general fund dollars that we, the city council give the Portland development commission for economic development be not allowed to be dispersed or not all lowtd to be spent until p.d.c. Was in compliance with resolution 36590, which was adopted on

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march 12th requiring that the city attorney Act as general council. So that would only be a discussion I would enter into if we were going to propose planning on voting to pass it on.

Potter: I think there's a place in the order of events that we can discuss other resolutions.

Leonard: This isn't another resolution, it's an amendment to the budget. So it would be part of the process of, as we vote on any items --

Potter: Is that two separate things?

Leonard: It is one is an amendment to the resolution and one is an amendment to the budget itself.

Keith Witcosky, Portland Development Commission: A couple things city council could do. At some point you'll need to pass a resolution that officially takes our proposed budget and makes it an approved budget with the appropriations expenditure schedule, etc. You could amend that resolution with this language and move it forward. I think you also have the option of not moving our budget to tsc until maybe a time that parallels when the city's budget goes to tsc. So there's some different things. We could work through everything in the next couple days, pass a resolution with that piece, or work through everything the next couple of days and say, let's wait and take action until we take some other actions concurrently.

Leonard: To be honest, I think having the debate today on this amendment would be premature. And only would happen because of the sake of meeting a time line that was previously set, which is unduly early. Commissioner Adams is spearheading discussions to find resolution. I think there's some opportunity to have that happen so we wouldn't necessarily need to have this amendment, but the position i've taken is that we have to have resolution on this budget, the city budget, and this outstanding resolution that was adopted by the council as a package. So if there's an opportunity for that to happen, I don't want to take a lot of time discussing this. If there's a consensus we could set this vote aside, tomorrow, to some point soon in the future, but still enough time to get through the process, but I feel pretty strongly that resolution adopted by this council need to be complied 1 less there's extenuating reason not to.

Warner: I would hope we'd entuse time to get the issues outside of that issue wrestled to the ground and get agreement on the budget if we can, and you can decide whether you want to insert that now or wait until you're ready to go with the entire city budget. I understand what you're saying. But would I like to be able to answer your questions --

Leonard: And I do have some on -- in that vein that are kind of -- how i'd laid it out f. It's ok with mayor Potter and the council, i'm willing to forgo the discussion today and see how these other discussion Goss in the interim and take this up at some point in the future if need be.

Saltzman: When you say discussions going on in the trism, are you talking about discussions about the attorney issue? Olympic both. For me they're part and parcel.

Saltzman: Would I agree. If we're going to be here for a whole day today, possibly two hours tomorrow, I think this is the forum to make these decisions.

Leonard: Make what decisions?

Saltzman: Budget and on the -- on your proposal. Your amendment.

*****: [inaudible]

Leonard: Part of what I feel very strongly about, I have up to now supported some five-plus million dollars in city of Portland general fund dollars that are discretionary on our part. We have the ability to spend them any way we want, and to put conditions on them if we spend them. And part of what I would be doing with this budget note is conditioning the use of that money with budget note that would say that money couldn't be spent unless this resolution was complied with, that therefore kind of gets into the city budget as well. And becomes part -- because I want this same language to be on the city side, and not our budget as well. So it all becomes one package. So I can't make an agreement on any independent part of those three moving parts which is the city

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budget, the p.d.c. Budget, And this outstanding resolution on the attorneys until we have agreement on all three. And if we have agreement, that's great.

Potter: I think there is a requirement to have a formal presentation of the p.d.c. Budget. And I think regardless of what avenue we take, we have to have that done. And that's the next section which is a formal presentation under o.r.s. 294. So if that's ok, we can proceed with that. If there's -- I don't think we can change the order of events or not have this as a presentation.

Saltzman: I don't disagree we have to go through the presentation, but I thought we were convening as the budget committee for the next two days. So I would -- I guess i'm saying sometime in those next two days I would think we would pass a budget, or approve a budget, and if the commissioner wants to put an amendment forward, we would do that.

Leonard: I'm suggesting we don't need to pass it on in the next few days. We can have the hearing, we can pass it on, but there's nothing that actually logistically requires us to pass this on at this point. I mean, that's a suggestion, a way of maybe avoiding having a discussion that ends up not being necessary to have if we reach a bigger agreement on the two budgets and the attorney in the next few days.

Potter: I'm saying I believe -- it appears we should have a formal presentation of the budget, regardless of what happens next. I'm suggesting we comply with the procedure that's been set up under state statute.

Leonard: Didn't we just have that?

Potter: No.

Warner: Had you my message which told you in general what the high points of it are, but we want to be able to present to you per the requirements of state law what our budget really does have in it. That's what keith and tony are here for.

Witcosky: If we get through that -- we won't get through it, but then we can come back to this issue and decide where do we go from here? So we're going to -- i'm going to hand it off to tony barnes, but there's three pieces, two, three pieces we want to alert you to. One is the attachment a. This is the -- this identifies our funds. And that's the language we speak in terms of forwarding expenditures in these individual funds. You'll notice some are just named off urban renewal areas, you'll notice some -- we have a general dispend other things. There's some things that we are requesting be reflected in the approved budget that were not in the requested or proposed budget. Tony barnes will take you through all those, am those adjustments, he'll identify what is different between the requested budget that at least sitting around this table, Commissioner Leonard and commissioner Sten were involved in as well as our board back in february. So there's a couple tweaks that were changed there. He'll take you through the things we need to see reflected in an approved budget. We will show you some kind of higher level pie chart to break down the funds and then we'll start walking through the uranium areas. And as we get into those things, as we get into anything, you can identify questions, issues, projects, wherever it might be, that you maybe want to see some adjustments on as well. I'm going to hand it off to tony who will talk to some of the higher level financial budgets issues.

Barnes: I'm going to be walking through the presentation that was handed out earlier. The total p.d.c. Proposed balanced budget is \$288.6 million. The budget is made up of a number of different funding sources. The majority of the budget is our urban renewal fund, made up of 11 different funds for a total of about \$160 million. What i'm going to do is talk about these high level funding sources at first, then we'll dive down into a greater detail about the specific funds. The urban renewal funds are the biggest component of our proposed budget at \$190 million. We also have a p.d.c. General fund at 42 million dollars. That comprises all of the staffing and operating costs of p.d.c. Plus proposed general fund allocation. Also in the budget, we have an enterprise fund of \$20.4 million. That comprises of p.d.c.'s housing investment fund. Neighborhood loan funds, as well as some fannie mae and Oregon residential lending program funds. P.d.x. Pediatrics. The

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contingency is spread across the urban renewal fund, in, say, river district, downtown waterfront, south park blocks. But it all adds up to \$28 million. On the second slide going to more detail on the p.d.c. General fund --

*****: [inaudible]

Barnes: More or less it's the resulting of the timing of bond sales. When we sell bonds in certain districts, for example, downtown waterfront we recently had a bond sale. The projects are included in the official statement of what we plan to spend the money. The official statement for the bonds.

Adams: Contingency would show up when we look at the individual --

Barnes: That's correct.

Adams: Ok.

Barnes: Going back to the general fund, the second slide, you can see we've broken out of that \$42.1 million about \$5.6 million is the city general fund allocation. That represents the \$5.2 million recommended by the budget work group. As well as \$400,000 for funding of the downtown marketing initiative. Throughout the general fund we also have all the staffing and overhead costs for each Department of p.d.c. So all the folks that actually work on the projects on a direct basis or more of an overhead bases are budgeted here in this fund.

Adams: Could you refer to the slide numbers?

Barnes: Page three. Slide three.

Adams: Great.

Barnes: On slide four, this is the breakdown of the \$190 million in expenditures and urban renewal area funds. As you can see from the 11 u.r.a.'s, the river district is the largest allocation at \$47 million planned in the proposed budget. This also includes south park blocks, \$20 million, central eastside, \$16 million, downtown waterfront, close-out budget, \$19 million. And north macadam at \$18 million. Smallest budget right now is the willamette industrial budget, just short of a half million dollars. That includes all expenditures, staff, materials, all project direct expenses, loans and grants provided for housing purposes for commissioner development funds.

Adams: Are we heading to -- keep going.

Barnes: What I'd like to do is spend a few minutes talking about where in the budget document we can look at very specific line by line. Our home gallon funds, all felled allocation we manage through the bureau of housing and community development. A small allocation for staff and the administration of the staff enterprise zone.

Leonard: This is money you use for affordable housing in combination with bhcd or other nonprofits.

Barnes: Right.

Leonard: I guess this would be the appropriate time to ask, recently one of your commission members made it clear you thought it inappropriate to use these funds to provide rental units. Versus homeownership I think his exact quote was, create ghettos. For a number of us that were struck by that comment, observation, that it seemed to be not in keeping with the goals of the council to provide affordable housing for as many low-income folks throughout the city as possible, and that to provide homeownership would mean you'd have a dramatically smaller population that could be served and an increased population to receive no assistance. To what extent did that comment reflect? The new policy on the part of p.d.c.?

Warner: I would say it was an unfortunate use of the term "ghetto." I think what he was trying to do -- there are other commissioners that could follow up -- this wasn't the discussion about homeownership, it was the discussion of utilizing tiff revenues outside of the urban renewal areas. And what you'll find is our board is totally committed to the tiff set-aside policy and a provision of rental housing, but what they were -- in the Resolution that they passed when that discussion was going on, asked that we make it clear to the city we'd like to see part of the legislative strategy for

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Leonard: If you look at it in the context of what you're describing, I thought it was station place, which serves the elderly income levels between 0-30% at the foot of the Broadway bridge in the Pearl, and I wondered if he needed to advise that it to be assured low-income housing doesn't necessarily mean they're ghettos.

Warner: I don't think so. I think he is mindful of that, and you may have discussion of that in the next board meeting to clarify that.

Adams: Just a question, learning how to read the spread -- power point presentation against the budget items, I'm looking at special revenues on page 62 where it mentions h.c.d. Contract funds, housing acquisitions. Are these -- am I look at the Detail here on page 62 of the summary presentation?

Barnes: That's correct. If you look at the proposed column under special revenue, this is the same items, actually, the rolled-up fund amounts for other federal grants.

Adams: Is Randy Miller know that you've zeroed out the investor? Program?

Barnes: We have no appropriation established at this time.

Adams: Does he have your home phone number?

Barnes: My understanding is there might be -- we don't have it in this budget. It might be being transferred to another organization.

Warner: This was the discussion of creating the Greater Green Life Portland, so we were looking at utilizing those revenues to jump-start that organization get going. He well understood it.

Adams: I support that. Thanks.

Barnes: I think we're on slide six. Enterprise funds. Enterprise funds are budgeted at \$20.5 million. It's made up of a number of different smaller funding sources, if you will. The largest program within the enterprise fund is the neighborhood housing program. \$16 million. It's a combination of really \$8 million in authority for loan origination for the Fannie Mae and Oregon residential loan programs for actual p.d.c. Originating loans Without -- inside ask outside of urban renewal areas. \$8 million represents transactions with the city. The city has a line of credit a. Short-term line of credit we utilize the bridge the transaction with -- the time between we actually make the loan, and sell the loan back to Fannie Mae. We have to have budget authority to facilitate that. So that's \$8 million of the \$16 million. Also in here is the housing investment fund, \$865,000 for next year. And several smaller economic development loans. They're really revolving loan funds. One is called the revolving loan fund, north-northeast business assistance, industrial sites grant, and urban development action grants. These represent smaller appropriation amounts, and they're contingent upon prior loans getting repaid. To allow future loans to happen through these budget items.

Adams: You lump these together in something called enterprise funds because of the nature of the - - their discretionary nature? Or why are these lumped together in a particular fund?

Barnes: Most of the program funds are loan repayments. So they're not an allocation of funds for - - from the general fund or the urban renewal areas.

Adams: We'll get most of these back.

Barnes: That's right.

Adams: Thanks.

Barnes: Slide seven is a final Roll-up of p.d.c.'s budget, taking a different look at it. By investment category. Part of the total budget of \$288 million, and this breaks out the budget using categories of infrastructure, housing, for rental housing for homeownership, development, and program staffing administration. As well as some of the inner fund transactions that make up that \$208 million. Really what we focus on is the infrastructure at \$100.5 million, housing items, rental housing at \$50 million, and homeownership at around \$25 million. Public facilities at about \$12 million. Those items, you won't see it when you look at the budget document broken out in those

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catgoers. They represent a different roll yuch, but it's a different perspective on how the total p.d.c.

Budget comes across and different themes and expenditure categories.

Adams: Are you able to track expenditures by whether or not that spend which your is expected to produce direct increment or indirect increment?

Barnes: We don't have a specific methodology, if you will, in place to do that. We are looking and we have talked about methods to do that.

Leonard: I'm looking for the piece, I think it's in the economic development section on page 137.

It could be what you're identifying as small business technical assist program. It's the piece we discussed in the subcommittee relative to the Minority chambers. Dispersement. Is that what that is? 26.713? I'm on page 137. I'm asking to you show me where that piece is.

Barnes: That's correct, that's the piece for that.

Leonard: I note that's \$500,000. How does that break out?

Warner: The budget work group said it was to be \$250,000 for each, the hispanic chamber of commerce and the african-american chamber of commerce. Obviously that is different than when we get into the budget -- general fund budget that's been proposed for the city, because we'd have to make adjustments that would lower that amount.

Leonard: Are you saying it is an equal amount for each chamber?

Warner: That was the direction of the budget work group. That's part of the discussion I think you probably want to have.

Leonard: Is there something different than that?

Warner: Nope.

Witcosky: This document reflects the work of the budget work group. We knew there would be certain things to be reconciled today. What you're seeing in here is based on a conversation from february.

Leonard: If we approve today to send on to tax soup, it would include this \$500,000 amount?

Witcosky: If you approve the active line items according to a \$5.3 million allocation, then you'd have to figure out how to true up the city budget, or true down --

Leonard: That gets funded by these general fund dollars that I want to put this budget --

Witcosky: Correct.

Leonard: Aside from that, I had been told that amount had changed to 250 and 150. I'm seeing a nod.

Warner: The amount that's reflected --

*****: [inaudible]

Leonard: One of the chambers got 250 and one got 150.

*****: [inaudible]

Leonard: 500.

Adams: Going to two or one organization?

Witcosky: It was just -- what we're asked to do, if we had 1.8 and one -- in one-time funding, how would it be spent. And so aaron flynn said, minority chamber -- it's going to be 250. We didn't take a shot at saying whether it goes to one or two, or three, or four. We just brought it down commensurate with some of the other cuts we made in our budget.

Leonard: Reconcile the 500.

Witcosky: So the budget committee, the budget work group who presented this budget, which we just moved forward from that group, assumed \$5.3 million of general fund. The model we're going to get is going to be \$3.2.

Leonard: Where is that?

Witcosky: That will be part of the changes we'll be talking to you later that we need to make --

Leonard: But I -- for the continuity of the discussion, point me to that document.

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*******:** That basically that document is the city proposed budget. There's -- you're seeing a disconnect intention dwrally.

Leonard: Gotcha.

*******:** This is our budget --

Leonard: Gotcha. So your budget is where that reflects 150 and 250. Not this budget.

Potter: I think it's 250 total.

Warner: I don't know we've gotten to the level of detail about where it goes.

Potter: That's the difference between their budget and the proposed budget.

Leonard: Reinforces my point that we really need to talk about these -- at least even if we didn't have a disagreement about the attorney thing, the two budgets. They have to be more in tandem than what they appear now, because I have concerns about that. I feel strongly that we need -- they're both very worry organization -- worthy organization, but we shouldn't put a judgment on one over the other. We should treat them both the same.

Witcosky: Let's be clear on that one too, the minority chamber piece is one that we're simply a pass-through. It's not as if p.d.c. Is saying, we view a more than b.

Leonard: Gotcha.

Witcosky: We're just the conduit.

Leonard: Thank you for that clarification.

Adams: Can we ask another overarching question? Professional service contracts rupp by five and your professional and technical Services line item is down by roughly five. Is that just --

Potter: What page are you on?

Adams: 71-72. Is that the cyclical nature of the work? Or is something going on we need to know about?

Barnes: It depends on a year by year and project by project basis. What usual looking at is a roll-up of all counts throughout entire o., all funding source and all projects.

Adams: Who in the organization looks at the details of that?

Warner: All of us do, our chief financial officer is the one that is monitoring those contracts.

Witcosky: One of the purposes of today is identify questions. We can write that down and come back tomorrow with a more detailed response.

Adams: Then the program income, if I could see program income broken out by u.r.a., if you haven't done that already, program income looks through the sale of sprotte going to be way up.

Barnes: This might be a good time to go into the u.r.a. Specifically.

Warner: I'll turn it over to keith to get into u.r.a.-specific budgets.

Witcosky: As we walk through this, you're going to see on these slides, high-level slides. The extent you have specific questions, we can answer them. We'll bring up the expert to talk about any projects you might have questions on as well. So we'll start alphabetically with airport way.

Airport way located out adjacent to the columbia close to 205, predominantly industrial commercial urban renewal area. What we're going to do with each one of these u.r.a.'s in an attempt constantly indicate is to show -- date -- the amount p.d.c. Receives for investment and the amount that is redistributed to taxing jurisdictions. You'll notice as we walk through this, as all of you are probably well aware, in certain cases p.d.c. Keeps just pretty much all the money for investment n.

Other cases the wealth is actually distributed elsewhere. In airport way we receive about \$2.4 million for investment. We also receive \$3.1 through this special levy. And i'll take one minute to talk about, but there are people here who don't know what it is. It was create bide city council back in the mid- to late 90s in the wake of a number of property tax ballot measures, and given some of the limitations place order urban renewal areas through those tax measures, the council decided, and the legislature actually decided and council agreed that the urban renewal plans that were in place before these limitations need to carry out the goals and need to carry out the community priorities. So council is able to make some decisions and on how they wanted to allocate resources. There

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was this special levy which was citywide tax. At the time council said we will issue \$15 million in a citywide tax and we'll distribute it among airport way, downtown Waterfront, south park blocks, and Oregon convention center urban renewal areas to make sure they can continue to implement their plans. So with the airportway, you're seeing it's receiving 3.1 of that \$15 million to invest in projects and programs. So a couple things that are also important to notice. Up top it releases about \$16 million to other jurisdictions. The city, the county. If a new building was built on airportway, a \$200 million building, all the property taxes associated with the assessed value would go to the other jurisdictions, not to p.d.c., because the taxes on growth is capped. So you'll see this kind of a bar chart or whatever you call it in some of the other districts, and it's important to know. The line item on the bottom, the frozen base, the 2.7. That's when the urban renewal area was authorized by city council. That's the taxes being generated in that district at that time. That amount continues to go to the other -- ok. So what this slide shows is over the last four or five years, how much airport way has received in tax increment and the special levy. Since our amount of resource and tax increment is capped, you see it apples being about 2.3 in change, and here you see the decisions in terms of special levy an occasion over that period of time as we. That's a little bit more flexible. Once you dedicate it to a Certain urban renewal area, fits paying off debt you can't shift up and give it to another if it needs -- its debt payments.

Adams: It might be useful in the future to include how much is returned. Just so people show at least in airport way we're making money for the county and the school districts and the port.

Witcosky: Ok. This district was established in 1986, 2700 acres. It can't issue any more debt after may 2011, but again, associated with these property tax measures back in the 1990s, is that every urban renewal area that was around back then had to basically set a credit card limit, and this district has already hit it. So we can't issue any more debt anyway. The money it has to invest is mostly derived from what commissioner Adams was talking about earlier being program nm income. That's essentially f. We own land and we sell it, we can reinvest it in that district. Or elsewhere. If we have a parking lot out there, I don't think we do, but if we did, and we were receiving monthly income off people paying to use the park, that's program income. If we have a loan to manufacturing company, and they're repaying that loan, that's program income. So that's basically what is fueling this district right now. For '08-i 9, there's about \$4.8 million in resources available. Some of the top issues you see Over the next 12 to 18 months is, we do control a number of acres out there. If you notice, there's ikea, there's a number of other properties that have been developed that was land that we controlled. There's recently some agreements we had with the federal government to build a federal office building out there as well. I believe to the -- for a government agency. The interesting thing about this district is first of all, it's heavily focus odd jobs and manufacturing. We've helped a lot of manufacturing companies in this district, through loans and grants, help them expand, bring jobs in. Right now it could provide critical land for the relocation of the central post office. So when you say, well, does p.d.c. Have any money on the other end of the trail, if we're going to help downtown and find a way to buy the property through some of these program income and the proceeds we receive out there, it could provide resources to construct new central post office, or more likely help bring similar jobs to the area. The willamette industrial urban renewal area, this is the newer district. Next year we're look at almost \$400,000 in resources providing \$8.9 million to other districts. You'll see actually the growth is fantastic, but it's a small number, and it's great in twiewrks it's \$-- 760 acres. The focus at the time it was Created was trying to catch which your the expansion of siltronic, which didn't happen n. Large part we felt that was one of the reasons we could begin to tap into a maximum indebtedness of \$200 million. There's a lot of work with the enterprise zone, and you heard from seth hudson probably a month or two ago on that program. And it's some of the tragedyc tinkering we're doing as it relates to the willamette industrial area. If you're helping businesses expand in the area, but you're providing the property tax abatement, it's great because you're creating jorks but you're not generating tax crepts.

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This district will in time, as those tax abatements end, will begin to see resources, but it's come under discussion both in the past two years in the formulation or requested budget, previously when you were involved, and with commissioner Sten and commissioner Leonard and chair rosenbaum that should the entire self60 acres be tied up in urban renewal, is there a better way to find other resources.

Saltzman: I think commissioner Sten raised that question about theeth ca si -- efficacy, and I would agree to some extent.

Witcosky: I think people are saying 758 acres, that currently in an urban renewal area, it's really not providing a lot of opportunity. There are other ways to attack some of the problems. So that is something we will be looking at.

Potter: We spantded that to include most of swan island, didn't we? We expand for -- .

Witcosky: Yeah, it's got -- it does cross the river.

Potter: It is all part of swan island? I know there's discussion around some of the brown fields on swan island, and using some of the funds to clean them up and begin to use them to -- for development.

Witcosky: The key is as hard as our staff has worked to crack the brownfield and the superfund problem, we all chuckle about the fact the superfund has no funds, is that if we want to see something happen out there, given small amount of tax increment, we're not going to be able to do it 8 loan. We're going to have to get federal assistance or city general fund assistance. There's going to have to be another look at how do you get cleaning up the land so you can use it for biodiesel initiatives or whatever it might be. On our work plan we said we'll look at a new downtown district and in conjunction with that, take a look at willamette industrial. To the extent there's -- you'll see in june with david douglas, could a new downtown district assist in kick-starting willamette industrial or is there another way to rp creets amount of tax increment resource available for clean-up.

Warner: We are just about to initiate a blue ribbon committee which will start looking at that very topic. Because we know there's lots of Interest in the land on both sides of the willamette river, but once they find out about the superfund, the harbor, and the brownfield contamination, the interest quickly leaves. So we've got to solve this nut and figure out a way to deal with that. And the question is, is this a tool that can actually do the job? I think the work group is clearly questioning the ability of the financing of this urban renewal area to really attack that problem. So we've got to get a lot more creative.

Potter: Go ahead.

Witcosky: So the next district, and this is one of our first neighborhood-based urban renewal areas where you see a lot of community development, community economic development activity; is the gateway regional center. This was created in 2009 to take advantage of its location and proximity to light rail and as designated to the metro regional center. The district generates about \$2.2 million a year in property taxes for p.d.c. To invest and at the time back in 2001 it generated 6.7, which continues to go to other jurisdictions. You'll notice that we're not seeing growth in this area. Since '03-04, when it was about a million dollars, it's only gone up by about a million. Because of that, it's really limiting our ability to make some bold strokes in the geographic location. There's 150 million dollars remaining, but you can only get to it if you're generating money In the first place. In '08-09 you're seeing just shy of \$5 million for investment. A number of things we're trying to do, one of which is continuing to try and purchase land so we can get our arms around things and do some development and projects that lead to increment -- buy land before prices go up. One of the things that'sism pediatriking it is if you go out to this district you'll notice that the Portland street network is kind of poor at best. And it's either incomplete or there's gravel roads or no roads at all, and when you work with the developer and maybe somebody is interested in developing their property, then they find out in order to do it first they have to build a street. You go right back to

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square one. The budget work group talked about the fact they would be will to have p.d.c. Entering the conversation was o.m.f. To the extend resources are available and get some kind of a loan, maybe a low-interest loan or some means to work on the street network. And begin to address those things so then we can kind of combine it with tax increment and do some exciting things in those discussions with commissioner Adams' office about the ideas of green streets and pilot projects. So we're going to hope to put some of those things over the next 12 to 18 months. We're also having a strong focus on investing in small businesses.

Adams: And we're cleaning up a big brownfield. The one on halsey? Ankeny. Thank you. How big is it? Big. It will unlock development opportunities.

Witcosky: The next district is interstate. What you're going to notice, you try and learn from one district to another, what are the dynamics in terms of resources you have available. With interstate it's also essentially a neighborhood-based district. In '08h 7-08 it's generating \$9 million m increments. Think back to gateway, generating \$2 million. You'll see the growth since '03-04 from three to over 9 million, which some much it is related to light rail and the catalyst it provides in terms of redevelopment opportunities. A lot of it also, we were asked to look at this during the budget work group discussion over the rest of this year, shunted really take that long, say that why is interstate generating \$9 million when gateway generates two? And what can you learn from it to try and apply to gateway? One much the differences is that interstates 3800 acres. And gateway is 658. So is it the sheer size alone and a 3% uptick in property values, or it is something that we're doorks or some other kind of dynamic? It's got a \$24.5 million budget this year and there's still \$275 million in indebtedness remaining. So actually interstate is poised To do some exciting things and have resources to address them. Over the next year or so we're going to continue to focus on our community livability grant program, which is something that was put together by a number of people, including cape dean at p.d.c., which provides neat opportunities for very small projects, I think it's 25 or 50 or \$60,000 grants to do some things the community wants done. And p.d.c. Staff -- people are seeing results of that. It's not a nine-year redevelopment program. The other thing we're focusing on is continuing to do development and investment in downtown kenton. We're going to be looking at leveraging nontiff resources for the bridge piston trail and interstate is also one of the u.r.a.'s where we're work wght housing authority of Portland to buy some scattered home sites that they have and refurbish the home, clean them up if there's environmental issues, take care of those, and use that as a vehicle for increasing fist-time home buyers and homeownership and building equity for Portlanders. So I will pause there to the extent there's questions with interstate.

Potter: Did I have a question. I was asking previously about the willamette u.r.a . You said it covered all of swan island? It appears the intairktsr.a. Does the same thing.

Warner: I think they connect up right there.

Adams: One of the things I would be interested in having the commission look at is the possibility and whether it's legal to jump over the willamette and have a portion of hayden island covered by the interstate u.r.a . Sort of compact. The owners of jantzen beach have decided that they are going to look at mixed use instead of just big box, so there might be some new opportunities for increment out there.

Witcosky: Do you want to talk about that for a second one of the things we're doing with interstate over the next year or so, it was created in 2000, we're starting to see progress. P.d.c. Is going to work with other bureaus in the community to say, let's update what we want to see get done in this district. One of the other things that's related to it is when we get into the Oregon convention center urban renewal area is, that district is more at the tail end of both its resources and the life of the plan. Similar to downtown waterfront where we knew old town-chinatonw clearly isn't done just because the downtown waterfront expires, there's still a lot of need and momentum along m.l.k. And what's the best way to address those needs is through tax increment, is it interstate, if it is

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interstate how would that also relate to possibly -- I just wanted to give you the context. Let's move to the lents urban renewal area. With lents, we'll be getting into much greater detail with the council on lents on June 18th and June 25th when we bring plan amendment forward that expands the geography of the area and takes the slide here shows it's a gray area of how we're going to expand the lents urban renewal area to take some pieces around the periphery and then --

*****: Page 30?

Witcosky: Basically run lents along Foster connecting it to 49th, so we bring in some strategic areas in the commercial corridors so we can help small businesses, a lot of opportunities around there. We're talking with Multnomah county about it tomorrow. And we look forward to their support and trying to help an area of the city that needs tax increments. Right now lents, which was created in 1998, took a while to get it going, but you're seeing over \$7 million available for investment. Which is fantastic for that district and there's a lot of really exciting things that are going on right now. The next slide shows the growth over the last four or five years.

*****: [inaudible]

Witcosky: To be able to get at projects right now we've had a lot of success, working with guardian management who recently won an award for affordable housing on the new copper penny site and trying to find ways to bring housing and some commercial services there, we're looking for nothing grocery store opportunities which lents has been wanting for a long time. Maybe it's that site, maybe it's another site across the street where we just purchased a -- some type of retail club. Entertainment. Yes. Entertainment establishment. There can be a lot of exciting things happening in lents.

Adams: I'm concerned that we try to secure as much strategic pieces of land. It doesn't mean [inaudible]

Witcosky: They are going aggressively. The lents little league site, huge opportunity for mixed use. There's stationery sites, and owners now that are willing to talk that maybe didn't want to talk before. If you look to the north of -- north of new copper penny, there's land in there.

Leonard: The old businesses that are there?

Witcosky: There's businesses, some people that own houses. People are seeing the success of assuredly and others, and seeing the area grow. So we're trying to go in there and buy property, be able to do projects people want to see happen without displacement. And also in this district, similar to interstate, there's and a tesh sites as well. So we're buying multiple homes, it might be 10 or 11 in this one, that we'll be buying, fixing up, and using to advance the homeownership initiatives that we have.

Adams: Can you give us a sense of 80 acres of industrial land owned by a single owner is pretty unique. What's been the discussion among staff and the commission in terms of the future of that?

Warner: We've identified that as one of the strategic sites. The board has said we need to work with the property owners and ultimately the community on what that area should look like. The really good news is we have property owners that aren't ready to redevelop it tomorrow, they're very patient and would like to work with us. So as a joint effort involving the bureau of planning, parks, bureau of environmental services, and ourselves, we've got a team looking at that area to determine what would be the best type of really strategic and catalytic uses that could put on that property that could benefit that area now, but also into the near future. We had counted on being a large employment center. There's other ideas too, but we're not prepared to talk about those yet. I just want you to know the dialogue is going on and the property owners are cooperating with us.

Potter: What is the acreage out there?

Warner: It's about 100 acres total, a little over 100 acres. There's about 30 acres or so of that, which is really in the floodplain or needs to be conservation area, but that means there's a good 65 acres or so that really is available for redevelopment. If you look at the size, at the south

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waterfront, the central district which is about 30 acres, you can get an idea about the magnitude of what could be done on that site. So it's pretty exciting and pretty amazing. As you point out, commissioner Adams, really the land is fairly undervalued right now, so we need to take advantage of that as much as we can now.

Adams: In terms of a vision or a master plan or whatever it is, what's your sense of how -- the years, a couple years?

Warner: I think in six months we'll have an idea what the bureaus think would be a good solution. But then we need to engage the property owners and talk with the neighborhoods. It probably is a year and a half or so planning, if you ask them, I think they've mapped it out more in terms of timing. It's clearly a two-phase process.

Witcosky: I'll move on to the central east side. This is a dheat was created back in 1986. It hasn't seen the increment growth of a lot of other downtown districts. There's a number of reasons for it, but a -- some of it has to do with buildings being in public ownership, that's probably one of the biggest. And it has about \$4.6 million a year to invest in projects. It releasing \$4.1. So the 4.1 is what it was generating back in 1986. You look at the growth over the last four or five years, there isn't a lot of it. This district is -- was recently amended two years ago by city council. So we increased the length of life, and the debt was pushed up to \$105 million. Next year there's about 16.5. One of the -- the focuses are on infrastructure, so you'll see in The budget lottery sources going to the streetcar, resources going to the burnside-couch couplet. You'll see an emphasis on economic development and an effort to grow green and creative industries in that area, which seems to be the natural foothold as the existing industrial begins to involve -- evolve. And in some cases the zoning down there I think planning has or will be -- they've been putting in more flexible zoning to allow more light industrial. Whether that means architecture firm, those kinds of companies. And one of the things we're going to need to talk about clearly with this group today and tomorrow is the resource issues. When we worked with the budget work group in february, we're noticing after this next fiscal year a deficit. And the deficits there predominantly because there's a lot of demands, projects like burnside bridgehead have not gone as hoped in terms of the timing. And with the economy slipping, more than just a little bit. We don't have in the central eastside that -- as chair rosenbaum talked about, that big tax increment generating project. We're hoping burnside bridgehead would be the possibility, but it will take a while. Where Washington monroe could be. And that's really -- p.d.c. Recently paid down the note that was outstanding on behalf of the city in order to get ahold of That big chunk anthony frison property. And to hope parks get in a position to do a community center and then the neighborhoods naturally want to see retail and market rate housing. They really want to see that seven-acre site become kind of a hub for the neighborhood. An exciting hub u. Not one that just attracts a bunch of automobiles every day. We're hoping projects like the streetcar will accelerate the growth of increment more than currently is anticipated. But we're not seeing it move that much above the 4.5 that it is right now. And i'll pause, because I know -- we're going to have to come back to this, because I know commissioner Adams has some items he wants to talk about specifically related to projects in the area. And the budget in that area.

Saltzman: The status of the burnside bridgehead right now is what?

Warner: A few months ago the developer decided they no longer felt they could pursue the project, so we no longer have an agreement with them for exclusive development of that site. Our board, and we have decided we'll wait a few months through the summer and take another look at what we ought to be doing, whether we ought to entertain some exclusive negotiation was some people who want right now, or do another proposal. I think we want to make sure whatever we're doing, we're not Actually competing with ourselves and other -- in other things we have going in other parts of the city. It's a very important project, and critical to the -- in terms of the tax generation in that particular area.

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Saltzman: Are there others that want exclusive negotiations?

Warner: There's others that have expressed some interest in doing that. Our board decided, I think we want to step back and take a look at the market and determine how we go with that. It's clearly an option.

Potter: The six projects you have listed, are those prioritized by their numbers, or just all equal in terms of importance? There are six projects on the map. What is the budget for the coming year, 8.8?

Warner: We have, on the central east side, 14 -- there's about 16.6 million for the '08-09 proposed budget. You can correct me if i'm wrong, I think what you're seeing is just kind of six notable projects.

Potter: This sheet has different numbers on it. This sheet has actually over \$7 million removed. And i'm wondering what -- that looked like \$8.9 million left for investment. How do you allocate those funds amongst those six projects? What's most important? What are the time lines on the east side streetcar loop that -- it seemed to me I Remember early on a lot hinged on the burnside ridgehead development that that was going to be sort of the area that's going to be developed in order to generate the tiff money to pay for some of the others' amenities. How many years out is that? That's not happened. Three to five plus?

Warner: At the earliest.

Potter: Wasn't also the burnside-kucinich coupe cuplet contingent on the bridge development? There's two. One is east side loop and the other is the cuplet on the east side. I know that our kenningal delegation has been -- our congressional delegation has been trying to allocate funtdz for that project. I'm wondering if there's something that is going to be held up as a result of this decrease in revenue for the east side. In terms of first things first, what's the first thing that needs to go in in order for the rest of it to be attractive? If the east side -- the qowch cuplet was required for the bridgehead development it seemed like that would have been the first, except have you these other projects too, like the east side light rail. Streetcar.

Warner: I think the developers of the burnside bridgehead project felt burnside-kucinich cuplet was integral to their success.

Leonard: That was one of the first presentations -- that was presented before the burnside bridgehead was discussed.

Warner: That was before me, then.

Leonard: 2003, like january 2003 when the council adopted that plant.

Warner: We believe the project -- cuplet project is integral to a whole bunch of redevelopment opportunities in that area. Also correct something rather severe traffic safety problems. But your question, mayor strks right question in this district, because it is strapped. And we have to be strategic and we have to prioritize these investments. I think we're planning to get to that a bit more here, but I think we'd also like to see commissioner Adams, because he has a couple of his projects that you talk about that are integral to this financial plan.

Potter: And also the two projects on the Washington monroe site. The community center. How long then does it mean for the -- those communities there to wait for that next stage of development? For the community center?

Witcosky: One of the things, with our budget and what we committed to the community when we did the extension was focussing on securing that land so parks wouldn't have to sell surplus properties to buy it back. So we put that into place and then the actual community center project is something that is not yet --

Saltzman: The actual cost of the community center is going to be 20, 30 million dollars. There will be some tax increment contribution we hope over the future, but it's going to take Approval by voters of a general obligation bond measure. That could include the southeast community center as well as other capital needs for parks.

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Potter: In terms of priorities, they listed six projects that they're working on, including the couch cuplet, bridgehead, the streetcar, the two projects at Washington monroe. And I was asking, what has to happen first in order for us to accelerate the increase of property tax toes create the tiff money to do these things? And I still wait.

Witcosky: We've got -- i'm fronting through the overview of each one of the districts. Tony's had by his side the adjustments, which speak directly to your community about this proposed budget says one number, we know it's going to be different. Why don't we talk about that now? Why don't we focus on the central east side, talk about what needs to come out of the budget, and update what we know about different projects and what actions might need to occur before this budget becomes approved.

Barnes: Have you before you two documents. One is exhibit a, the total appropriations, and the proposed budget and the recommended approved budget. That's the document you were looking at. And this is the supporting document that actually --

Potter: Is this exhibit a?

Barnes: This is the supporting document to exhibit a that shows Detailed changes.

Potter: I'm just wondering, it don't say exhibit a. This one here?

Warner: That's what were you reading from earlier.

Potter: Ok.

Barnes: You can see for central eastside on exhibit a, a proposed budget number, I think it's roughly around \$14 million in expenditures and total, but there's a number of decreases in the recommended approved budget. We're look at based on project timing of the burnside-couch cuplet, and the bridgehead project. Moving those appropriations into future fiscal years in the five-year plan. The total change is approximately \$8.5 million. We're look at decreasing appropriations. That doesn't mean we'll have additional resources next year to work with, but rather it will be shifted to spend on those priorities. The basic priorities that were established by the work group during the work group discussion are the same, it's just the timing of projects in this case.

*****: [inaudible]

Adams: The bridge health project, putting my hat on as transportation commissioner, there's a scope change in the cuplet design from transportation's point of view that we don't have the resources to fill. So I want to make sure that's noted in the budget. We also, when we -- when pdot in april of '06 set forth the various price tags for the Cuplet gave estimates based on the start date, so inflation every year makes it more and more expensive. Is your estimating of expenditure costs keeping up with inflation?

Barnes: The current proposed budget has \$3.6 million, list order page 85 of the budget document, for the burnside couch cuplet, and \$6 million in '09-10. A total of short of \$10 million, between the two fiscal years. We're recommending based on timing of the project, it looks like we're going to be doing engineering next fiscal year so we can move those capital dollars out to '09-10. It doesn't account for any increase

Potter: Is this document supposed to support exhibit a?

*****: That's correct.

Potter: The numbers for central eastside are different on both documents.

Barnes: The numbers --

Potter: One is 14, but on the primary document, and this says proposed, I assume proposed 2008, this document says 16.643 and this one is 14.642. That's the proposed and this is the change. That 6.3?

Adams: M-hmm.

Potter: The change there is negative 823 and this is negative 7747. The numbers don't match.

Leonard: Those are p.d.c. Dollars.

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Potter: Is there something magic about that? What is the difference? I'd would just like to know for my own sake.

Barnes: The difference between the totals or whether or not staff can and indirect costs are being Included, in the supporting documentation we're only looking at project dollars, specific direct project dollars. Total appropriation scheduled on exhibit a has a total budget plus contingency and ending fund balance.

Potter: This says it's total by funds excluding staff and indirect costs. Is the staff costs listed on this one?

Barnes: They're built into the department of appropriations.

Adams: Maybe another way to ask it is, in terms of what came out of the subcommittee, the director's office, submerging from staff and the commission for the central east side, what is the priority, what should we be looking at as the project that would move forward and how they would move forward in the next fiscal year?

Barnes: The recommendation of projects would be the middle column on the supporting document called recommended approved budget. Recommended approved budget the project dollars are rolled into the appropriations for exhibit a.

Adams: Did the red and yellow highlight is significant how?

Barnes: Represents the projects that have changed since the proposed budget document.

Potter: You've got red highlights on yours?

*******:** Yellow.

Potter: Ok. So these --

Potter: These are the things, there's obviously large amount the not placed in there. The change is significant, for instance on the bridgehead project, because there's no developer, right?

*******:** Why don't we walk through the changes.

Potter: Ok.

Warner: I think what we tried to do is highlight for you what we think would be the dhiengs bring this budget back into balance. Your point is, it's not in balance. We knew that going into this discussion. And commissioner Adams, I want to make sure it does include the cost estimates, because that's one I can't answer, that but if you look at the burnside-couch cuplet, originally in this proposed document shows 3.6 million dollars for that project. We're saying let's only put in \$200,000 for that project in the next fiscal year, 2008-2009, moving \$3.4 million out to future years. One year back.

Adams: We don't have it.

Warner: We don't have it. Going down the next line item is burnside bridgehead relocation cost. What we're looking at here is we need to actually have money that wasn't spent this year, moved into the budget for this year. That's actually an add. On the third item president burnside bridgehead development, that's the big one. We're not ready to go, it may be a year or two before we're ready to go, so what we want to do is just continue to work to get that site finalized, clearing the site, but we only needs \$925,000. We don't need \$6.4 million. The last change in the -- in there was before the budget presented to the work group, there were no monies assigned to the i.g.a.s we have to do the overall central city plan. We have allocate the those numbers to all of the u.r.a.'s based on a percentage basis. 72,000 dollars. But what that does is it takes almost \$8.3 million and a little more out of next year's proposed budget for the central east side and brings it in to balance, but I think your question, commissioner Adams, does this reflect the latest estimates on the burnside couch cuplet project and i'm not -- I can't answer that now.

*******:** Yes, it does.

Warner: My staff is saying it does.

*******:** The latest cost is \$27.5 million, and the resources that we've identified have come up to about \$24.5 million. So there's about a \$3 million gap that staff has not identified yet.

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Adams: It's the \$23 million cost is what we gave -- pdot gave you, and the rest of the scope change cost.

*******:** The latest increase is a whole series of things, including inflation. I've got the list. 2% wasn't included, utility -- additional utility work.

Adams: Scope change is about -- the scope change is from three to 4.25.

Warner: We need to check that.

Adams: I need to make sure we're singing off the same song sheet here. Because we gave -- in april '06 we gave a \$23 million estimate for starting the project a year from now. We gave you five increments over five years of what we could do the project for. So the scope change -- the reason i'm bringing up the scope change, now that we don't have opus as the developer you might or might not want to pursue the scope change in the cuplet. A way to save money.

Warner: We'll further check on that. The intent was to say, this is -- what we need to do in each one of these areas throughout the budget based on latest information we have. Or the latest projections of revenues and individual u.r.a.'s. Is that making sense?

Potter: In a way. I'm wondering about specific to the cuplet. Was thrt money that was allocated, or was it never allocated that blumenauer was going to provided for the cuplet?

Adams: I think it came in less than -- wall street get back an informed answer. He pursued an amount of money we didn't get the entire -- we didn't get all --

Potter: That's not part of this. These are strictly p.d.c. Funds. The federal funds are separate. Right now we don't know exact wlai those federal funds were. I thought it had been reduced to \$800,000. A big drop from what we had requested ache that's why the start date, one of the reasons the eastside cuplet start date is pushed out. That and the lack of increment. Did you cover while I was gone The -- you haven't done river district yet?

*******:** No.

Adams: Ok. Thanks, bruce.

Warner: We'll verify the numbers with pdot. This is where we need to make those kind of changes to make sure we're not leaving a project high and dry. We do want to move forward.

Witcosky: Anything else on the central eastside?

Warner: Oregon convention center. Again, here's the breakdown of how property taxes flow. 5.4 go to p.d.c., a fixd amount. Just under \$2 million in special levy and the taxes released to other jurisdictions is creeping up towards \$10.5 million, and grows each year. This is the last four years of tax increment collection in that district. So now let's look at the project and what's going on in the area. Position which one are we on right now? Convention center?

Witcosky: Oregon convention center. Created in 1989, it's just under 600 acres. It can't issue any more debt after june 2013. So that date is rapidly coming up. Right now the way -- you'll see in this budget \$14.5 million. You'll also notice as as it anticipates, given the growth and the amount of resources in the district, by the time it ends, we probably will not be able to reach maximum indebtedness. Which means there's essentially money left on the table, and What we're estimating right now is it could be 25, it could be \$35 million. This district goes, I didn't focus on the map that lorngs but it's kind of bold shaped and -- bowl shaped and it includes the Oregon convention center and the property around it, and then it continues north along m.l.k. A lot of things we're looking at in the m.l.k. Action plan, grant warehouse, there's affordable housing projects, there's a lot of additional projects we're working on, the miracle club is in this district. There's block 47 and 49 as you continue to travel south closer to the convention center, and you probably read an article a couple weeks ago where through the work of sara king and others, we've made a lot of progress with schlessinger development on a really exciting opportunity on some land that's basically been stuck in private hands for a long time. Not their hands, other hands. And we have some property in the game too. That could be very exciting. Council is going to have to make a decision on the headquarters hotel. Probably as soon as metro makes the decision. That's going to be coming up

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this summer. There will be plan amendments that will have to be done to invest in that type of project. As I mentioned earlier, there's also a lot of --

Saltzman: Amendment for which project?

Witcosky: A plan amendment for the Oregon convention center which Basically -- if i'm wrong, david, let me know. Basically allows us to invest in a publicly owned building. The plan amendment for Oregon convention center, would that be related to allowing to us invest funds in a publicly --

*****: Absolutely. We need findings -- Not geographic one. Just more after use oriented one. But our board, security council in the next year or so is going to have to think about, how do we maintain the ability to invest resources along m.l.k., given that quarter has seen great progress in the last few years, and we want to capture that momentum. With this district having limited funds, plus the combination of having the last date to use the credit card approaching, we're going to have to give some thought to that. So with that, are there any questions for any of the line items within this district?

Potter: I'd like to ask a question about the convention center hotel. I'm going by this project, this sheet. \$4.1 million set aside? What does that do?

Warner: Mr. Mayor, that is the amount of money we budgeted for some time, in addition to the value of the land to help underwrite the cost of that facility. All in all we've got \$10 million of land that would be purchased that would be dedicated to the project, and this is tiff revenues that would be going to that project, help the project financing, and if the project Didn't go, that money would not be utilized.

*****: I can be a tad more specific. That \$4 million, \$4.1 million b. \$100,000 is to pay property taxes on the property. The remaining \$4 million is for predevelopment specifically for predevelopment activity to help metro with schematic and construction drawings and perhaps for site dem scplition other things we need to prepare it for construction.

Potter: Thent actual cost of the motel itself.

*****: I knew that question would come up. I'd like to get back with you. I've got a number in my head. I'm not certain that it's right and i'd hate to do metro a disservice by quoting the wrong number.

Warner: But that is our additional participation in the project.

Saltzman: When is metro scheduled --

Potter: They're --

Warner: They're scheduled this sum tore make a decision. Probably july-august.

Saltzman: They would finance this through bonds?

Warner: That's part of the discussion they're working on.

Leonard: Seen on the 1st floor?

Potter: It would make it very simple. We have the native american community will do that for free. Only if you operate the casino.

Warner: Does that answer your question, mayor?

Potter: It's not the answer, but --

Warner: We'll get you the total cost.

Potter: The latest I saw was \$244 million.

Warner: That sounds about right.

Potter: I was wondering what portion of that they have allocated to Portland.

Warner: I can't answer that, but all I know is I think you've been very clear, the monies we had here are direct financial cash into the project. That's the only cash we have in it.

*****: We're wearing them down, I can tell.

Witcosky: The next district. Yeah. I've got the mug here. The next district is north macadam. This district was created back in 1999. Runs along the willamette river, basically just south of the -

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- a little north and south of the marquam and ross island bridges. In '07-i 8 it was receiving \$7 million in tax increments for purposes of investment that generates increment. You'll notice over the last four or five years the amount of resources we have has been fairly limited, and recently there's been a jump because of projects being completed, and increment coming online. So we're in a position to actually do some pretty exciting things down there. The -- since it's a fairly new district, the amount of credit card room remaining the maximum indebtedness is close to \$225 million. There's about 18, 19 million available in the '07-08 budget. And a number of things we're working on first of all, and we'll be briefing council over the course of the month on the willamette river greenway and particularly the central District and what's going on with that project in terms of our investment and the completion and future phases. Future phases of something that's going to require some resources clearly. We're looking at where there are appropriate sites for work force housing, and we're really working hard on trying to find the affordable housing sites down there, we're work to try and post the harbor naito, block 49, which is being contestimony plated for veterans housing project. And as we look at the housing as we look at the greenway and the amenity piece for people who visit the area, we are stepping back and realizing that it's still somewhat isolated and something getting in and out of it is going to require a lot of money. There's still a few streets, ingress and egress points and we're going to need to do something about that as well. It's going to require federal resources, just like a lot of the money down there. One of the things that p.d.c. Will be talking with ourselves and with council about, as we move through the obligations tied to amendment eight in about '12 or '13 is when we're beginning to probably see some money that we're going to have a little bit more flexible -- it's not going to be tied so much for amendments -- to amendment and contracts. At the same time, when you look at the economy right now, and people had talked about sert areas are going to live and die based on the economy and The -- in the condo market, and north macadam is one of those areasment right now with the economy going a little bit south, we're going to have to look at what do we have available for resources, what can be done based upon -- once you get through what we're obligated to do. Where we want to take the resources available. Affordable housing, parks, is it the transportation pieces? Where's the federal money? How can the city get involved? So in are going to be significant discussions on north macadam and south waterfront and over the next 12 to 24 months this better need to happen. Are there any questions on any of the line items on north macadam?

Adams: To what degree is -- are you happy with the cooperation between p.d.c. And pdot and intergovernmental relations around coming up with a plan to fund the various transportation action says requirements that keith mentioned?

Warner: Well, i'd say the project that we have funding for that are actually moving forward have been very good. I think we've been working well with pdot on the planning and how we address the other needs. But how we attack those financially, you have to -- i'd say what we're doing to date with the things we have on the plate, we've got some amazing things down there in the last few years in terms of transportation. But as you point out, you know we have a lot more to do. I think the cooperation, coordination is great.

Adams: From there I think it's very good, I want to make sure. In terms of the -- this is a young relatively young neighborhood, we're going into an economic slowdown, I'm curious whether there's been -- what changes we can expect to see in terms of increment production and how that then ripples through our ability to complete public amenities beyond transportation. Do we need to update our financial forecast and build out assumptions of this district?

Warner: I think erik -- we're working very closely to look at all of these districts and we are monitoring that very closely as would you imagine, because the commitment were made in amendment number eight, commit us through 2011, 2012. We've still got to hit those targets to be able to generate -- to do what was called for in amendment eight. So I think they're just looking at redoing those estimates right now, because there's a lot of pressure on some of the projects, and

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we've seen the cost pressure on projects, so we want to make sure that with don't over commit the city or if we want to try to commit further, we need to understand the financial risks frankly to the general fund in the city if we issue bonds and don't have that there. The good news is on amendment eight we have the back stop from the developers to help out if the development doesn't occur as planned for the next few years.

Adams: When will we have that sort of relooked on?

Warner: I think they've done a lot of work today.

Julie Cody, Portland Development Commissioner: We've looked at all the obligations we have, and exhibit I to amendment eight. There are some cost overruns we have seen just because much the project costs going up, and we're looking at -- we're having a meeting on friday with o.m.f. To discuss that. We're working under the city policy to allow us to borrow ahead of tiff, basically, for - on our five-year forecast. So far up to this year we have met our proa jeks of the tiff generation from the projects that have already been built, but we have been meeting with the developers of many parcels down there, given the slow-down to see how that might impact our projections. And that should be accomplished the next month or 2.

Adams: Does the -- in your relook I assume you're going to be taking into account sort of the -- ohsu's change in -- ambitions, there might be pluses -- that's part of your relook?

Cody: Yep.

Adams: Thank you very much.

*******:** Can I cover three u.r.a.s in 30 seconds?

Potter: It's just short buy before 4:00. So this obvious sli going to go into tomorrow. So is there something that you want to wrap up with? Or do you want to go to another u.r.a. And try to cover it?

Saltzman: Do we have any public testimony?

Witcosky: I was going to talk about that.

Potter: Do we have it today or tomorrow?

Witcosky: We invited people here today because we -- we'd never done this before and we had no idea what was going to happen. In case we got through everything toorks we didn't want a situations where decisions will be made without public testimony. I think we should hear some of that.

Potter: How many folks are here to testify? Could you hold your hands up again? Let's go to the public testimony. Did we have a sign up sheet for the public testimony? There is no sign-up sheet? Ok, I think there were only three people to testify, weren't there? Would the three people who have raised their hands come forward? How much time does p.d.c. Allot for budget testimony?

*******:** 30 minutes. [laughter]

*******:** I only have 12 pages, so --

Potter: Three minutes is what -- ok.

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

Potter: I don't blame you. [laughter] ok. Three minutes. Let's begin, when you speak, please state your name for the record. You each have three minutes.

Coralee Potter: I am the chair of the lents Committee. I just wanted to get up here and state that the budget we looked at this year with taking into context the potential plan amendment and so the line items that we have in there address aggressive redevelopment of town center acquisition. Items like that. Looking at the freeway land site, which is listed as the johnson creek industrial area revitalization. And also supporting affordable housing development and homeownership opportunities that move forward and dovetail into potential opportunities that would be included in the plan amendment. So lents right now has a lot of momentum. Our real focus is keeping that momentum going forward without any stuttering halts or things that have happened in the past that

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sort of stop the process from moving forward at a rapid clip. We're really at a full couple right now and we want to see that continue.

Potter: Did you say your name is Potter?

Coralee Potter: Yes, it is.

Potter: That's a very interesting name. [laughter] thank you.

Doug Oblatz: Mr. Mayor, members of the council, my name is doug, managing partner of sack eye -- sockeye development in Portland. I wanted to take a few minutes today to talk about a project that was bruce warner mentioned at the outset of this afternoon, which is the proposal to bring a Uyijama to the old town district along with mixed income housing. Since late last year sockeye has been working closely with p.d.c., with the uyijamaya, jack's chinatown surface parking lot at the corner of fifth and couch, and we've been working on a master plan that includes proposal for a \$70 million micked use project at that location, which would include 30,000-square-foot asian supermarket, and 140 apartments along with underground parking. We feel this is a project very similar to efforts at bell montd dairy, the hollywood district and belmont place to bring a neighborhood changing project to the old town-chinatown area. We think this could be the catalytic project for economic development in oldtown-chinatown. It will bring a large regional attractor, it will support the other investments that have been made in the old town-chinatown area, and most importantly, it will serve as key balance point for the ongoing public investments in shelters, very low-income housing and social services in the area. And we think it's really critical that investment be made in this type of mixed income and mixed use project. The importance of urban renewal funds cannot be overstated. Particularly in today's financial climate, where many of the traditional tools are disappearing daily. The tax credit market has gone in the tank, and tax exempt financing is more expensive than market rate, nonsubsidized Financing, and the flexibility and valerie plame built of urban renewal funds is really going to be critical to this project. In short, i'm here today to urge your support for the urban renewal budget, which you're going to look at tomorrow for the waterfront urban renewal district, which has an allocation of funds for this project. And we think without that investment this project will not be possible. In fact, we think that without the public investment asian businesses will continue to leave the area and in a few years, the chinatown district will be just a name and not a place. So thank you very much for your time today.

Potter: Thank you. When are we supposed to meet tomorrow?

Warner: 2:00 p.m.

Potter: Ok. So at this stage we'll adjourn and reconvene at 2:00 p.m. Tomorrow as the p.d.c. Budget committee.

*******:** If you have any other questions, don't hesitate to call any of us.

At 4:04 p.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.

MAY 8, 2008 **2:00 PM**

[roll taken]

Potter: The first order of events is for Bruce Warner to give us an overview of how we proceed.

Bruce Warner, Portland Development Commission: Thank you, Mr. Chair. For those in the audience, if you have an agenda, we're talking about going through the agenda, wanted to point out the first thing we thought we would do is start up we're we left off on the review of the [inaudible]. We have three left to go, and the chief and Toni can go through that quickly, we hope in about 20 minutes. The next item, was we want to do, we gave you a list of the questions that were follow-up from, from the last meeting. We would like to go through those and make sure that we provide you answers to those. And then, I think, we're, based on that, ready to actually talk about some of the changes, I know, that you are interested in for the budget. First off, we talked about some of the changes on the central east side that related to the projects. We probably need to do that for the other areas, but then there was also a discussion about, about, again, the general fund and how to treat the general fund with the mayor's proposal. We actually have the numbers to substantiate that and the back-up there, and then there were a couple of questions on the Burnside-Couch project on the east side and the cuplet and streetcar engineering on the west side. So, we're prepared to talk about those and get into a those in a bit more detail. We did, also, provide opportunities for, for the public to testify again. And, I think, it's up to the committee, who provided that opportunity yesterday, so I don't believe you have to offer that today, but we wanted to make sure that, that that was there and make that available, and the last agenda item is, you can, you can have the interaction I talked about last time, on the budget, and we can be ready to go after the city budget, so we have clarity on the general fund. So, that's the general flow of things, if that's acceptable. I will turn it over to Keith.

Leonard: What is the difference between the general fund amount that you have assumed built in your budget from us and what, we're we're at currently? Is there an amount?

Tony Barnes, Portland Development Commission: Yes, it's approximately 2.2 million.

Potter: Difference?

Warner: Again for the audience, I believe the budget work group, said it should be \$5.3 million and there is 2.1 million.

Leonard: Is that 2.2 all general fund dollars? Or other sources?

Warner: Yes.

Leonard: It's all general fund.

Potter: I think it's a one-time general fund.

Leonard: Ok.

*****: Can I answer your question?

Keith Witcowsky, Portland Development Commission: Keith Witcowsky, government relations, Portland development commission. What I will do is walk through the three remaining urban renewal areas that we didn't get to yesterday. The South Park blocks in the downtown waterfront and the river district, so with that, we'll go to the power point. South Park blocks, again, the district that's located kind of on the, the southern end of town along I-405, p.s.u., in the cultural district. And the district was created in 1985, and, and this is, this is, this, and downtown waterfront, um, the

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district, they will have their last date to issue debt come and go based on the recommendations from the urban renewal advisory group, as well as [inaudible], will go to our board and the state council. The terms of the flow of property, this is something we talked about yesterday, trying to educate everybody on how the districts work. With the south park blocks, the district was around before 1997, and you have got, basically, four different layers of the cake. You have the green layer, which is the frozen dates, and what that means is, is in 1985, 8.1 million in property taxes were being generated from this specific geographic area so, when the urban renewal area was created, the resources continued to flow through the city, the county, and other jurisdictions that, that issue levy and property taxes in the city of Portland. Since that time, there was also a decision in 1997, 1998, to cap the amount of property taxes that flowed to p.d.c. For investments, and that amount is about 5.4 million. So, that's what we receive each year for our projects and programs. We also receive about \$2 million from the special levy, and again, that was the city-wide is, \$15 million levy that was broken out among four or five urban renewal areas, to provide them with sufficient funds to carry out the community's plans, whereby, if that levy was not, was not, you know, enact and had authorized by by the counsel back then, given the property tax measures, these districts would have had a harder time accomplishing their objective. The area in blue on.

Potter: I have a question about the levy. Is the levy tied to the tiff money or is that an independent source that is levied against the property owners in the south waterfront, the other three areas?

Witcosky: An independent source.

Potter: Ok. Independent source.

Witcosky: Yes.

Potter: So this is, this is an additional amount that they would be paying as opposed to giving up any of their tiff money?

Witcosky: Right. Right. The area in blue on this -- more questions? Ok. The area in blue on this slide shows in 2007, 2008, the amount of property taxes that were released. , the.35 million. We talked about it, again here today, and for example, if a new project that was valued at 200 million was built in the south park block area, it would generate about \$3.5 to \$4 million in property taxes, and all of that money would go [inaudible]. None of it would go to p.d.c. The next slide will illustrate this point. When you see in the purple that, that over the last four or five years, you know, our fixed amount always is varied from 5.2, 5.4 million, the special, the special levy is varied between 1.6 and 2 million. And, and let's go now to, to some of the details on the district and the priorities. It was established in 1985, 161 acres. It has the last date to issue that as of jewel 2008, and, and that date is going to come and go this summer without being extended. And council, next week, will be voting on a bond issuance for the district. And it will be the final set of bonds for the final set of projects. And the district has about 20.3 million to invest in 2008-2009, and that's, essentially, I believe, I don't have it right in front of me, but that's about all the money it has to invest in total over the next few years. Correct?

Barnes: It's varied based on the timing of the bonds.

Witcosky: Ok. But again, in this area of the city, we've got the following issues we're going to have to look at over the next year and a half. Clearly, the closeout strategy, and we talked about, with the latest bond issuance, where should the resources go? This district is, is, probably, the largest amount of loan income affordable housing of anywhere in the downtown. Downtown being inside the 405 loop, and, and what we're going to be doing is putting a lot of money into preserving the units and making sure that some of the section 8 projects do not -- we don't lose the capacity and the number of housing unions, low income units in those areas. We'll be investing in those buildings, and as well as, there is investments in [inaudible] state university, the park block five, which this is the block that council heard about a week or so again, \$2 million donation by jordan schmitzer. We're involved in that, as well. If there is also resources to go to helping some of the retail businesses, and the retail investments in the area because, because the geography of the

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district brings it into the retail core, and one of the conversations in the next year or so is that we explore, you know, the, the potential geography of a new downtown urban renewal area will be what parts of the south park blocks are currently in the south park blocks, maybe need to be part of a new district, and, and the assumptions behind that would be, if there is areas in that district that, that are going to need investment, we're going to need to think about removing those and putting those into a newer district that may, you know, run the edges of the west side of the downtown and come through p.s.u. And come into the retail area. So, are there any questions on, on the south park blocks? Ok. Let's go to the downtown waterfront. Downtown waterfront, this is, this is our oldest urban renewal area, created in 1974. The, the flow of property taxes in 2007, 2008, reflect a frozen base of 1.5 million, so back in, you know, in -- a long time ago, the amount of property taxes generated from that 279 acres was 1.5 million. P.d.c. Is receiving 7.3 million in property taxes for investment in 2007-2008, and it's taking a large amount of the special levy. 5 million, which is about half of the total special levy available. But, it also releases over 11 million to other property, to other tax and jurisdictions. Looking at the, at the last four or five years, again, you see the numbers stable because, because our resources are fixed. The only thing that fluctuates is the decisions on we're the special levies are allocated, and the districts always received 7 to 7.5 million. And this district, um, had a last date issue date of april of 2008, and it was approved and issued by city council, and back in late march, so what this district is doing right now is, is it will invest those final proceeds, and then it is on a path to pay down all the debt by 2024, and what that means is, I want to go back to the other slide quickly, that in 2024, when the debt is paid off, the 7.3 million that p.d.c. Received will start going back to, to the city and county and education and other districts. The acreage in this district, the 279 acreage goes back into, into what we have in terms of the total amount available acreage for urban renewal so that does not occur until all the debt is paid so, we're looking at another, what is that, 16 years or so. For 2008-2009, 19, 20 million budget. What you will be seeing, and are seeing in our proposed budget is a lot of that investment is focused in the area of ankeny, burnside, and a lot of the stance related to the saturday market, the waterfront park, and, and in the, in the amendments that were approved and, and some of the testimony yesterday, we heard that there is also some really important blocks, actually, down in the vicinity of, of p.d.c. Around, around 4th and davis, and 4th and couch, to take some surface lots and some other properties, and turn them into something that's more along the lines of a mixed use project with the [inaudible]

Warner: Very good.

Leonard: Say that three times. [laughter]

Witcosky: Say it backwards once. So anyhow, you know, this district, it has been around a long time. I think the final push over the goal line is going to be really exciting, and it's going to leave a really good and lasting impression on old town chinatown. What we're also doing with this district is shifting a number of the acres into the river district, particularly, in old town chinatown because clearly, that area is going to continue to need investments. So, let's go to the river.

Potter: I would like to ask a question, and it's something that I meant to ask yesterday. Do you have the, the age or the date that these came into creation, so we know exactly how old these are?

Witcosky: Yeah. On this slide in the presentation.

Leonard: Did you say this is 1974?

Witcosky: 1974. The area in orange, mayor, on that particular one.

*****: To your left.

Potter: Ok.

*****: There you go.

*****: Yeah.

Witcosky: So, where it says, um, e.s.t. And 1974, for each one of the urban renewal areas on that slide, is, it identifies the date for every one when it came into being. And then, I didn't ask whether

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there were any other questions on the downtown waterfront? Ok. We'll move to the river district. Again, the river district is, is the district that was created in 1998, and it just seemed like a tremendous amount, as everybody knows, of growth and, and property taxes that are being generated within it. We're at 7.7, when it was created, and now in total, it's close to 30 million, with about 22.3 of that coming to p.d.c., and with this district, since it was created after 1998, and with all the districts, you are going to create a new downtown district, you will concrete a district in the next couple of years, all of the growth above that base amount flows to the p.d.c. For investments, and, um, and the reason it was created that way by the legislature is because under some of the new laws, we have a cap on how much we can spend, a maximum indebtedness so that's why they were saying you can collect the growth but you have got a cap in terms of how much you can spend.

Leonard: Measure 50?

Witcosky: Yes, a combination of 47 and 50. So, let's look at the river district over the last, oh, four years. It has grown from 9.3 million up to 22, or 20.2 million. So, significant growth. The growth over the next couple years will probably level off a bit. It's a huge topic with the urban renewal advisory group, and they were trying to decide on what do you do with the river district, and, and some lines thought the district -- the district is very successful, and because it's so successful, we should, we should allow it to, to collapse. We should pay back the debt, and we should move on, but given when, when people looked at the district, and said, it is successful, but there is a way that we can capture the success and share it among the parties interested, particularly, being the city and the county, that we need to continue it and we need to take the indebtedness and increase it further above the 225. We'll be coming to the city council on, on June 18 and June 25 for a hearing, and, on a plan amendment to the river district that extends the date by one year, so it extends it from October 2020 to 2021, and it's going to take the maximum indebtedness 6225 million and increase it by something like an, up to 530 or 560 million, and you are going to see a lot of projects associated with that and projects that, that are supportive of the county, and we met with the county a few weeks ago. And they were, they were very supportive of the actions and supportive of the investments. You will see the variety of the city council reflected in that amendment, as well. You will see the resource access center, and you will see the streetcar, and you are going to see some really amazing projects that will, that will really kind of shape the future with things like the central post office. And, and we can talk about that in the budget but I wanted to try and get a bit of a high line. So for 2008-2009, there is 47.5 million. It is available for projects and programs, and we talked about -- there is a lot of large-scale infrastructure and a lot of large scale needs. One of the things that is not currently in the, in the 2008-2009 budget, I don't believe it's needed yet but certainly going to be a topic, it is the, the burnside-couch cuplet on the west side and possible extension of the streetcar, as well, through the area. I talked about the central post office. 15 acres of land we've we have seen more progress in the last eight months than we have seen in the previous 18 years. Encouraging the post office to look for a better location so we can work with the city council and with the community to determine that, essentially, a reuse, redevelopment plan for that area. And, and there's a lot of affordable housing investments occurring as well as opportunities to have a workforce housing, as well. You can have the full spectrum, not just the really low and high income, and as I mentioned before, there is the \$28 million for a homeless resource access center. So, that is the end of the urban renewal area presentation. We can take questions --

Leonard: Where is this, in this budget, allocation for the David Douglas school?

Witcosky: There is 19 million coming out of this urban renewal area, and with the budget work group you were on, when we looked at it, we looked at those payments given the cash flow available, that they would, they would begin to become available, I believe, in 2012, 2013, and the bulk of it would be from those years to 2015, 2016, to get the full 19 million. I think that there is

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400,000 available, maybe a bit early on to help with some of the soft costs and predevelopment costs. Let me turn to the right page.

Barnes: On page 113.

Leonard: What is it, 6 what?

Barnes: 0026, river district.

Leonard: Got it, ok. So, 4.5.

*******:** 500,000.

Witcosky: That is something to discuss in february. The cash flow is so tight, we could make the commitment and do the satellite and provide the resources, but we knew it would take a while to actually get from this district to david douglas.

Adams: In this district, with the flanders street crossing not going forward, that gives us some head room to show some money to, to do the preplanning for the cuplet. And I think pdot needs 1.1, is that correct?

Witcosky: There is that ability.

Adams: I would like to do that.

Potter: In this budget?

Witcosky: There is, there is --

Warner: It's not in the budget you see here, but it will be in the discussions when we get through it. You are jumping ahead.

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

Witcosky: That's the purpose of this today, is to look when it was --

Adams: The district plan comes to us on the 25th. The revised river district plan comes to us on june 25. Correct?

Witcosky: Right. That's we're we have the discussion about, about the satellite.

Adams: That's we're we codified the decision on the satellite district and all the other line items within the proposed changes to to the [inaudible]

Witcosky: I want to be clear. In terms of the burnside-couch piece, that's the purpose of this group, on the 25th.

Leonard: The budget year. 2008-2009?

Witcosky: Yeah So, that's going to be done today, and you will see on the proposed changes, it's included.

Adams: Ok.

Witcosky: On the 25th, it's just the plan amendments so we'll talk about the list of projects that are associated with increasing indebtedness, and in one amendment, and we'll see the david douglas amendment, the separate one, as well, takes 19 million, as well as the satellite extension piece.

Adams: This is budget issues that is the plan amendment?

Witcosky: Yes.

Warner: So if there is no more questions on that.

Adams: I have a question about the union station, and if you are headed towards block u for the homeless center, and block u is the one, immediately, across the street from the bus station, or is it the one across the street from the union station? I can't remember.

Warner: If I remember right, it's the one -- it's the lot directly to the south of the union station. Kitty corner across from, from --

Leonard: The ramp.

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

Leonard: The ramp was going up.

*******:** Right.

Adams: So, are we, are we, um, last I sort of talked about this, there was talk about doing, doing a master plan for, for the union station area, and I can't remember if that got completed or not, but is

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that now, is there a future consideration of this area subsumed in the post office? Is there a discussion? I just want to get it clear in my head about the boxes of planning.

Peter Englander, Portland Development Commission: Good afternoon, peter englander, downtown waterfront urban renewal manager. Commissioner, it's a bit of both. We'll do some planning now to, to determine some, some technical analysis about how we might incorporate some functions into union station, and, and look at, at, continue to look at what we're going to need to rehabilitate union station, we'll do all of that work now, and later, in the fiscal year, we'll start incorporating the results of that work into a larger redevelopment study that would also include the post office, as well. So we're going to do some preliminary work to give us some information as to, as to what the viabilities are for, for, toward that facility. During that, we're also going to, to, hopefully get to an answer of the long-term ownership of the union station, so we're going to do some of that preliminary work.

Adams: Have you had -- I will ask about a series of projects, I just want to check on the status of your conversation with other advocates. So, the public market, is that, is that public market discussion with p.d.c., is that anywhere in particular?

Warner: Well, I can tell you what I know.

Englander: Go ahead.

Warner: We don't know if there is any site that's been selected for the markets. We have some ideas in that area, and, and I know that the folks who are interested in the public market are looking at a number of sites, and I know that we're in constant contact with them, but I don't know the status of any decisionmaking. Peter?

Englander: I think you are exactly right. We are keeping them very engaged in this, and I think that they are keeping us engaged in what they are thinking, as well. So, they are part of, of any effort that we have got going on.

Adams: Ok. I'm not promoting anything --

Englander: No.

Adams: The other one is the 511 building in -- And the adjacent potential redevelopment of that park block into the current thinking to redevelop that into a park block, and has there been any discussions between the p.d.c. And the [inaudible] on that?

Englander: There's been some preliminary discussions with pnca and the Portland development commission. Let me talk about the park block. That's owned by parks so, that's been transferred to, to Portland parks, so, we anticipate that, that at some point, we'll have to discuss the funding of the conversion of that. It has also been discussed with the pacific northwest college of the arts that they have some interest in that project as it relates to whatever they end up doing with their building. They will have at least a 2, 2.5, to 3-year waiting period before they even get, get access to that building because the services that are currently in that building have to be relocated, and that's going on right now with the general services administration. The college of the arts is also going to be very interested about, about the redevelopment, are, which is another block owned by the Portland development commission south of block u, and that's a vacant block right now, as well. So, we have been talking with, with pnca, they are starting to really get their teeth into the 511 building, now that they secured, secured a plan for ownership in that building.

Potter: And that parcel that was donated to the park bureau, wasn't that on conditioned to remain with the park?

Englander: Yes, so that's, that's -- right, but, but, let me be clear. I think the pacific northwest college of the arts may be interested in doing something underneath it. I don't know whether they are or not, but I have heard that that's something that they want to consider as they look at the redevelopment.

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

Potter: There would be no restrictions for below the surface in terms of what we can do?

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Englander: Not that i'm aware of.

Adams: The other questions, I just want to make sure that, that I understand whether we've, we've, whether we've got resources and interests, comparing notes here, so the future, so the three big redevelopment opportunities in the central business district, conway, rose quiet -- rose quarter and post office. It sounds like the conway discussion will come out of the study [inaudible] in terms of rose quarter's future and -- do we have -- what is the agency looking at for, for determining sort of the future with the, with the new, old owner?

Warner: Good question. We have had conversations with the blazers and jay allen. I know that they are looking at hiring a group to help them look at redeveloping that area. Just because you heard about the limitations of the resources available in the convention center, urban renewal area, what we've been looking at is focusing on some of our efforts on some of the things around the convention center, like block 47 and 49, and the headquarters hotel, the two major, major components, and then we also, as you know, sold a piece of ground to, to mr. Weston to build another tower there, so I think that part of our job is to get 24-7 presence in that district, so there is people living and working in that area more than there are now. So, that's how we've been working and hopefully in synergy with the blazers in the development. If that's what you were looking at.

Adams: That's helpful in terms of an update on the activities. In terms of the master planning or whatever other planning, seems like we've gone through a number of plans. What's the status, you know, of looking at, at this from the swap of the convention center through the rose garden and blanchard? Do we own the water bureau and the transportation have yards and stuff under the freeways, and erik, is a couple years ago you talked about wanting to, to sort of take a look at that, and I am just wondering, beyond the project work, it's great, what sort of planning efforts will we do?? We are not doing, doing an active master planning of that particular area right at the moment. Planning is part of the central city plan. That's one of the areas that they want to take a look at, and we're trying to be opportunistic. The blazers really want to move forward with something like that.

We stand ready and willing to help, and I think as you know, when we tried to, with columbia sportswear, we thought the blanchard part, was my ideal location, and I think it was a viable and great opportunity, so those things are going to continue to come up, but the overall plan, we've been waiting for the plan to come in and get a better look at that and talk about the hypes and, and the types of uses that can be there, but both of the developments are getting ready to move forward with some ideas, and we'll keep you posted as we know more information.

Potter: Did you say that was a completion of the e.r.a.'s?

Witcosky: Yeah.

Potter: I have a question, it applies to all of them. There are more projects than resources, and that, in terms of how, how you, um, we set policy at, p.d.c. Sets policy, and as to first thing is first. You know. I heard mentioned on the central east side that putting in the low income housing would not generate the tiff needed to carry out some of the other projects, so that, that seems to be sort of, of a forced priority in terms of how we generate the money to pay for the other projects. Does that hold true in every, all of the u.r.a.'s, that there are things, in order to, to, um, to meet the, the tiff projections, that, that there are things that have to be done before other things so that helps define what the priorities are? Or is it still pretty much free and open?

Warner: Mayor, let me try to answer that, the intent of the, of the you are -- of the urban renewal plans, is what are we trying to do in that district? There is usually a list of the projects we want to undertake. What you are pointing out is, is the amount of revenue that we have available in any one year really depends on the generation of, of tax-producing development in those districts. And, and we planned it very carefully with the office of management and finance to, to plan the, the budgets you see here today with the resources that are available. In many districts, we made a decision that, that we think infrastructure investments are the things that we need to put in first to then permit the development around them. Similar to the investments we made in light rail and the interstate urban

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renewal area or, or the, the gateway and, and the lents area we're we consider the dollars and the extension of the light rail. I think that you are starting to see the benefits of that. Same way with the streetcar investment. In the pearl. So we have to manage that very carefully, but I think our board is very cognizant, in order to be able to do what people want us to do we have to balance that and make sure that, that the investments we make are not only the right investments, of the future but also, also, that, that the, the urban renewal area is growing in a way that produced the revenues that gets the priorities. The only other thing that I would say is that if you look at this I want to say that there is really, the most, the most, most obvious one that we have a problem is the central east side. The growth and assessed value and resources has not kept up for a number of reasons with [inaudible] to fund projects and I think that's one of the ones that we have come up with ways you will hear in the short amount of time about how to balance it for the next fiscal year in the upcoming year but after that we have serious problems. We have got to make choice examines find additional sources of money and maybe some financing but that's, that's we're we need to have, to ask questions. You asked the right questions. What are the priorities, and therefore, how does it fit in with the overall funding availability? First off, I hope i'm answering your question, but I think in this budget you will see we have done a very good job with the exception of the, excuse me, the central east side in balancing the project demands, but the revenues, and for next year we're ok, and further out, that's when we are in trouble.

Potter: To follow up on that, if you actually have, have the written criteria for, for a u.r.a., developed by the u.r.a., the committee or anybody else, that would sort of define the selection process.

Warner: I can't answer that. First off, the urban renewal plan, plan you approved, which establishes the types of projects, is the list of projects we're going to get to in that district, right. Now, in terms of the timing of the projects, those are talked about in the urban renewal plan in terms of what we need to accomplish first to be able to move forward. In many of these areas, what you are finding is the projects that are budgeted for next year are the projects that are ready to go. And in other words, they are the ones that were ready to go. There is other projects, which are much more [inaudible] and needed additional work, and those are the ones programed for later years but are included in the [inaudible]

Leonard: As I understand what you are saying, you scheduled those projects, they will be completed as to which will generate tiff and which will allow mother dollars to come in. So you are doing a thoughtful kind of filtering of that?

Warner: Thank you, we do that ourselves. We're u.s.a. Looking to make sure that we have a balance because if you build everything right up front, it has no generation of increment. You have really put yourself in a hole. Thank you.

Adams: I guess -- Going back and thumbing through your budgets and changes on each increment district, will the -- I want to focus more on the willamette industrial. Will the 545,000 planned expenditures really produce increments? And the commission wants flexibility about the future existence of that, do we really want to, to become indebted? Therefore, tying our, tying their hands and our hands with the future of the flexibility?

Warner: We thought about that a lot and had a a lot of discussion about that in the budget work group so first, what you are seeing again, just for the people in the audience from yesterday, the willamette industrial area, it's been around for a while but is generating little increment, is your point. Those dollars, are programmed to go to the economic development programs to figure out solutions to the ground field problems and the super fund issues that are plaguing those properties. The discussion of the work group was maybe there is better ways to attack that. And so, what I would submit to you, commissioner, is that that amount of money, if we wanted to make a choice, for example, to eliminate that urban renewal area, we would have to figure out some way to, to relieve ourselves of that debt, and the good news, it's a small amount now but I think the committee

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made clear to us we need an answer by the time we're here next year, whether we want to see that, that district remain in its current configuration, be reduced completely or significant amounts reduced and look at other ways to get to the ground field issues, which is what we need to start generating.

Adams: I didn't ask my question precisely. Does the fact that we would be going into debt make it difficult for us to eliminate the district, going into debt, based on, on increments?

Warner: Our legal folks are in the audience and can come up here but my answer is once you sell the bonds you have to figure out how to pay them back. You have to do it from resources in that district, and if you wanted to then eliminate that district, you have to figure out another source of revenue to pay it off to free up the land, and I think that that's part of this analysis. If you are not comfortable with that, then, right now, I didn't think that that was an impediment. David, do you have any comment on that one?

*****: Well, what we would need in some fashion to provide for the existing debt that the district has incurred, it doesn't mean there wouldn't be flexibility to reduce the size of the district, as long as we comply with the bond covenants, and there is sufficient increment to service the debt.

Warner: Here's the answer.

*****: Ok.

Barnes: We don't have any long-term debt in the district, and we don't plan to have any long-term debt.

*****: Ok. [laughter]

Adams: Been around long enough to know that when you issue long-term debt, it's hard to get out of it. It shows up as a generic title to the line item.

Warner: Thank you, toni. [laughter]

*****: Ok.

Potter: Would it be words while to develop criteria? Because one of my concerns is as the council has projects we would like to see developed, I think it's important that we set the expectations in the public's mind about when those will come to fruition. Otherwise, people may think oh, the monroe community center, that will be built next year, so I think it's important that -- and I don't know that that's part of the regular process of saying, you know, it's between these years. That seems important in terms of the public expectations, to have some kind of vehicle to create that, that awareness, as well as expectation.

Warner: So mayor, what I will do is go back and talk to my commission, and I guarantee you they are very interested in that issue, they have been challenging us on that. But, I don't think that a formalized process is what you are suggesting. I'll go back and see we're we are and look at that.

Potter: I think, in terms of the transparency, it would help, as far as letting people know what the process is and the expectation level is that before this, before the non profit, development occurs, that in order to generate the tiff money we will have to do the infrastructure or certain other projects. Going to be helpful.

Warner: If I may suggest, why don't we talk about the appropriated changes in the budgeting to back to where you started, mr. Mayor, last meeting and get us back to the basics in terms of the outstanding questions. Sink we want to go to the piece we gave you. I think it's bound in black. I think you have it in front of you. That's did right there. This is a collection of three different distinct corpses, and the associated supplemental changes to talk about the changes to each urban renewal fund. You will see three versions. Version one, version one supplemental, which is part of that, and version two. And the supplemental piece, and version three. Now, the differences between the three versions, version one only includes the recognized changes from [inaudible] to the proposed budget.

Potter: That's what you saw yesterday.

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Barnes: Version two incorporates the mayor's proposed budget [inaudible] of the general fund along with all other p.d.c. Recommended changes, and finally version 3 has all the taff recognized changes, mayor's proposed budget to the general fund, but also, takes a look at, essentially, the river district. The specific project changes and how that looks in the five-year forecast for including different assumptions for the streetcar, and the burnside couch projects. I think, I think we could proceed by looking at either the detailed changes just in version number one, staff recommended changes, and, and, or skip that, and go straight to version two, which includes the general fund changes for the budget.

Warner: For the benefit of the committee, version one is what you had yesterday. I went through in detail the east side changes. These are bookkeeping types of changes to reflect, actually, when the project dollars are going to go out the door, so we didn't spend spend it this year, or if we think some project will slip another year, we moved it out another year, or adjusted it based on the latest, latest estimates, and in some cases, [inaudible] dollars for planning. So I think that these are straightforward changes. We would be glad to go through them individually if you think that you want to do that. I just wanted to make sure that you understood those. Encourage the budget committee to consider them no matter what you do. Those are ones you should make.

Adams: Any changes in timing that, that would surprise the stakeholders? Or any changes coming out that would, that would surprise the stakeholders?

Barnes: Most of the changes, we're looking at a change between the 2008-2009 budget, represent the timing of the projects, either moving dollars from the current fiscal year to next fiscal year for established projects and programs. Or, in some cases, moving dollars out of next year's proposed budget to the future years based on the project timing.

Warner: I don't think so. Most of those stakeholders know about the change in timing?

Barnes: There is a few changes in a couple of the u.r.a.'s for increased funding for housing or home ownership projects for the neighborhood.

Leonard: So, not with standing the, the budget note, that I gave you all yesterday, that aside, there is still, on the city budgeting process, discussions, negotiations, some, some lack of agreement on the general fund allocation for p.d.c.,

Warner: So, and that's the next version so we want to get through the housekeeping change first, the first tabs, and then the next issue is the general fund, and I just wanted to show you that we have the, the budget changes in the version two that would reflect the mayor's budget.

Leonard: I jumped ahead and saw that.

Potter: Does that include the bacd money?

Warner: The housing investment fund changes?

Potter: Yes.

Leonard: Which version, one or two?

Barnes: I don't think we have that included in the versions here. That's the 490,000.

Leonard: The rental assistance?

Potter: No, this is the management of the reserve fund, investment funds s I thought that was taken care of, but again, if it isn't, that's a line item.

*****: We can incorporate that.

*****: Ok.

Leonard: Which version is that?

Barnes: We would incorporate that into version two. To the enterprise loan fund.

Warner: So, we forgot that in here.

Potter: I think that's important because that's, that's part of the negotiation process.

Leonard: And where are we at on that?

Potter: It's in our discussions.

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Leonard: So still on our side on our budget? That's the point that I was getting to. I don't see how we can, not with standing whatever agreements are made, are not financial, any recommendation, so we have more of an understanding on our side.

*******:** Understood.

Potter: So, does that take into consideration in what you prepared for us? The variance between, and we're the city budget process, the mayor's budget, the proposed budget is not the final budget, so, we need to, to insure that, that whatever decisions we make, aren't going to, to pose problems. I think you can, you can put into the [inaudible] you can transfer up to 10% in one fund. That, you know, some of these may exceed some of those amounts.

Leonard: That's not my point. My point is we don't have to make a decision today. It's closer to June 1. That we have to have enough time for them to get the 20 days that they need to process the recommendations and get back to p.d.c.

Potter: I think aside from the attorney issue, and off to the side, I think that the main difference is in the numbers. So, as we negotiate that, then they will align. My concern is that, if, if we were to proceed through this, and the reason that I think that we should, as you suggested, pull off on that.

Leonard: Ok.

Potter: So that, that there's a closer alignment. We can always do some, some minor adjustments.

Leonard: I'm sorry, I was so used to [inaudible] my bad. [laughter]

Warner: So, I'm hearing --

Adams: Now that we have passionately seen this agreement.

Warner: If I have got this right, we understood the numbers. The actual numbers from the city in terms of general fund and other, other resources. We can actually have a budget that's correct, adopted and, and it goes to [inaudible] so I understand your point.

Leonard: This is the first time that we have ever done this, so, I don't think it's unusual. I don't think you will ever find a time that this would be the best date to have this hearing. I would think in the future years it should be more closely coordinated with the fact [inaudible] after the budget, you would know what it is that we have, so that's just part of the learning process.

Witcosky: We're so efficient, we work faster than anybody else in the city.

Potter: It seems like that. In terms of the u.r.a.'s, we could get through some of this. I don't know there is such a thing as a tentative approval for part of it. I don't know that there is any disagreement, is there?

Leonard: On the u.r.a.'s?

Adams: I don't know. We're not done with this book here.

Leonard: I don't believe that there is. Isn't it pretty much aligned with the recommendations of the subcommittee, the u.r.a.'s?

Witcosky: I think that --

Leonard: The only areas are the economic development stuff outside of the u.r.a.'s.

Witcosky: And I would say is, by 4:00 today, I think that we can get through all of the u.r.a. Pieces and be ready to go and kind of waiting for the city piece to finalize and move forward. I know commissioner Adams has additional points that we can take care of.

Leonard: In the u.r.a.'s? Ok.

Warner: From what I just heard, I don't think there is any major changes in the staff recommended changes. There is some issues with burnside couch, which we'll get to in the last tabs on this, and the second tab is the general fund, and what i'm hearing from the group, it probably wouldn't be worthwhile to go through the changes because those will probably change, but I just wanted to point out to you, I want to look at these, and these reflect the mayor's allocation in the budget. And we're changes would come from what you passed down in the budget work group earlier this year.

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Adams: That's the first page after tab 2, and it says, proposed. Is that, is that inclusive of the first number one section?

Warner: It is.

Adams: Ok.

Warner: It is. And so, I think what we august to do is go to three, which is we're you ask questions, commissioner Adams, and, and do you want to take this?

Barnes: Sure. Version 3 includes all the staff recommended changes and the trip to the mayor's proposed budget but also includes a change for a river district based on several recommendations and includes different timing assumptions, earlier timing assumptions for the streetcar project, as well as is the preliminary engineering projects for the cuplets. We also, we also --

Adams: Bill, are you in the room? Ok. Can you come up here?

Barnes: Focusing on the changes that affect the next fiscal year, 2008-2009, and looking at the central east side and the river district, um, we don't have any changes, other than the staff recommended changes for moving some dollars out on the central east side, but we do have changes in 910 for the central east side. The best place to look at, version three central east side, and central east side budget.

*******:** Do you have copies?

Barnes: And this includes the, the five-year budget for the central east side.

Adams: Are you familiar with the our assumptions on the streetcar, the central east side?

Bill Hoffman, Office of Transportation: Gregg jones is here.

Adams: Ok. Gregg, can you pull up a chair, too? Soon we'll have the entire management team of pdot.

*******:** I think we're ready now.

Barnes: Focusing on this five-year forecast, we have, incorporated, in fiscal year 910, the third column, an extra 4 million in that year. You could see that highlighted in the blue. The burnside couch cuplet. So we have a total project cost with, which includes this fiscal year, next fiscal year's allocation of 15 million, and for everything, I believe. We're just short of 15 million. We also have different timing assumptions for, for some of the projects. You could see those in red, or, for example, the burnside bridge had development projects, been pushed out, but the property is up above. There is a \$7 million figure. That was in 89. We pushed that out as well. And, and the bottom line here, is that we're balanced in fiscal year 2008-2009, and, and, but, if you look at the ending fund balance for 910, we're out of balance by 13 million in total. That includes the current allocation for the streetcar in 910 of about 3.2 million. And then the 135.

Potter: Is that saying that we're overspending in 2008? Why do you go from balance to negative 13?

Adams: We don't have the tax increment resources in our five-year projection to accommodate for that level of spending?

Potter: In one year.

Warner: This is a case in point of what you were referring to. This is the, the worst in terms of the cash flow, and what that means, because we cannot have a 13 million negative next year, we will have to adjust this at budget next year based on, again, projects, you know, readiness, but also, probably push some of the projects out like the burnside bridgehead developed needs, be shoved out another year, at least to be able to get to those, those projects in that year. The 9-10, not the next year but the year after that.

Potter: Ok. What do the colors designate again? The red and the blue?

Barnes: The red colors represent the staff recommended changes. Moving some dollars out, and the blue represents a change in the overall funding.

*******:** How did that impact things?

Barnes: Approximately 10 million to 14 million over the total.

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Hoffman: Regarding the east burnside and couch cuplet, the, the 13 million, 13,450,000 fiscal year 2009, 2010, works for us. If they start construction in 2009, so, so, we can advance the payments, the initial payments on that contract using other funds, and we use the tiff funds in the fiscal year that you have budgeted.

Warner: And to make it more clear, in order to meet the balance, we probably have to look at things like the burnside bridge head moving out, and we probably have to look at zeroing out the economic development or housing projects to get to those projects and meet the cash flow of those, of those projects.

Adams: And, and the, and the, the -- we costed the project based on the start date, is that right? If we started in a particular year, that we have to factor in, in the intervening inflationary rate, so, so can you just, can you just go through, through for, for the mayor and, and the audience what, at what, what the year and the pricetag of the project would be?

Hoffman: Very simply, this is just a function of, of, of the fiscal cost as a result of the, the, the interest, the starting in, in 2006 is, we did a cost estimate of the \$20,000 project, 20 million project, we projected out to 2009, which is our scheduled start date, and it is, it is \$23 emergency room project, if we start the project in 2010, it is just a little less than a million dollars onto the cost of the project, and it keeps moving forward, so there's, there clearly are costs associated with delaying of the project.

Adams: I guess the other obvious question is how, how realistic, or is it realistic to have the new bridgehead, I guess, it would be, have a new bridge head development?

Warner: Clearly, I have no faith in that year at this time. So, that is one that I think is, is pretty obvious in terms of that. But again, what it points out, you have to make hard choices next year to be able to get that. So, I think that we have some hard work to do to try to figure out how to balance that, and we'll also be looking at any savings that we can get this year and the next year in 2008-2009 as the mayor pointed out to, to save so we have a less of a hole in 9-10.

Adams: We didn't do the cut that we would be in the balance, right?

Warner: Right.

Adams: If it doesn't come through, we would be ahead of the game for that year.

Barnes: I want to point out, the property sale revenue, that's tied in 9-10, as a resource right now for \$7 million. If that's, that's --

Adams: That's the bridgehead?

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

Warner: They go together. That's what they pointed out. Our hope is to sell that land to a developer to get the cash back in, which is part of the revenues. So it's not quite as simple as that.

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

Adams: If we don't sell the land, and we went short of the cuts that we would be 20 million in the hole.

Warner: Without changes.

*******:** Right.

Warner: In the expenditures.

*******:** Right.

Potter: I think, here's a situation that the folks that originally wanted the cuplet in before they would start construction, so to me, that would be a higher priority than the bridgehead.

Adams: Is that still your thinking?

Warner: Yeah. I think the, the burnside, couch cuplet needs to be done. It's in our goal of the redevelopment of that area, and integral for the redevelopment of the burnside bridge head project.

Potter: Would that include the streetcar. The 13? That's just the, the change in the streetscape.

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Greg Jones, Office of Transportation: Commissioner, the numbers were based upon a 4% inflation cost per construction, and actually, it's running around 12% for this year. So, we're getting a spike, it's difficult to say whether that will drop down but right now, it's continuing up.

Adams: The one thing I would be interested in hearing, obviously, the, are you presenting this, this problem or have you already presented this problem to the advisory committee?

Warner: Yes, it's been discussed at the advisory committee, it's been discussed at the budget work group. I think everybody has decided that we needed to present the outer budget balance so people understood the, the ramifications but also, just, just start positioning ourselves to make hard decisions in the future years, and I think it's difficult, and we need to start talking about some of the, some of the economic development programs that are really key to, to the tax generation in that particular area.

Adams: We don't have a problem the next fiscal year?

Warner: Exactly.

Warner: Did you want to add something?

Witcosky: Are you talking about the citizen advisory committee? I think that there is some members of the advisory committee here. When they looked at the budgets, particularly, you know, the extension, there were resources for different projects, and, you know, the more that goes -- they support projects but they support them at a certain level, and when those levels start increasing, they see inflation having to carry the day, as well as cost increases, and it takes away from the priorities, you know, you asked a question earlier about, about, is the community comfortable, and I would see on these things, you are going to hear it.

Adams: Just to make sure that we get all the, all the discussion points on the table again, i'm not pushing this particular idea, but is, is the cost for the cuplet, could you do a cheaper cuplet? If I recall correctly, this is on the sidewalks, all new sidewalks and streets and street furniture.

Hoffman: It's within limits we can't bring it down. For instance, there is new sidewalks on couch.

We think that it's a good idea to put new sidewalks on couch. Our advisory committee thought it was a good idea, but it's a place we're if we had a cut, we could use existing sidewalks. So, there are small areas we're we can cut. But, we've looked at many, many, many possibilities, and none of them appear to be very good solutions. To reducing the cost.

Adams: Ok.

Warner: We did add to the cost increase of this project because we wanted to look at a better alignment for the redevelopment of the burnside bridge head. So, that's, I think somewhere, 2.35 to the 3 million range, that's in this project, in terms of the, of the --

Hoffman: Three to four.

Warner: Three to four. Ok. I stand corrected, but --

Adams: I was on the pdot budget. [laughter]

Warner: It's a significant increase, so we would, you know, that's one of the things that we should, again, we need to look at all those before we move forward, and I think we have got to make some decisions very quickly since, since they want to start getting final plans completed.

Adams: This has to get resolved in the next 18 months, next 12 months. Is that right?

Warner: Yes.

Adams: Ok.

*****: Right.

*****: Thank you.

Jones: I believe we're, we're proposing to go to bid on the project in january, so we actually have the, have less time than that to resolve, and if we are going to make planned reductions or value engineer the plans we'll need to work on that very soon. We're at 60% right now.

*****: Ok.

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Adams: Is now the time to talk about the, the west side 1.1 million? Is that ok to do that now? So, the notion is now that, that the bridge is not going forward, we need resources to do the preliminary engineering for the cuplet and, and that's 1.1 million?

Hoffman: It's, um, it's 1 -- it's more than that. The, we had our budget bill with the combination of resources from, from the general fund and, and tiff. It was reduced by 300,000, reduced in the coming year by 800,000. We need those moneys to continue engineering on the project in order to, to complete the 35% return to council and court, those moneys are critical.

Witcosky: How much do you need?

Hoffman: 1.1 million.

*****: There is 500 [inaudible]

*****: In 2008, 2009?

Hoffman: The 500 is there right now. The addition to that [inaudible]

*****: You are correct.

*****: 2008-2009?

Hoffman: Yes.

*****: Ok.

Adams: Thanks, guys.

*****: Ok. Tiff version three, the river district.

*****: Ok.

Barnes: This is, this is the approved budget, recommended approved budget and forecast to be mirrored against with page one, 13 of the budget document. Kind of how, how the overall forecast has changed. Again, I highlighted the numbers that, that the staff recommended to, to move out the project expenditures on in red, and, and, and as far as the new insertions go for the recommendation, those are in blue. And those two items on the supplemental piece --

*****: We have that.

*****: Make sure that we have this, ok.

Potter: Page 113 on the big book, and then, the blue tab on, on the supplemental.

Adams: And then gregg, can you come back?

Barnes: That's correct.

*****: On the river district, streetcar issue.

*****: Ok.

Adams: The members indicate the staff changes, recommended changes.

Barnes: All right. Those changes, primarily, in the 2008-2009 and 9-10 fiscal year, moving some dollars out the central east side, one waterfront place. From 2008-2009 to 9-10, so the change in the project timing.

Adams: Ok.

Barnes: The, the new projects that have been asserted in fiscal year 2008-2009 on the supplemental, a smaller notebook, the 1.1 million for the burnside couch transportation, when they are engineering in 2008-2009, and then 7.5 million for the east side streetcar connection.

*****: Thanks.

Barnes: This reflects the, the original timing of the, of the allocation of the streetcar dollars to the river district. You look back in the proposed budget, bigger document, and that's programmed out in fiscal year 1213. 17 million lump sum amount.

Potter: What line was that?

Barnes: 13137, river district east side streetcar connection.

Potter: Redevelopment loan? Or the development loan? 13117?

Barnes: 13137.

Adams: Just spread it out.

Leonard: River district east side --

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Adams: All right.

Barnes: In the budget, in the work group, it was originally programmed to 17 million, in fiscal year 1213. The newer version brings the money forward into the fiscal year 8-9. 9-10, 10-11, so sooner. Now, just a quick note on the financial, the resource side of this. It's different than what we originally modeled. And it looks like we have the capacity to accommodate that plus everything else that was originally in the work group budget but this model hasn't been reviewed omf yet. We would review it for total shaft capacity.

Leonard: The distinction between the red and blue?

Barnes: Those represent line items but we moved some items out, primarily in fiscal year 2008-2009 based on the project timing. The blue number. The blue number, the new numbers, the inserted into the budget that weren't part of the work group budget at all. As far as 2008-2009, 9-10.

Warner: So the blue numbers reflect the concern in addressing the issue that commissioner Adams brought up yesterday. Which I think he said he supported it. It addresses this issue if we went this way?

*****: Right.

*****: The proposed information.

*****: Right.

Leonard: What was the reason? The blue numbers?

Witcosky: I think it was just mostly we didn't have enough project detail a few months ago. The money shifted. What it still does is, is we're not adding money to the budget. We're just kind of shifting it from other projects and shifting timing to make everything work.

Potter: So what does this money do, east side streetcar connect?

Warner: This, mayor, is one portion of the overall, I want to say \$27 million total of the tax increment financing match for the eastside streetcar loop. This project is in the river district so this is the funding for that particular project. Which you [inaudible] the last six months or so ago.

Potter: You are just moving it up.

*****: Correct.

Warner: So mr. Chair, that really, I think, those are the issues we knew that were on the table as a result of last, yesterday's meeting. If there is other ones that we missed, I would love to hear those now so we can make sure that we have that, and, and it may be that you want to then go into public testimony and see what else we would like to provide you before you decide what to do.

Potter: Ok. Good. How many folks are here to testify? Could I see a show of hands? Ok. Just one? Actually, you get all three seats. Shift around all you want. Go ahead, state your name for the record.

Susan Lindsey: I'm chair of the central east side urban renewal advisory committee. Ok. Well, i'll be succinct. I'm really concerned. I'm very concerned about the central eastside budget. I'm very concerned about, about, more concerned now that i've been sitting here and listening. I can see we're this is heading. The committee does not know about the increase in dollars requested for the burnside couch cuplet. There has been consistent testimony at the committee level and amongst the stakeholders of the extension and expansion discussion, consistently, has requested a holding of the line or a reduction in the cost of the burnside-couch cuplet. The cuplet was a necessary factor. It's part of the, of the east burnside plan, and it was a necessary component of the opus burnside bridge, but opus is gone now. And what, what i'm seeing right now is, is, is full steam ahead on the cuplet, seeing that now, how many millions it's going to take. I'm hearing the, the executive director saying if we don't have the dollars in the forth coming year, it will have to come out of housing and the other projects. And i'm knowing that what, what was really important and always has been important and the mission of the district is job retention and growth. The, the seismic upgrade in the [inaudible] area, all these things and what's taking place is a huge, huge amount of money in a

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district that isn't generating a lot of money, and it's going into transportation projects. And while we can argue the transportation projects will stimulate a lot of retail growth, growth in the x.d. Area, the burnside-couch cuplet to the north of it, is zoned ig-1, and the streetcar isn't there yet, and a lot of the businesses there could use support and, and what i'm not seeing is any support tofor that plan that we've been talking about for years. And I am concerned now that the dollars that are in there are going to go away. And so i'm here in the middle of my workday so that I can tell you that i'm concerned, and I am concerned how, how this money is allocated, and so, that's it.

Potter: Under the central east side, section on the budget, do you have a copy, susan?

Lindsey: It's somewhere in here.

*****: Ok.

Lindsey: There are many versions.

*****: Ok.

Lindsey: I think -- I have got it. It's one of the versions. I can't tell you which version it is. Yes. The, the -- all those sort of negative numbers at the bottom, as we go out to, to 10, 11, 12, 12, 13. Yeah. And we're spending more now and, I mean, it's great, if you guys have, have a plan.

Adams: Let me be -- the opportunity is to save money are, are opus requested changes on the return now that they are gone, I think that, that -- that was the scope change. The cost, um, going up by 800, 900, 1 million a year is, is, has always been what pdot has told p.d.c. In terms of this. This budget is only as good as the year it starts, and so the other thing is, when I was, I was talking to you in the previous meetings, it was really, really important to, to some members in the previous meeting that, that the entire vision of the, of the cuplet transformation occur. I mean, I have to believe it's possible to create cuplet, a cuplet cheaper than redoing all surfaces on both, you know, a lot of surfaces on both the burnside and couch. But, I would need to, to hear back from the community whether that was an acceptable, cheaper alternative or not, and if it's not, then, so be it. Now, I don't know what the next developer of the bridge head project will view as essential. Opus viewed the cuplet as essential to the future success of developing that site.

Lindsey: I'm not trying to derail the cuplet. I understand that when we brought in up before we were told that --

Adams: I don't think you are.

Lindsey: I'm just saying, i'm saying, look at the numbers.

Adams: I'm looking at the numbers, and I am trying to engage you in conversation about it. I'm not trying to, to push the cuplet, necessarily, either, what I am saying is, if there is a cheaper cuplet to be had, are people interested in looking at that?

Lindsey: Always have been.

Adams: And if the developer, the next developer of the bridge head says that they want the cuplet but don't need it right away but they need their turn, would the community be willing to look at that in.

Lindsey: Yes.

Adams: I'm trying to gauge flexibility within the plan approved by the neighborhood and the city council. It sounds like you are willing to look at a variety of approaches.

Lindsey: I think we're a fiscally responsible group and paying attention.

Potter: Susan, when you look at this proposed 2008-2009 budget for the central east side, is that, is that, are you saying it's not consistent with what the advisory committee recommended?

Lindsey: No, i'm not saying that. I just think that we were shown what they tried to do was balance it this year, but, I guess, I wasn't aware of, until recently, that there were going to be the inflationary additions to the burnside-couch because it says right here, staff recommendation. The committee doesn't know that, and i'm understanding why that's there. You put something off and it will cost more layer, and especially with everything escalating so rapidly. But, so if we are just talking about this, i'm just saying that we can't ignore what's coming in the plan, and what tends to

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happen in this process is suddenly, the deficit is there so things just, the next meeting comes and something that you've been counting on being there is gone, and the staff recommended that we get rid of that in order to balance. I just I want to prevent that.

*****: Ok.

Lindsey: At least say something about it.

Adams: My public comment has been, I don't want the cuplet devouring the other, the other programs that I think are vitally necessary, and I am willing to work with pdot to bring a cuplet in of some form and fashion, you know, within the budget or cheaper.

Lindsey: Thank you. I think that that's what we're looking for.

Potter: Did you folks prioritize any of the six projects in the central succeeds industrial area?

Lindsey: Well, we consistently said that, that economic development, economic development, economic development was our priority. I think that we've always said that.

Potter: How does this feel different than, than what you folks thought was happening? That's what i'm trying to get to that.

Lindsey: Well, I mean, the, the housing set aside is the process that took place. That was what, that was different because, because it's not seen as a housing district, but you know, we're not really discussing our arguing that there. And I just think that sort of changed everything, for one thing, and then the, the, the transportation, I think, that we understood that, that there would be a lot of efforts, and those took place to try to get funding for the burnside-couch elsewhere, and I just think that it took a lot of chunk of change out of our budge, and you know, the milwaukie light rail hasn't even shown up here yet, and don't think it will not because I know it will, and get another transportation project that's going to appear on this budget, i'm sure.

Adams: I might not be familiar with this. Was the contribution for the cuplet from urban renewal, the 13 point, has that gone up or down?

*****: I'm not trying to be tricky.

Adams: Since the community signed off on it.

*****: How much?

*****: Well, do you know susan?

Lindsey: At least 3 million. I mean, that number is different than what -- the last time I saw the numbers. It's the third time I have seen it look like this.

Witcosky: Ok. They came into this process, and commissioner Leonard was inside back in february and it was released at the end of february and since then, it has changed in these discussions.

Adams: So one of the questions that I have for p.d.c. Just for my own education is remind me, show me is the facts and terms of what, what, what p.d.c. Approved? It would be nice to, to see in numbers, susan's observation of changing amounts for the different categories.

Potter: Do you have a copy of the advisory committee's recommendation?

Lindsey: No. I mean, do I have a copy of the budget that was given to us at the last meeting? No, I think that the difference is probably reflected in, I mean, it's probably what tony said, it's the increase, shows you the increase in the burnside-couch based on because they moved burnside-couch off of year and added a few million because of the inflation.

*****: I believe that's right.

Lindsey: It just was always a lot, and what I am trying to say even though we were, we pushed back on it, with staff, time and time again, and, and the one thing that I think that we kept pushing back on was, could you please figure out a way to do this project in a more economical way.

Adams: In a meeting though, having that conversation, and emilee, simon, was very upset at the notion that we wouldn't deliver the original vision of the cuplet starting some years ago, and, and I think that, that we can deliver a cheaper version of the cuplet but it isn't necessarily with all the, all the new street finishes.

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Lindsey: Well, emilee is not on the committee, and the neighborhood was represented by michael whitmore, who I am sure you heard from plenty of times on this subject, and in fact, this is, this has really been, you know, his torch to carry around. Around the dollars of the project all along. Also, it was very tight to the opus division of that, but opus is gone and right now what we seem to be doing is moth balling that important area of the project, and so, maybe this is a time to rethink how much we're spending on this. Especially in the life what's taking place in the next three or four years.

Adams: We can save three or four mill by reversing the scope change. We know that, right, bill?

*****: [inaudible]

Lindsey: Thank you.

Adams: We'll go to work on an inexpensive version of the cuplet and a cheaper curve.

Lindsey: Or find more money, I don't know. You can spend as much money as you want on the cuplet but don't bankrupt the other ones. [laughter]

Adams: I agree with you. I think the water bureau --

Lindsey: Yeah. [laughter]

Potter: Perhaps, mr. Leonard's visa could handle it. [laughter]

Potter: Ok. That was the public testimony. So, what is it that we have to finish off with for today since we're not making any decisions?

Warner: I didn't hear any new items based on the discussion today. I also, again, thought I heard that, really, it was not appropriate, probably, today to take action on our budget, but rather, to defer it until the city takes action and gets clarity on the general fund and other resources. We have counted upon for the budget. But, I guess I would like to know from the budget committee, are we generally there? And if we address the issues we heard about here, if we are, then we know, we know what we need to adjust and when the city council takes the final action, rather than trying to do other changes.

Leonard: I would love to give you an answer.

Warner: You can't blame me for trying.

Potter: I think you are in the after, and that's important. I think the general fund issues, maybe some of the [inaudible] stuff may be different, but, I think as far as the e.r.a.'s, with the exception of the central east side and, and is it the west?

*****: The river district.

Potter: The river district.

*****: Right.

Leonard: The legal stuff maybe different.

Witcosky: In some ways, in this particular moment, we're ok. In other ways, we're not okay at all. I understand that.

Potter: Always bargain.

Leonard: Exactly.

Potter: So I think we're done today but what are the next steps since we're not making a decision, so we know how to both schedule and understand what homework we have to do in the meantime?

Warner: What I heard is we need to go back and do some homework, especially on the central eastside and I think we really need to frame up and talk about some of the ways that we address the shortfalls that are coming. And reducing costs on some of the projects so I think that's one. That that matches up. But I think we were able as you saw to address most of the issues with any existing resource and reallocate weight different gears. I think the thing that I would ask, if you see anything else in that, information we've given you that doesn't make sense or is not consistent, get that back to us so we can get you answers before next week. I think you start deliberation on your budget next week. When you're done, I'd like to be able to take that information immediately incorporate it into any changes that we could then have you adopt when you reconvene as our

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budget committee again. Because we do need you to, if you adjourn today without taking action, we'll need you to reconvene sometime between now and June 1st to meet the deadline of July 1st to actually take action in approving the budget.

Potter: Would you also, I don't know if the other commissioners want it, but I do, get a copy of the budget document that she was referring to? The one that's changed? I haven't seen that one. I would like to know for my own --

Warner: We'll check that. I think it is consistent with what we had in our proposal. I will verify that. If it's different we'll let you know.

Potter: Good. Is that it?

Warner: I think that's it.

Witcosky: What we'll do now is take quick questions that were about 12 or 14 follow-up items from questions asked yesterday. So what we'll do now is take commissioner Adams' question about what accounts for change, professional service contracts at 5 million.

Barnes: Professional service contract, there's about a \$5 million increase overall in the p.d.c. Budget between the current fiscal year and the proposed budget for '08-09. That's attributed to a number of different projects. One of the primary areas, we do have \$3 million for i.t. Services currently in the '08-09 proposed budget for implement taights of the r.p. And content management type programs. There's a large undertaking that's planned for next fiscal year that includes a lot of those professional service contract dollars.

Witcosky: And that was commissioner Adams, something the budget work group looked at in february when they were given the consideration of whether or not p.d.x. Should upgrade -- p.d.c. Should upgrade its own system or merge into the city system.

Adams: That's the other question?

*****: [inaudible]

Warner: I want to show you, we did give you a handout.

Adams: That was just a suggestion to think about.

Potter: All four of us asked the question about parallel financial polls in exhibit a. P.d.c. Requested changes in the proposed budget.

Warner: We highlighted in the same color so you could see the connections between the changes and line items versus changes in the roll-up for the budget. So you have that information. That's what this was all about.

Potter: Ok.

Warner: Thank you very much for your time.

Potter: We're adjourned.

At 3:38 p.m., Council adjourned.