



CITY OF  
**PORTLAND, OREGON**

OFFICIAL  
 MINUTES

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS 18<sup>TH</sup> DAY OF MAY, 2011 AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Adams, Presiding; Commissioners Fish, Fritz, Leonard and Saltzman, 5.

At 9:42 a.m., Council recessed.  
 At 9:45 a.m., Council reconvened.

At 12:18 p.m., Council recessed.  
 At 12:38 p.m., Council reconvened.

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

Item No. 477 was pulled for discussion and on a Y-5 roll call, the balance of the Consent Agenda was adopted.

	<b>Disposition:</b>
<b>TIMES CERTAIN</b>	
<b>463 TIME CERTAIN: 9:30 AM</b> – Mayor’s Message to Budget Committee (Mayor convenes Council as the Budget Committee) 15 minutes requested	<b>PLACED ON FILE</b>
<b>464 TIME CERTAIN: 9:45 AM</b> – Council to convene as Portland Development Commission Budget Committee to receive the proposed annual budget (Mayor convenes Portland Development Commission Budget Committee) 30 minutes requested	<b>PLACED ON FILE</b>
<b>465 TIME CERTAIN: 10:15 AM</b> – Revise sewer and drainage rates and charges in accordance with the FY 2011-2012 Sewer User Rate Study (Ordinance introduced by Commissioner Saltzman) 30 minutes for Items 465-467  <b>Motion to take testimony at the morning session and afternoon after the 2:30 pm Time Certain when illustrative cuts come forward from Bureau of Financial Planning and Bureau of Environmental Services to amend Exhibit A at 5.5%:</b> Moved by Mayor Adams and seconded by Commissioner Fritz. (Y-5)  <b>Motion that BES, as part of Council item 465, provide Council with a rate increase of 5.5% and Exhibit A be amended to effectuate that change:</b> Moved by Mayor Adams and seconded by Commissioner Leonard. (Y-2; N-3 Fritz, Fish, Saltzman) Motion failed.	<b>PASSED TO          SECOND READING          MAY 25, 2010          AT 9:30 AM</b>

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<b>466</b> Authorize the rates and charges for water and water-related services during the FY beginning July 1, 2011 to June 30, 2012 and fix an effective date (Ordinance introduced by Commissioner Leonard)	<b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b>
<b>467</b> Revise residential solid waste and recycling collection rates and charges, effective July 1, 2011 (Ordinance introduced by Mayor Adams; amend Code Chapter 17.102)	<b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b>
<b>*468</b> <b>TIME CERTAIN: 10:45 AM</b> – Adopt budget adjustment recommendations and the Supplemental Budget for the FY 2010-2011 Spring Supplemental Budget process and make budget adjustments in various funds (Ordinance introduced by Mayor Adams) 15 minutes requested (Y-5)	<b>184599</b>
<b>CONSENT AGENDA – NO DISCUSSION</b>	
<b>469</b> Appoint R. Kyle Busse, Stephen Manning and Christine Rontal to the Human Rights Commission (Report introduced by Mayor Adams and Commissioner Fritz) (Y-5)	<b>CONFIRMED</b>
<b>*470</b> Authorize limited tax revenue refunding bonds (Ordinance introduced by Mayor Adams and Commissioner Saltzman) (Y-5)	<b>184577</b>
<b>Mayor Sam Adams</b>	
<b>Bureau of Planning &amp; Sustainability</b>	
<b>*471</b> Amend Intergovernmental Agreement with Multnomah County for diesel emission reduction and provide payment of \$6,000 for labor costs associated with grant activities (Ordinance; amend Contract No. 30001037) (Y-5)	<b>184578</b>
<b>*472</b> Amend contract with Tetra Tech to provide additional technical services for the River Plan / North Reach and provide for payment (Ordinance; amend Contract No. 38089) (Y-5)	<b>184579</b>
<b>473</b> Amend contract with Institute for Conflict Management, Inc. for additional funding and extended facilitation support service for the West Hayden Island Plan and provide for payment (Ordinance; amend Contract No. 30001769)	<b>PASSED TO SECOND READING MAY 25, 2011 AT 9:30 AM</b>
<b>Bureau of Police</b>	
<b>*474</b> Authorize an Intergovernmental Agreement with Multnomah County for the Sex Buyers Accountability and Diversion Program (Ordinance) (Y-5)	<b>184580</b>

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<b>Bureau of Transportation</b>		
<b>*475</b>	Designate certain City of Portland property as right-of-way and transfer management responsibility of said property from Portland Parks and Recreation to the Bureau of Transportation (Ordinance)  (Y-5)	<b>184581</b>
<b>*476</b>	Authorize Procurement Services to enter into a contract with URS Corporation for design services for the Streetcar Relocation project (Ordinance)  (Y-5)	<b>184582</b>
<b>*477</b>	Authorize Intergovernmental Agreement with TriMet for construction scope transfers between SW Moody Ave Improvement Project, SW Harbor Dr / SW River Pkwy Project and Portland-Milwaukie Light Rail Project (Ordinance)	<b>REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION</b>
<b>*478</b>	Amend contract with Metro for the SmartTrips North and Northeast project to extend the agreement through June 30, 2012 and reduce the required matching funds to \$111,970 (Ordinance; amend Contract No. 30001901)  (Y-5)	<b>184583</b>
<b>479</b>	Grant revocable permit to Whole Foods to close NE 43 <sup>rd</sup> Ave between NE Sandy Blvd and NE Tillamook St from 10:00 a.m. until 6:30 p.m. on July 2, 2011 (Ordinance)	<b>PASSED TO SECOND READING MAY 25, 2011 AT 9:30 AM</b>
<b>480</b>	Designate five Multnomah County tax foreclosed properties deeded to the City as public right-of-way (Second Reading Agenda 449)  (Y-5)	<b>184584</b>
<b>481</b>	Designate four Multnomah County tax foreclosed properties deeded to the City as public right-of-way (Second Reading Agenda 450)  (Y-5)	<b>184585</b>
<b>Office of City Attorney</b>		
<b>*482</b>	Amend contract with Hoffman, Hart & Wagner LLP for outside legal counsel (Ordinance; amend Contract No. 38137)  (Y-5)	<b>184586</b>
<b>*483</b>	Amend contract with Hoffman, Hart & Wagner LLP for outside legal counsel (Ordinance; amend Contract No. 30001323)  (Y-5)	<b>184587</b>
<b>Office of Management and Finance</b>		
<b>484</b>	Accept bid of Northwest Earthmovers, Inc. for the SW 18th Avenue Sewer Replacement for \$1,438,988 (Procurement Report - Bid No. 112767)  (Y-5)	<b>ACCEPTED PREPARE CONTRACT</b>
<b>Commissioner Nick Fish Position No. 2</b>		
<b>Portland Housing Bureau</b>		

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<p><b>*485</b> Accept and appropriate a grant from Emerald Cities Collaborative, Inc. for \$75,000 to develop and implement a sustainable effort with local organizations to retrofit large scale buildings (Ordinance) (Y-5)</p>	<p><b>184588</b></p>
<b>Portland Parks &amp; Recreation</b>	
<p><b>*486</b> Accept a \$35,000 grant award from Partners for a Hunger Free Oregon to increase the number of free lunches served in selected City parks (Ordinance) (Y-5)</p>	<p><b>184589</b></p>
<p><b>*487</b> Accept \$10,000 grant award from the National Recreation and Park Association to support the free lunch program in selected City parks (Ordinance) (Y-5)</p>	<p><b>184590</b></p>
<b>Commissioner Dan Saltzman Position No. 3</b>	
<p><b>*488</b> Approve an Intergovernmental Agreement with the Oregon Judicial Department for the care and handling of video conferencing equipment owned by the City for restraining order services at the Gateway Center for Domestic Violence Services, but physically maintained at the Multnomah County Courthouse in downtown Portland (Ordinance) (Y-5)</p>	<p><b>184591</b></p>
<p><b>*489</b> Authorize an Intergovernmental Agreement with Multnomah County to continue funding mental health services at the Gateway Center for Domestic Violence Services (Ordinance) (Y-5)</p>	<p><b>184592</b></p>
<b>Bureau of Environmental Services</b>	
<p><b>490</b> Amend contract with Parametrix for additional work and compensation for the SE 83rd Avenue Wastewater Pump Station Project No. E08376 (Second Reading Agenda 456; amend Contract No. 37227) (Y-5)</p>	<p><b>184593</b></p>
<b>City Auditor LaVonne Griffin-Valade</b>	
<p><b>491</b> Amend the fee schedule for land use review hearings provided by the Hearings Officer (Second Reading Agenda 457) (Y-5)</p>	<p><b>184594</b></p>
<b>REGULAR AGENDA</b>  <b>Mayor Sam Adams</b>  <b>Bureau of Transportation</b>	

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<p><b>*492</b> Extend special rates and charges for public works permitting services through FY 2011-2012 (Ordinance) 10 minutes requested</p> <p><b>Motion to replace Financial Impact Statement:</b> Moved by Commissioner Fritz and seconded by Commissioner Saltzman. (Y-4; Adams absent)</p> <p>(Y-4; Adams absent)</p>	<p><b>184600</b> AS AMENDED</p>
<p><b>493</b> Revise transportation fees, rates and charges for FY 2011-2012 and fix an effective date (Ordinance)</p>	<p><b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b></p>
<p><b>494</b> Create a local improvement district to construct street, sidewalk and stormwater improvements from Pardee St to Liebe St in the Lents Phase IV / SE 118th Ave Local Improvement District (Second Reading Agenda 458; C-10040)</p> <p>(Y-5)</p>	<p><b>184595</b></p>
<p><b>495</b> Allow consumption of alcohol in the Public Right of Way provided a permit for a Community Event Street Closure – Alcohol Allowed is issued under Chapter 17.44 (Second Reading Agenda 459; amend Code Section 14A.50.010 and 17.44.020)</p> <p>(Y-5)</p>	<p><b>184596</b></p>
<p><b>Office of City Attorney</b></p>	
<p><b>496</b> Authorize an Intergovernmental Agreement with Local Government Personnel Institute for legal advice and consultation (Ordinance)</p>	<p><b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b></p>
<p><b>Office of Management and Finance</b></p>	
<p><b>*497</b> Authorize a borrowing in an amount sufficient to produce not more than \$26,799,000 in anticipation of the Fire and Police Disability and Retirement Fund levy for FY 2011-2012 (Ordinance)</p> <p><b>Motion to amend to add emergency clause:</b> Moved by Commissioner Leonard and seconded by Mayor Adams. (Y-5)</p> <p>(Y-5)</p>	<p><b>184603</b> AS AMENDED</p>
<p><b>498</b> Authorize additional revenue bonds for urban renewal areas (Ordinance)</p>	<p><b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b></p>
<p><b>499</b> Approve cost of living adjustments to pay rates for Nonrepresented classifications and Elected Officials effective July 1, 2011, specify the effect upon employees in the classifications involved and provide for payment (Ordinance) 10 minutes requested</p>	<p><b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b></p>
<p><b>500</b> Amend the Business License Law to make housekeeping changes to certain definitions and the presumption of doing business (Second Reading Agenda 461; amend Code Chapter 7.02)</p> <p>(Y-5)</p>	<p><b>184597</b></p>
<p><b>Commissioner Nick Fish Position No. 2</b></p>	

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<b>Portland Housing Bureau</b>		
<b>*501</b>	Authorize the sale of five single family houses located in the Lents Town Center Urban Renewal Area to ROSE Community Development Corporation and approve tax increment funding to benefit income-eligible, first-time buyers (Ordinance)  (Y-5)	<b>184601</b>
<b>*502</b>	Authorize the sale of six single family houses located in the Lents Town Center Urban Renewal Area to Amethyst Development LLC and approve tax increment financing to benefit income-eligible, first-time buyers (Ordinance)  (Y-5)	<b>184602</b>
<b>City Auditor LaVonne Griffin-Valade</b>		
<b>503</b>	Assess property for sidewalk repair by the Bureau of Maintenance (Hearing; Ordinance; Y1074) 15 minutes requested	<b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b>

At 1:46 p.m., Council recessed.

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A RECESSED MEETING OF THE COUNCIL OF THE CITY OF PORTLAND,  
OREGON WAS HELD THIS 18<sup>TH</sup> DAY OF MAY, 2011 AT 2:20 P.M.

THOSE PRESENT WERE: Mayor Adams, Presiding; Commissioners Fish, Fritz,  
Leonard and Saltzman, 5.

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

<p><b>504 TIME CERTAIN: 2:00 PM</b> – Amend fee schedules for building, electrical, mechanical, plumbing, facility permit, field issuance remodel, land use services, neighborhood inspections, noise control, signs, site development, zoning and certain construction permits (Ordinance introduced by Commissioner Saltzman) 20 minutes requested</p>	<p><b>Disposition:</b></p> <p><b>PASSED TO SECOND READING MAY 25, 2010 AT 9:30 AM</b></p>
<p><b>S-*505 TIME CERTAIN: 2:30 PM</b> – Authorize Loan Guarantee Agreement with Oregon Department of Energy with respect to SoloPower, Inc. (Ordinance introduced by Mayor Adams) 45 minutes requested</p> <p><b>Motion to accept substitute ordinance:</b> Moved by Commissioner Fish and seconded by Commissioner Fritz. (Y-5)</p> <p>(Y-5)</p>	<p><b>SUBSTITUTE 184598</b></p>

At 4:41 p.m., Council adjourned.

**LAVONNE GRIFFIN-VALADE**  
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.

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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 and should not be considered a verbatim transcript.

Key: \*\*\*\*\* means unidentified speaker.

**MAY 18, 2011 9:30 AM**

**Adams:** ... Official proceedings. We have a few special presentations. First, i'd like to welcome the smartest mock trial of high school students in the entire city of Portland. The mock trial student group from roosevelt high school. Welcome. Stand up, please. [applause]

**Adams:** Do you maintain your bar license?

**Fish:** Yes, it's on ice while I serve, but I understand that one of the young people who served on the mock trial is interested in maybe a career in the law or being a judge or elected official, so I would encourage that.

**Adams:** All right. And i'm also pleased today to provide recognition to one of my favorite group of volunteers in the city of Portland. And that is the urban tour group that brings great folks to visit our offices. Yesterday it was -- who was it? -- third graders from -- where?

**Susan Cassidy:** Finley.

**Adams:** Finley. They were hilarious. [laughter] the most frequently asked question of the mayor is: What do you do? [laughter] and then when I tell them, they're like, no, no, what do you really do? So i'm pleased to read the following proclamation. Whereas, urban tour group is a nonprofit all-volunteer organization which provides tours for approximately 6,000 local students each year and whereas the urban tour group is celebrating its 40th year of meaningful service to Portland area schoolchildren and the city of Portland and the purpose of the urban tour group is to give local students an understanding of the city's past, present and future and broaden their knowledge of the city's arts and culture and history and current activities and provides schoolchildren with an awareness of the urban environment by providing four different walking tours including old town, the business and banking district, the cultural district and east bank esplanade and to help them understand the meaning the good citizenship and appreciate the city's traditions and experience the city's beauty and industry. I, sam Adams, mayor of the city of roses, proclaim may 18, 2011, to be urban tour group appreciation in Portland and I extend my congratulations to the group on your 40th anniversary. Thank you, judge. [applause]

**Cassidy:** I'm the -- excuse me, i'm the current president of the urban tour group. I'm susan cassidy. On behalf of our members, thank you for proclaiming may 18, 2011, urban tour appreciation day. I want to take a moment and have two of the founding members that 40 years ago had an idea of putting this tour together and one of them is rosemary hooha, she's going to stand. And virginia holiday, or Farraday, excuse me.

**Adams:** Virginia Farraday. Thank you very much. [applause]

**Cassidy:** They believe a guided walking tour in downtown Portland would enhance schoolchildren's understanding of an urban environment and that involved to 100 trained guides and you've seen them in your office, probably, give an average of 6,000 stool children a year. That's annually and our budget is \$10,000. And we raise it all ourselves and a third of it goes back to the schools for transportation. So the buses that you see, we actually pay a part of that for of the schoolchildren to come down here. One thing that you may not know that when our guides do come through city hall, we often get inspired by a plaque that's on the first floor. If you've seen it, there's an inscription in the plaque that says citizens are the riches of the city. And we truly get inspired by that. We're committed to that ideology, and it makes us continue to give us -- give service to the city and the schoolchildren. So thank you very much.

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**Adams:** Thank you all very much. It's fantastic. [applause] we'll not be offended if you choose, all at once to get up and leave. [laughter] you've spent quality of time with us. Oh, yeah, let's -- everybody come -- Not everybody, but just a few. [applause] [gavel pounded]

**Adams:** Portland city council will come to order. Good morning, Karla, how are you?

**Moore-Love:** Good morning, i'm fine.

**Adams:** Please call the roll. [roll call]

**Adams:** We have a 9:30 time certain. We have no communications. So let's --

**Moore-Love:** Did you want to do the consent --

**Adams:** I was getting there. But thanks for checking. It takes a whole village some days. Anyone wish to pull any items from the consent agenda?

**Moore-Love:** We have 477.

**Adams:** What are we doing with that?

**Moore-Love:** That was a request of omf.

**Adams:** To pull it back --

**Moore-Love:** Refer it back to your office.

**Adams:** Ok. Please read the title.

**Item 477.**

**Adams:** Unless objection, 477 is sent back to my office. [gavel pounded] anything else on the consent agenda items? Can you please call the vote on the consent agenda items.

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

**Fritz:** Aye. I wanted to mention -- commend commissioner Fish for the \$45,000 in grants for the lunch programs and omf for saving us in debt.

**Adams:** Aye. [gavel pounded] consent agenda is approved. That moves us to the 9:30 time certain. We convene as a budget committee. Please read the title for item number 463.

**Item 463.**

**Adams:** I need to read the following message. I'm convening the budget committee for the city of Portland for the purpose of receiving the budget message. Committee members received copies of the budget document yesterday. This budget is a product -- somewhere there's a budget.

**Leonard:** There you go.

**Adams:** I -- this budget is a product of months of work by the city council, community advisory advises, residents, the purb, the Portland commission on planning and sustainability and other commissions and the office of management and finance. My proposed budget remains focused on the top priority of returning the city to full prosperity and making fundamental change so we're more resilient economically in the future and making strategic investments that will also help those in greatest need right now. My budget continues to support the most vulnerable and significant investments and trying to backfill housing and mental health and addiction services that are outside of our charter but nonetheless important to our quality of life. I've increased the city's focus on equity through the budget process to ensure every Portlander has access to equal opportunities and feels welcome in our city and surveyed citizen for livable issues and hold ourselves accountable to making improvements on the concerns raise. Taken as a whole, this budget will make Portland's economy stronger, streets safer and communities more equitable and government more responsive. I want to thank my colleagues on the city council and everybody in our community and staff for helping to shape this budget. Are there any questions or comments there the committee? This meeting of the budget committee is continued to thursday, may 19th at 6:30 p.m. at jefferson high school where we'll hear public testimony on the budget. It's located at 5210 north kerby, look forward to see you all there. I'm now reconvening the group as the city council. [gavel pounded] all right. Please read -- that's a formality required by state law. Can you please read the title for time certain. We're a little early. Can't do that. So let's go to the regular agenda. Can you please read the title and call the vote for 494.

**Item 494.**

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

**Fritz:** Thanks again to the Portland development commission for stepping up to help fund this project and the bureau of environmental services for landscaping and parks and recreation for maintaining the landscaping and in particular, Andrew Aebi for his work answering questions. Aye.

**Adams:** Aye. [gavel pounded] please call the vote for second reading item 495.

**Item 495.**

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

**Fritz:** The details are very important in this particular ordinance because to a certain extent we're deferring to olcc to issue alcohol permits, on the consent agenda, so I've discussed last week, I look forward to seeing the public process for adoption of the administrative rules and being informed in my office as we move forward. Thanks to staff. Aye.

**Adams:** Aye. [gavel pounded] can you please read the title and call the vote, second reading, item number 500.

**Item 500.**

**Fish:** Aye. **Saltzman:** Aye. **Leonard:** Aye. **Fritz:** Aye.

**Adams:** Aye. [gavel pounded] 495 is approved. Sorry, 500 is approved. Is that all the second -- second readings? We have a three-minute break. We can't go earlier than the time certain. Three-minute recess. [gavel pounded] [recess taken]

At 9:42 a.m., Council recessed.

At 9:45 a.m., Council reconvened.

**Adams:** City council will come back from recess and I would like to convene the city council as the pdc budget committee and ask the secretary of the commission to come forward to call the roll call and please have our folks come up. Sorry, I should have had you do that during the break. [roll call]

**Item 464.**

**Adams:** All right. A quorum is present for the Portland development commission's budget committee. We need to elect a presiding officer. It's an august group. Their nominations.

**Fish:** I nominate the mayor.

**Fritz:** Second.

**Adams:** Moved and seconded. Madam secretary, please call the vote on the motion to elect the president of the budget committee.

**Fish:** I have a lengthy speech for the record which I'll submit and pleased to the vote aye.

**Saltzman:** Aye. **Fritz:** Aye.

**Adams:** Aye, all right. Let's proceed. Mr. Chair, Scott Andrews.

**Scott Andrews:** I'm Scott Andrews, chairman of the Portland development commission and with me is Patrick Quinton and Keith Witcosky, Deputy Director, Government Relations and Public Affairs. This is my third opportunity to present the budget as you sit as our budget committee and they'll be a public hearing tomorrow and you're scheduled to take formal action on the pdc budget next Wednesday. PDC's size and focus has changed quite a bit in the last three years, the merge are of the pdc housing department, Portland housing bureau and the adoption of the city's economic strategy has moved us from a housing and development agency to an economic development agency. And we're committed to do more with less, going from 220 full-time equivalent in 2008-2009 to projected 135 for the next fiscal year. We transferred 41 of the 220 employees to PHB, in the creation of the housing bureau, the rest of the reduction relates to the right sizing given the on going trend in reduced resources, slower growth and assessed value and conservative debt. I want to thank a few people. First, I want to acknowledge and thank our last executive director, Bruce Warner for his outstanding work. He re-made the agency and forged an effective and positive relationship with you, city council and all my commission wish him the best in retirement, if he can

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stay retired. I also want to thank our mayor, sam, for his support and leadership for the last three years. As I said before as chair of the pdc, I couldn't ask for a better mayor. He truly understands the connection between family-wage jobs, a healthy economy and the attach revenue we need to provide city services and he's got a passion for economic development. And finally, I want to thank all. You for sitting as awe budget committee. I really appreciate our regular meetings getting a opportunity to present our plans and programs and answer the questions you have and i've always appreciated the calm and quiet dialogue. It's quite helpful. The shall what we're going to do, patrick is going to talk about the overview, the major projects and programs we see for the next fiscal year and then do the ever exciting urban renewal district by district review of the budgets and projects where we'll take the time, actually, to discuss the -- our suggestion with regard to funding the memorial assume. Again -- the memorial coliseum. Thank you. Good morning, Patrick.

**Patrick Quinton:** Thank you, good morning, mayor Adams and commissioners. I'm honored to be presenting the first budget as executive director and as chair andrews mentioned, things have changed fairly significantly for pdc over the past few years and I think you'll see that new direction in our budget. If you look at the budget overview that you have in front of you, you can see first and foremost, we're as the chair mentioned, we are a smaller agency in terms of budget and staff and our projected expenditures for fiscal year '11-12, just over \$152 million. There's a typo in the header of the slide. It should say \$152 million. And that -- that's a decline that we can see going forward. It represents the expiration of a number of urban renewal districts and a decline we're managing toward. The line item, we maintain our fund can of pdc tif funded programs. The housing line remains unaffected. The projects planned for next year, we'll maintain the funding from the previous year. The other thing, the declines in our program expenditures are more significant in the infrastructure and property -- line on the business development side to make that whole to reflect the job creation priorities of the agency. I'll point out within that business development line is where the bulk of the general fund dollars are reflected in our budget and so that's also the mayor's proposed budget on the general fund side has been a big help in terms of maintaining funding for job creation activities and the other thing i'd like to point out you'll see a very significant decline in the administration dollars we -- I think as you're aware, we've made every effort to reduce the side of the organization overhead to match the decline in resource. The \$7.5 million reduction you see is not -- is not the -- it actually overstates it because some of the costs are reflected now in our business lines but the number is closer to \$4 million as we have briefed you previously. But \$4 million is still a significant reduction from one year in our overhead and the organization is committed to continuing to look for ways to operate more officially and cost effectively. Before I get into talking about some of our programmatic activities, I want to remind everybody with this slide-- and this reinforces that the pdc is not just about buildings. We obviously spend a significant amount of our dollars on redevelopment work but do everything we can to make sure what we're doing -- in -- however we invest our dollars is about job creation so you can see a representative list of companies here that -- that we've assisted and what's interesting is you go from large companies to our most recent success, solopower to vestas and neighborhood companies shown here on this slide and it really does reflect, number one, how our strategy is playing out for both cluster businesses as well as neighborhood businesses and businesses of all sides, and two, the range of tools that we have helped businesses, whether it be enterprise zone incentives and business loans and storefront loans for neighborhood businesses and -- our program to invest in rehabilitation of commercial properties we use as a business development tool. That's the primary tool used in the vestas project. So we'll continue to use this package of tools to help grow Portland's economy. And then as it says, we still do buildings. And I just want to remind everybody when we do buildings, we think about the job creation potential so the Oregon sustainability center is one of our highest profile projects and we're on track and we view it as a economic development project, a project that advances our standing in the global economy in the field of green development and I think you'll see similar efforts in places like the burnside bridge

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and others where we're defining redevelopment with job creation. I want to move ahead to just give a quick overview of the -- of the line items for the general fund allocation in the mayor's proposed budget. We certainly recognize difficult choices you have to make with regard to the general fund and we truly appreciate the proposed budget and the priorities that it establishes. It's one thing to talk about job creation and economic development being a priority but I think it's another thing to put the dollars behind it and this budget does that and we appreciate the proposed budget and -- and hopefully be maintained when the budget is approved. This budget helps us support the primary activities of our economic development strategy as well as our emerging economic strategy and you can see on the neighborhood side, women continue to fund a number of activities we started including main streets, as well as our one-stop website and -- and phone service center for the -- for businesses in the neighborhoods to continue to fund programs for the economic opportunity initiative. And as well as adding back technical assistance for small businesses. On the -- on the traded sector side -- I guess we'll go ahead a slide.

**Fish:** Can we go back.

**Quinton:** Sure.

**Fish:** I think it's worth pausing and making sure that the public understands what we're doing here. Urban renewal districts today cover about what percent of the city?

**Quinton:** Somewhere -- close to 15%.

**Fish:** In other words, 85% of the city is not contained in a urban renewal district?

**Quinton:** Correct.

**Fish:** And you're restricted to use urban renewal dollars within districts. So if a city wants to fund a city wide economic strategy we have to have another source of funding?

**Quinton:** Correct.

**Fish:** And that's where the general fund resources become a powerful tool for your work.

**Quinton:** Yes, I appreciate you clarifying that. I think that's important to state that we -- these dollars are the only dollars we have available to do work outside urban renewal areas and that's where a lot the work needs to be done and companies don't always want to locate within urban renewal areas and we have thousands of businesses not in urban renewal areas and there's how we get the work done.

**Andrews:** I would point out on a neighborhood basis as well as a business basis, many of our neighborhoods are outside of current districts and we have a plan in place that we'll be bringing to you shortly for neighborhood economic development that points out that we really want to spread the opportunity for people beyond our urban district boundaries and couldn't do it without your help. So thank you.

**Quinton:** So as I mentioned, on the neighborhood economic development side, the general fund allocation will help us focus on small businesses as the chair mentioned, neighborhood businesses, but businesses in under-served -- traditionally under-served neighborhoods, minority businesses and businesses in the communities of color. That will be the focus of the neighborhood economic development strategy and the neighborhood economic development strategy using general fund dollars will support capacity building within these neighborhoods and communities so that the work isn't just done and funded by city agencies, that we're actually creating the capacity locally to carry on this work. The last point about our neighborhood economic development work, we strongly want to improve the leverage we get from city investments and our main street program is a great example how the city's been able it see business district organizations that raise money privately to fund. We believe that's a model that works around the country and it can work in Portland and the other piece is the metric side. We want to be able to show there's real outcomes from the dollars we invest in neighborhood economic development. You're aware of our work on the traded sector and clustered side. This will allow us to continue to focus on our originally four cluster and allow us to expand to the fifth. The research -- has the primary focus of increasing investment in cancer research and the team they put together and that's an exciting initiative that these dollars allow us to

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staff and assist and allows us to continue our work with entrepreneurship with the seed fund and provide non-financial assistance to entrepreneurs and allows us to put money behind international trade ambitions which we continue to see signs of success in promoting our businesses internationally. Last night we had a wards dinner that the mayor hosted and it was a visible sign of how much progress we're making on that front and the last point before I turn it over to keith on the urban renewal summaries, we don't view traded sector and neighborhood economic development work as silos and distinct. We grow jobs in the city, whether it be solopower or vestas or neighborhood jobs that are traded and accessible by neighborhood resident as continue as a important piece to allow us job creation with neighborhood residents and in particular, communities of colors and neighborhoods in outer northeast and east Portland that are disconnected from job growth. That's the challenge and we appreciate the funding you've given us in the past and if the future. With that, i'll turn it over to keith, who will start the ura overview and I want to encourage as commissioner Fish demonstrated that you interrupt keith often so you can have your questions answered.

**Fritz:** I have a question for you and that's on the summary page. The big budget book on page 30, the pie chart, and it shows how things are at 24% of your budget. And I wonder if you could just explain for viewers at home how that is -- what do you with housing and what commissioner Fish and the housing bureau do and why that percentage is 24% rather than 30%.

**Fish:** What page?

**Fritz:** Page 30 of the big binder.

**Quinton:** So our allocation to phb, we have a set-aside in place, a goal of 30% citywide and then specific urban renewal by urban renewal area and that can be above or below 30%. The dollars that actually go to the Portland housing bureau on a year by year basis reflect the project work projected to happen during that coming fiscal year. So it's better to look at it over a five-year period how we achieve those objectives but this dollar amount, the \$49 million really reflects the tif eligible work that the Portland housing bureau projects to undertake in the next year. Over a five-year period that, number goes up and down.

**Fritz:** With the reorganization, all of that money goes to the housing bureau for management?

**Quinton:** Correct.

**Adams:** One other issue on housing as well in terms of the 30% set-aside for housing, resolution 36403 states in its second be it resolved, third be it resolved that, the city council committed a policy to dedicated portion of tif revenues from all urban renewal districts citywide to a affordable housing set-aside fund or create another mechanism to ensure predictable adequate funding and prioritization for housing and individual families and that was april 20th, 2006 and it was unanimously approved by those present. Including commissioner sten. I raise this as we get into the general discussion, there's been recent news coverage that would lead one to believe that the -- that the requirement was 30% in all districts. It is a 30% citywide average. We specifically debated at that time the differences between the two. We knew that some districts would be more conducive, better cost benefit for subsidized affordable housing expenditures and others less. As it relates to the rose quarter, the \$21 million just recently become available has started to show up on the line items, it's in there for rose quarter redevelopment. No question, we have responsibilities to veterans memorial coliseum. We do not want to make a decision about that now, since we're at the negotiating table with potential private investors and I wouldn't want anyone to assume any amount of public funding at this point. We're committed to renovating veteran he is memorial coliseum but we're in negotiations with private investors and we'll be coming back to council to talk about that more. I wanted to clarify that because the headline and news coverage would lead the average reader to think otherwise.

**Quinton:** I would like to point out we have a very complicated budget and that 49% is relative to what we call total requirements. But that includes contingency which frankly rooms into the next year and transfers. In terms of the actual expenditures for pdc, we're proposing \$152 million of

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which \$49 million is for housing. So really a third of the real dollars that we'll spend in the upcoming budget will go to housing.

**Fish:** If I can add -- I appreciate the mayor's comment. We're in -- in the beginning stages of a tif cliff and we're going to see the actual dollars for housing decline and that's not -- that's not for any nefarious reason. It's because we're front -- the housing in certain districts and in the over two-month period, we'll make probably the largest investment ever in affordable housing. Starting with block 49 in south waterfront which opens the door to veterans and housing and tomorrow, we cut the ribbon at ramona, which is family-friendly housing in the river district and june 2nd, open bud clark commons which is in front of the train station. Those three projects have substantial public investment in them, and would not have happened without that. As the housing commissioner, my colleagues know that we take the view that the 30% set-aside is a floor, not a ceiling but that's something that council gets to debate every time it comes up. We're grateful for that resource because without it, we could not make progress in meeting affordable housing goals. I'll tell that you we also understand that as -- as these discussions go forward, it's a council discussion and that's why we're in the midst of a review of the 30% set-aside policy at mid stream and coming back with recommendation to council, but it would be no surprise that this commissioner will always be trying to get the most dollars we can because it's our most reliable source of funding for affordable housing. But the truth is you look at the last few years, we have had robust spending of tif. To drive affordable housing and it's unique that block 49, the ramona and bud clark commons are all in the queue. And as a testament to the public investment, these are taxpayer dollars to urban renewal districts allowing us to meet the needs of lower income Portlanders and i'm extremely grateful.

**Adams:** Thank you.

**Quinton:** We have seven minutes to get through 11 uras.

**Adams:** If I could, to make it easier, the process from which these specific items have rolled up through the -- from the community is more robust and stronger than ever and it would probably be most useful, given the time to point out changes from previous budgets. In each urban renewal area, significant changes. This council has obviously approved last year's budgets and before.

**Keith Witcosky:** Ok. So i'm going to -- i'll walk through some highlights then. With airport way, this is the district that's reached its debt limit so most of the resources are coming through the disposition of land. We're continuing to focus on advanced manufacturing. The fdi headquarter, and the cascade station redevelopment is a focus but it's a district with fewer resources as the years go by. Central east side, this is a district that actually used to see more increases in income taxes than property taxes because of the nature of the development and the assistance we've given to small businesses and the upcoming year you're going to see a lot of things around the burnside bridge, the streetcar line will be completed and wrap around through the lloyd district through the central east side and take off on commissioner Fish's point, the -- old cooper center will be opening up in june, a project that pdc put a couple million dollars into. The convention center district, as we talked about, there will be a lot discussion in this district. We've got -- it cannot issue debt after 2013, so the viewers out there, you can't use your credit card anymore, and we'll see this conversation between city council and pdc on how we make some of the final investments in housing in the rose quarter area and a couple of or parcels adjacent to the convention center, what there's opportunity for offices and those things. With downtown waterfront, I the main issue is going to be the discussion of whether or not there's the ability to bridge the gaps exists right now on block 33 which is also being looked at for the store, it's a surface parking lot and we've got the Oregon college of oriental medicine. Pretty close to being under construction and there will be a disposition of some blocks but the key will be -- gateway, it's another district getting a lot of folks over the next year and the coming years, working closely with the mayor's office on trying to unlock solutions determining how you take advantage of the transit access to gateway and the opportunities to redevelop gateway and assistance to small businesses, the gateway education center, a multi-partner initiative to examine whether we can do redevelopment near transit that

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provides educational opportunity and workforce and finding a way to create a little bit of a center, a brand to the neighborhood. And the vision they want to go. With interstate, other than river district has the most amount of resources. We'll be bringing an amendment that will have interstate expand -- at least suggesting it expand into mlk and al alberta and a lot of investment in streetscape improvements and green innovation park under way and one of the things that makes this district, gateway and lents important is our emerging neighborhood economic development strategy and the philosophical and the -- the philosophy behind that and with the ideas how we really want to find new ways to boost these neighborhoods and help existing businesses and really being in tune in a new way.

**Fritz:** What's the green innovation park?

**Quinton:** It's a site where we're going to showcase innovative green building from other parts of the world. We have relationships with sonia homes and a company from sweden. Two companies pushing the envelope this terms of net zero energy buildings and where we have the opportunity to showcase homes that the public can see how they operate and hopefully kickstarting local development and manufacturing of these homes here in Portland. Looking at different sites that will showcase this technology.

**Fritz:** Thank you.

**Witcosky:** Moving on to lents. Another thing that applies to both lents and gateway -- the mayor's grocery store initiative. To bring grocery stores to food deserts. These three districts will play a role in advancing that initiative.

**Adams:** And it's the Portland plan grocery store initiative. Not just the mayor's.

**Witcosky:** Ok. So with lents we've got projects we're working on. 92nd and herold, finding the center of the gateway in lents. And a great chance for the bureaus and agencies to work together. The neighborhood economic development strategy is going to play a role in this and we'll continue to do our part in assisting small businesses and acquisition. Some property at 72nd and foster as well as continuation our investments in safe routes to schools. With north macadam, it's the continuing evolution of our biotech partnership with ohsu. We'll be working with as well. The central district gateway and beginning scope of work on an ecodistrict down there as well.

**Quinton:** To add, we've seen the beginning of construction through the moody street construction and light rail construction will begin soon. The ohsu and the other universities were able to successfully sell bonded for their center. Over of the next few years, it's not just in this budget, the transportation of north macadam will really take shape. Transformation of north macadam.

**Witcosky:** And the river district, the highlights in this district are evident on the slide but again, working in partnership with commissioner Fish and the parks bureau in an investment in fields park which will come to our board in the next month, which is a very exciting opportunity. Centennial mills, the vision and design for that will be something you'll see the pdc board making some decisions on over the next few months. Vestas is under construction near everett and i-405, which is obviously a wonderful opportunity to bring jobs to Portland. Probably second only to the solopower that you'll be getting to participate in later today and we're continuing to work on union station. There's the yamhill morrison retail strategy, a lot of activity. As well as making decision ideally on the growth hotel, the block between fourth and fifth on burnside and working with private partners on that to find a good use. South park blocks is -- most of the focus is on preservation of section 8 housing as well as a decision, again, back to council's involvement in the Oregon sustainability center and that project. And as you've read, we're in discussions with a retailer, regarding the galleria. In our budget, there's not resources dedicated to it, but we're still involved in talking to them.

**Fish:** If I could note, keith. Last week we did the opening of upshur. The eighth of 11 at-risk properties identified. As part of our 11-by-13 strategy and because of the support we've received from tif, we've saved eight at-risk building and we've three more to do and a clear strategy and thanks to taxpayer funds we'll be successful in preserving buildings that contain some of the our

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most oldest and vulnerable residents who could be displaced if they're converted to condominiums or another use. We applaud and cheer the use of tif for that purpose.

**Witcosky:** And then the last district is willamette industrial which again, the history is it's got a maximum indebtedness of over \$200 million and probably getting on \$1 million next year which is probably the most it's received and we're continuing to what we can to work the edges to use a new manufacturing investment fund we have, using the enterprise zone which has seen a ton of activity within the last six to 10 months and we're still optimistic about this district coming around.

**Andrews:** Let me respond to the mayor's question. I think in terms of major changes to the budget, as always, you'll have seen a couple of projects drop off that failed, the grant warehouse being one, for example, because of the reduced estimate of tif resources over the next five years and a more conservative estimate of the bonds we can sell, I think the five-year estimate was reduced by \$36 million or \$38 million over the entire organization. Allocations for things, three, four, five years out go smaller. Our overhead, we worked hard on and reduce it had by almost \$4 million. That's on top of about a \$3 million reduction last year. That's in response to commissioner Fish's point of the tif cliff, the resources going forward are going to be much smaller and we needed to be smaller there an administrative standpoint. So it -- took a serious look at the organization and how we were organized and who was doing right and right-sized hopefully for the next couple years so we don't have to go through these large layoffs on an annual basis.

**Quinton:** Not to speak after you chair, but one other thing you'll be seeing, as we continue to focus on the excess strategies and the priorities in the -- the neighborhood economic strategies we're continuing to have to make decisions on what that means in funding parks and partners and pbob and other bureaus and doing what we can to keep the partnerships growing but there's a lot of balances that has to happen and that has occurred.

**Fritz:** I wanted to comment to chair andrews, thank you so much for the time you spend as I volunteer doing this including going on overseas trips and being everywhere you need to be to help the Portland development commission and city further its business development. Thank you very much.

**Andrews:** Thank you.

**Leonard:** Commissioner Saltzman.

**Saltzman:** I had one question, and it's fairly -- we have an endangered species act program that pdc has supported in the past. Am I correct that you're proposing not to fund or contribute to the endangered species act program and the logic behind that?

**Witcosky:** So this is something that came up, I think four, five, six months ago, when previous executive director bruce warner was looking at the cuts we had to make internally and we were getting beyond the fat into the muscle and close to the bone. He decided that the funding that was going into helping pay for staff of that program was not possible given the cuts we were taking internally to our own staff.

**Saltzman:** Is there a value of pdc of having a endangered species act program at the city that assists the pdc and water-related activities and things like that? That you may or may not be supporting through tif dollars?

**Quinton:** I think we think of that body of work as -- as how it relates to the economic development strategy and specific allege the businesses that operate along the -- along the willamette and the columbia and to the extent we can support, you know, kind of mutual working arrangement about how businesses operate along the river and meet our -- our environmental objectives, I think we're -- I think we can invest time on that, but as keith mentioned, we -- we had to see that there's some kind of economic or job creation impacts from the dollars we spend and so if there's an intersection there, I think we can do that. That's -- that's how we have to -- that's a filter we have to use for all of our decisions about where to spend dollars.

**Saltzman:** So if there's an intersection, you're amenable to intergovernmental agreement or a memorandum of understanding that would help with the esa?

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**Quinton:** I think we can -- yeah, we can look into and talk about. I -- I will be happy to follow up with you and that and talk about it.

**Fish:** I have a question following up on what the mayor said earlier. We're not adopting the pdc budget today. You're presenting it, there's a hearing and we'll take it up next week, correct?

**Quinton:** Correct.

**Fish:** And if -- in connection with rose quarter proposed spending, we do not currently have a plan before us that would allocate any money within the rose quarter for any particular project involving the coliseum, correct?

**Quinton:** Correct.

**Fish:** And so at some point, we'll have a separate vote on that question of whether there's an allocation and whether that has an impact on the set-aside, correct?

**Quinton:** Yes.

**Fish:** And that's separate and part from the adoption of the budget?

**Quinton:** The budget you see and the line item you see are what you're asked to look at right now. The rose quarter revitalization dollar amount and that's it and the use of those dollars is for a later decision.

**Fish:** Do I need a budget note that states that implicit in adopting the budget we're not revising the target for the district and that that would require an affirmative council action at some later date.

**Quinton:** I certainly think that would be helpful. I don't know if it's necessary but it would be helpful to clarify intentions.

**Fish:** [inaudible] Can we propose that as a friendly amendment?

**Fritz:** I have a question. We -- the proposed general fund investment is up \$1.7 million. Only 3% of the Portland development commission budget. Is this the place we discuss it or in the general fund budget?

**Adams:** My suggestion is where we had the budget hearing on -- where we had the work session on it, it's part of the -- we can do it either place. The right people are in front of you both places.

**Fritz:** I don't have a particular question, I just wanted to clarify for citizens if they wanted to testify and the answer is either.

**Adams:** Either one.

**Quinton:** Let me point out, we'll be before you hopefully in late june with the memorial coliseum development proposal. About 90% fixed in terms of what needs to be done, how much it costs, where the sources are revenue are. And it will be much easier to make a good decision once you've had an opportunity to see what the -- what the needs and opportunities are at memorial coliseum versus the other uses.

**Adams:** Anything else from council? All right. Thank you all.

**Quinton:** Thank you.

**Adams:** How many people signed up? No one signed up? All right. Well, then we continue this at the city council budget hearing the date and time, I mentioned earlier. And -- [gavel pounded] -- moving on to item number 465.

**Moore-Love:** 465?

**Adams:** Please.

**Item 465.**

**Adams:** So the mayor's proposed budget included a rate increase of 5.5, which was down from 6.5. The bureau turned in and what's before us today under 465 is a -- is a rate increase of 6%. So more than I proposed. For that reason, we'll hear the presentation today. But I will also ask that we delay vote on item 465 until 2:30 this afternoon to have the bureau indeed come back with a 5.5% rate increase and not the higher rate increase that is contained in 465. Today, is a hearing on the rates, next week is the hearing on expenditures -- potential expenditures of the rate.

**Saltzman:** I guess, mayor, first of all, this is a first reading, so there's no vote.

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**Adams:** We have to vote on any amendments today. The reason for the delay is that the 5.5% requires changes to a number of subrates. To come in with the lower amount so that would give folks between now and 2:30 the ability to make the changes to five pages of rates.

**Leonard:** I guess I would appreciate hearing why the difference between the mayor's proposed and the 6%.

**Saltzman:** Yeah I'll be happy to do that. First of all I want to thank all the community members who were involved with the rate process. The bureau had a budget advisory committee and the Portland review board looked at the bureau's rates and it's a difficult task to understand a budget as complex as the bureau of environmental services and you appreciate the time reviewing the rates and I want to thank dean marriott and the director, the bes director and the bureau of finance staff lead by jim and the staff in the financial planning division at omf. The bureau of environmental services requested a rate increase of 6.5%. Which both Portland utility review board and the Portland advisory committee endorsed. After making further cuts to the 6% level, that is what is before you today as the proposed rate for next year. We -- to get from 6.5 to 6%, we have made over \$1.4 million in cuts to bes programs. Not to interagencies or parks or anything like that. But cutting core programs at bes. And we're also being asked to shoulder an additional .5% rate cut for the water bureau for the drainage of fountains and bubblers. So that's effectively a 1% cut to the bureau of environmental services rate: So I believe with the proposed 6% plus absorbing the \$450,000 in ongoing -- as part of the .5% of the water bureau's cuts that's an effective 1% cut and that's why i'm proposing this 6% rate package in front of you. And with that, i'll turn it over to dean and jim to give us a quick walk through.

**Dean Marriott, Director, Bureau of Environmental Services:** Good morning, mayor and members of council. Dean marriott, environmental services director. We have a few slides to show you and hopefully you'll be able to see them shortly. There we go. The proposed rates will fund the operation and maintenance of the sewer and stormwater utility for the coming year and be before you on june 1st to give you an update on the combined sewer overflow abatement program and we have one more fiscal year to help pay for that project. Which will be successfully concluded this winter, this coming winter. We also have additional costs for pumping and treating of wastewater and stormwater that used to go directly to the river and now will be treated at our treatment works in north Portland. Obviously, have an ongoing need for proper maintenance and reconstruction of the sewer system many parts of which are over a century old. We're continuing to implement the grey to green initiative and to participate actively in the Portland harbor superfund effort. The capital program is, of course, significant one, it has been for years and continuing next year proposing \$111 million investment and as I mentioned earlier, completing the cso investment, maintaining the collection system, improving the pumping and treatment works and you can see the green infrastructure investments and extending sewer service to those properties in Portland that do not have sewer service. What's interesting about \$111 million investment next year, a lot of this money is recycled back into the community from the form of jobs and support for local businesses and you'll see the number there. Over 1500 jobs created or supported by this kind of capital investment in Portland. In order to do that, we need to raise revenue and the revenue requirements are shown on the next page. \$258 million and i've listed the main components of the revenue requirements. Next slide, of course, mentioned the typical average single-family residential sewer bill will increase by about 6% as the commissioner mentioned and there are different components of that rate. Sanitary sewer charges and stormwater and the Portland harbor fund. On page five is a complete list of the components of the rate. We have residential sewer rate, stormwater management charges and commercial sewer rates and stormwater management charges, including industrial extra-strength charges and the Portland harbor superfund and in the box at the bottom of the page, the typical residential bill increasing at 6%. The final page is just to show that as I mentioned at the outset, we're completing a \$1.4 billion capital program on restoring the health of the willamette and columbia slough and a lot of people ask how does this stack up with

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communities across the country. In years past, yes, our sewer rates are high but many, many cities will be catching up and passing us and this chart is to show you that that's actually going on. We can take small solace that others are just beginning their CSO abatement investments but there's enormous pressure around the country on utilities for making the capital investments necessary to make up for the way most cities were built many, many -- almost 900 cities in the United States were built with combined cities. And they're having to address them now. Portland will be fortunate by the end of this year we'll have completed our major investment.

**Fritz:** You've done a good job. Why are Lake Oswego and Dunthorpe Riverdale so much higher than ours.

**Marriott:** Lake Oswego is working on a major investment program. You may have read about replacing the sewer line under the lake, it was very costly and expensive -- that sewer line was leaking into the lake. They're decided it's time to upgrade the collection system. We run the treatment plant for Lake Oswego and southwest Portland at Tryon Creek but they maintain the entire their collection system and determined after a study they need to invest in their collection system so they've increased the rates.

**Fritz:** How about Dunthorpe, why are they so high?

**Marriott:** That's kind of an interesting one. The Dunthorpe Riverdale district is a special service district that we provide service to them and they charge their customers to reflect what the actual costs are. So they have a unique landscape and topography, including pumping stations that are rather costly to maintain and operate.

**Adams:** And Seattle's is -- \$78.32 a month? And that's because -- why?

**Marriott:** They're also in the midst of a CSO abatement program and enormous initiative to protect the health of Puget Sound also they have ESA listings in the Puget Sound area so they're aggressively working on the water quality.

**Fritz:** Why are Beaverton and Washington County so low?

**Marriott:** I can't -- I can't address that, although I know that Washington County has enjoyed a lot of SDC revenue from growth over of the last 20 years or so. They are -- they are proposing a significant rate increase this year.

**Fritz:** Thank you.

**Marriott:** Happy to answer any other questions. I meant to say I'm finished with my presentation.

**Leonard:** I did want to follow up on a point about the water discharge fee.

**Marriott:** Yes, sir.

**Leonard:** My understanding is that we provide maintenance to the parks bureau's fountains in various locations and parks and other places throughout the city and provide water to that and that part of those fountains responsibility to us is maintenance and when we discharge the water to maintain the fountain, then BES actually sends the water bureau a bill for the water that's discharged. And we determined that was .4 of 1% of our budget. Is that correct, David?

**David:** [inaudible] four tenths of the rate increase.

**Leonard:** .4 of the rate increase. So maybe I could ask David to come up here too. I want to ask a question but I want to frame it correctly. What I'm trying to determine is because our -- the water bureau's budget is quite a bit smaller than the BES budget, what's the actual impact on your budget of us not increasing our rates by that .4 of 1% but obviously, then you don't get that revenue. What's is that actual impact on your rate?

**Marriott:** That's a good question. There's two parts. There's the decorative fountains and the parks-related fountains and then there is the Benson Bubblers. My understanding it's \$450,000 --

**Leonard:** Right.

**Marriott:** -- amount, so I don't have in front of me, Jim, what the impact would be.

**Leonard:** Go ahead.

**Jim:** It would be about .2 to .3 on the rate increase.

**Marriott:** For us.

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**Leonard:** .2 to .3? And averaging that, if you assume that that was .25 of 1%, that would -- and maybe -- does financial planning have any more accurate numbers than that? That's very close to accurate. I'm trying to get to is if that's part of the rationale for coming back with a 6% increase versus the mayor's request you come back with a 5.5% increase. What are the actual impacts of the discharge fees on your rate increase and if we assume it's, say, a quarter of 1%, that would bring -- if that's the argument being used, that would bring the rate down to naturally 5.75% rate increase, not the 6%. So is that the sole justification for the difference in what the mayor requested in -- and what you came back with?

**Saltzman:** That's not the sole justification but I think that's part of the rationale of coming back with a 6%. There's as you've identified a rate impact absorbing those lost revenues, so to speak. Not to -- the merits of pro or cons of the other rationale, I think we've taken a good look at the budget and it's scrubbed by the budget advisory committee and the purb and we feel that \$1.4 million on top of that \$450,000 loss is real cuts and -- but that's what I feel I can support as being the commissioner in charge of the agency in terms of fiduciary responsibilities accorded to me.

**Adams:** Well, the mayor's proposed, it is part of the budget process, but the mayor proposes, takes in all the recommendations from the bureau budget advisory committee understanding this case, the purb, the public, the bureau of financial planning, discussions with my colleagues as a whole and i'm going to propose we stick with the 5.5 and not the higher bes fee of 6%. This is a huge budget. What's the total annual budget?

**Marriott:** About \$300 million.

**Adams:** \$300 million.

**Marriott:** Including capital.

**Adams:** \$25 million in pte miscellaneous. Professional technical and expert contracting. \$6 million miscellaneous line item and although it's been scrubbed, it can be scrubbed some more and today, we would establish the rate and i'll soon make a motion and we can decide from here and the basis of the discussion can be around either the higher rate of 6% or the lower rate of 5.5%. But I think more scrubbing as good a job as you've done and as good a job as every one else has done, more scrubbing can happen. I realize that you feel differently. I respect that. We have an honest disagreement here. This gives you a week to come back with additional cuts. On the issue of fountains, for those listening, these are complex budgets but up until this point, the entire cost of the city's fountains have been born by ratepayers and I believe that it should be born equally and not have the sewer bureau charging the water bureau for providing fountains. Each should bear its appropriate charges. The water bureau provides the water, it eats the cost for that and also does maintenance. The sewer bureau should be providing the discharge of the sewer waste. So that's separate from the issue of separate but part of the issue of rates.

**Leonard:** Before we do that, can I ask andrew scott to come forward?

**Adams:** We'll take testimony at this point.

**Leonard:** And before I ask andrew, a couple questions, so that people understand why i'm putting andrew on the spot. When I served in the legislature, the executive department, the governor, proposes a budget to the legislature and, of course, the legislature doesn't depend upon executive department to explain to it where they might have programs and services that maybe aren't as crucial as say, other services. They leave that up to the legislature to figure that out. So legislators on their own, don't have the expertise to delve into the governor's budget and figure out the nuances and where there might be money that doesn't do things as they are represented to be so the legislature has its own budget office that analyzed by experts what the governor proposes. Andrew scott is the head of the city's version of that office and I recognize because of my background, the importance of the role that the financial planning office does. But i'm not sure everybody in the city recognizes that you have a very difficult task to perform in that you're serving for a mayor who proposes a budget that at times you actually might have criticisms of, if I can put it that way, or different views of -- or different -- put it that way or different views and it's your responsibility in

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this strange form of government to come back with observations that are sometimes at odds with your boss. I value that and appreciate that and, thus, i'm going to ask you and hopefully, the mayor would consider this, that I think in many ways, it would be a better use of our times and resources to ask you to work with andrew to come back with recommendation that is come through andrew's office versus bes so that we have a more impartial --

**Adams:** That was my motion.

**Leonard:** Ok. You had said that --

**Adams:** The motion is that I move we're going to hear testimony today but delay the vote on 465 until after the 2:30 time certain this afternoon as the bureau of environmental services chaired by -- to work with the financial staff to return with a updated exhibit a that reflects the 5.5% to replace the current exhibit a proposed by the bureau of environmental services which reflects a 6% increase. Since we're not doing expenditure, just the rate, having lived with the bes budget and we have an honest disagreement, for the past six months, i'm certain we can make the kinds of responsible reductions in expenditures that will get us to the 5.5% but that's next week.

**Fish:** Mayor, may I ask a question about your motion?

**Adams:** Yes.

**Fish:** I appreciate we spent time prior to today's hearing reviewing budgets and looking at trade-offs and we've had a particular concern in the parks bureau that cuts in one bureau that disproportionately impact us be considered. We're a city that funds things through different bureaus and sometimes a cut in one bureau has an unintended consequence in another. I would support, mayor, your motion to identify potential additional cuts provided that council had the authority when we reconvene to consider both the 6% on the table and the revised 5.5%.

**Adams:** My understanding is, we have to establish any changes as you've told me, we have to do any amendments today?

**Scott:** On the rate ordinances, we need to be -- they need to be consider dad so they can be vote the on next week.

**Fish:** I very much appreciate the mayor's approach. The concern I have is that normally we have vetted the cuts and impacts before we come to council, to set a ceiling and not have the latitude to understand whether there's any further changes, I think puts the council potentially in a box. But I would ask, mayor, I support your motion for scrubbing the budget to identify additional savings but I would like to risk the right of the count to set the rates somewhere between 5.5% and 6% and to put this marker down without seeing what the cuts might be and what my colleagues would be the appropriate cuts puts the cart before the horse on that point.

**Fritz:** I second the motion for the purposes of discussion and I think that also you and I -- this motion votes to delay until this afternoon to decide what the number is for the rate and I also want to hear from citizens what that number should be. So am I correct, mayor, we're not saying by delaying that we're choosing either 5.5% or 6% but we want the bureau to come back?

**Adams:** The motion is that the bureau comes back with the 5.5%, again, because there are dozens of smaller rates that roll up into this average of 5.5%. That's the normal nature of how the bureau works and that we come back with the 5.5% with the rates adjusted and if -- adjusted and if not the definitive list where the cuts come from, something that the bureau of financial planning based on this initial work and again, folks, we've been at this -- it is not -- it is not -- we've been at this for months and there have been requests from the bureau to come in with rate cuts items that add up to this 1% rate cut that i've sent back because I rejected and we have to nail that down by next week, not today. But if you want examples of illustrative kinds of cuts we can come up with by 2:30 today.

**Fish:** May I seek a amendment to your motion? I support your motion, but would ask when we reconvene, the council be presented with the 6% budget, any -- and a proposed 5.5% budget for discussion.

**Adams:** We have the 6% before us already.

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**Leonard:** So I actually very much agree with commissioner Fish's intent. I see, having worked on those budgets for a long time why there's no reason why we couldn't have the specific 5.5% budget before us that included identifying what those cuts were. With the extra .5 of 1%.

**Adams:** The 6% is before us, so that serves as a point of discussion. My motion is they come back for a .5 -- 5.5% total rate increase, a 1% cut and we have --

**Leonard:** What commissioner Fish is asking to know exactly what the cuts will be that amounts to a 5.5% raise.

**Adams:** And I said yes already. They might be illustrative. We don't make decisions on expenditures until next week but come back with the cuts that -- my point they can be further refined over the next week.

**Fish:** I would be willing to withdraw my motion, because I support yours with the understanding that the council has based on the new information presented, we'll have the authority to set the rates.

**Adams:** Absolutely.

**Leonard:** This afternoon but it has to be done this afternoon.

**Adams:** The amendment yes--

**Leonard:** I support the mayor's motion.

**Fritz:** To further clarify, there will be further citizen testimony this afternoon to discuss what the 5.5% proposal would be?

**Adams:** Sure. Absolutely. We're now going to vote on the motion. If we're done discussing it. We'll take testimony today and again this afternoon when the illustrative cuts come forward. The 5.5%. And so -- but the bureau of financial planning and bes will return with the -- ready to vote on a 5.5% reduction technically and otherwise if the council so chooses to.

**Saltzman:** Will the \$450,000 in ongoing loss of revenue as an effect -- count as a effective rate cut?

**Adams:** Yeah.

**Saltzman:** Counts for .25%. So for effectively at 5.75% now, between now and this afternoon, come up with an additional .25%.

**Adams:** Right, that's whether they want to include it or not and we can debate it but at least give us the option that we can decide either way on that issue.

**Saltzman:** I'll play a role in that too, if that's all right.

**Adams:** Role in what?

**Saltzman:** Coming up with the recommendation.

**Adams:** I'm going to rely on the bureau of financial planning at this point but we'll all play a role in that. Karla, please call the vote.

**Fish:** Aye. **Saltzman:** Aye. **Leonard:** Aye. **Fritz:** Aye.

**Adams:** Again, the mayor's proposed built came with a 5.5% increase, not a 6% as requested by the bureau. The -- 6.5% as requested by bureau. They came back with a 6% and I would like to stick with the 5.5% and I would find it hard to believe in a budget this big, we cannot find the savings. Not the Washington monument savings, but the real savings, especially to administration and overhead. Aye. [gavel pounded] great we'll now take testimony on item number 465.

**Moore-Love:** We have six people signed up.

**Adams:** Hi, welcome to the city council. For those of you who haven't testified before, if you're here representing your own opinion, only your name is required. Not your phone number, not your address, Only your name. If you're here as a lobbyist or authorized to represent the opinion of another group, whether profit, nonprofit, you need to disclose that for city -- per city code. We're glad you're here.

**Janice Adler:** I'm janice adler, the chair of the utility review board and i'm here with fellow members and i'll let them introduce them. I'm looking for one of them. Gordon, I know you're here. Come on up. Can he sit at the table with us?

**Adams:** Get him a chair.

**Adler:** I'll let my fellow purb members introduce themselves.

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**Charlie Van Rossen:** I'm Charlie Van Rossen with the Portland utility review board.

**John Gibbon:** I'm John Gibbon, west side representative for the public utility review board.

**Gordon Feighner:** Gordon Feighner, public interest advocate for the Portland review board.

**Adler:** The purbs recommendations focused more on the strategic issues rather than rates because as commissioner Leonard said, in the course of reviewing the budget, we came up with ideas that may facilitate the purbs job that weren't directly related to rates. But we'll talk about rates first and I want to take this opportunity to talk about the purbs decisions regarding water and solid waste rates right now. So we can get --

**Adams:** We're just dealing with -- legally we have to deal with each separately.

**Adler:** Sorry.

**Adams:** We'll make sure you come back.

**Adler:** Well, so bes proposed sewer rate increase of 6.5%. That rate was recommended by the purb sewer committee and endorsed by the purb and as we heard, reduced to a proposed rate of 6% and even less, I can only talk about what we had an opportunity to discuss and vote on. And that could be it since I was going to talk about -- the combined recommendations but we can't.

**Adams:** Any other comments you'd like to make about the sewer rate issues?

**\*\*\*\*\*:** Gordon is the one that -- we've split into subcommittees and Gordon --

**Adams:** Do you want to introduce yourself and make comments about the sewer rate request?

**Feighner:** If possible, I'd like to defer until this afternoon after I've had a chance to hear the revisions.

**Adams:** Thank you very much and appreciate you being here and your service on purb.

**Adams:** Oh, wow:

**Moore-Love:** Oh, bob.

**Adams:** Bob Sallinger.

**Moore-Love:** I'm sorry, there is no B.

**Adams:** Bob needs to work on his handwriting.

**Bob Sallinger:** I'm a lefty, we all have bad handwriting.

**Adams:** Welcome back.

**Sallinger:** Good morning, mayor and members of the city commission. I'm here on behalf of Audubon Society of Portland to testify and also here as a longstanding member of the bes oversight committee and I was an original member, one of two that lasted this long. And I want to congratulate bes first on the process. I think it's gotten better every year and I think they're transparent -- and provide good cookies. That's appreciated. I have no complaint with bes and I think it has been a process where they come back and refine each year. It's also a huge expenditure of staff time. That's important to remember because we have long meetings and many meetings and they put a lot into this, bring their senior staff and it's a big deal in terms of city costs and a big deal for us. They happen in the evenings and there's a lot of them. I'm not going to comment today on the actual cuts we've heard proposed. We're concerned. I'm going to comment on the rate and we would like to -- the rate at 6.5%. There's reasons you'll get to next week but today it's a process issue. And we've been concerned over the last several years about the process because we meet early on and in December, January and February. We're not really provided with -- at that point, there's no good information on the table that we can use and we spend a lot of time looking at details that turn out to be irrelevant. We worked hard to get 6.5% because that is what we were told, and we cut a lot of substance to get there, I'm very concerned about that rate. Several months later we have a completely different rate and that parsing and fine-tuning and careful consideration has been rendered meaningless at this point. And year in and year out we've raised the concern that if you want to have an oversight committee you need to give it a meaningful role. And I'm not questioning, I want to be very clear here, I'm not questioning your prerogative to disagree with us, over rule us, make your own decisions, I completely and totally respect that. What I am concerned about is, really fake public process and fake public oversight, where we pretend that we're having

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citizen input, but in fact we play almost no role in the final decision because the timing of what we do completely negates our recommendations. And I think there are ways to give us a much more substantive role. I think having us meet up until the end of the budget process, I think bringing us back in if major circumstances change, I think giving us a couple weeks notice on these kinds of things so we can actually have a real discussion about it and make substantive recommendations based upon everything that we learned in all the work that we did back at the beginning of the year. I am concerned about lowering the rate even to 6 % and I'm very concerned about 5.5 %. I hope in the future that you'll consider incorporating the budget committee in a more meaningful way, so that we really do have input into the final decisions that are made. I respect your right to disagree with us and not take those recommendations, but at this point the recommendations that we made and the work that we did was, I think, was a terrible investment of the city's time and our time as well. So thank you.

**Adams:** Thank you Mr. Sallinger.

**Saltzman:** Thank you for your service also on the budget advisory committee.

**Sallinger:** Thank you.

**Adams:** This item 465 per approval of council motion is held over until after the time certain at 2:30 this afternoon, so that will approximately be probably 3:10 p.m. this afternoon. I'll make sure we don't start the discussion before 3:10 so you can have a little bit of certainty, those of you that are here to discuss the sewer rate. That moves us to water and water-related services. Please read the title, first hearing, no votes today, for council calendar item number 466.

**Item 466.**

**Adams:** Commissioner Randy Leonard.

**Leonard:** I'm going to ask director shaff to make the presentation.

**David Shaff, Director, Water Bureau:** Good morning. I'm david shaff. I'm the director of the Portland water bureau. With me is dr. David hasson. He is the director of the finance department for the water bureau. You should have in front of you my presentation. I'm going to go through it quickly and be available to answer any questions and then leave time for public testimony. Budget overview, i'm on the second page. Our total budget is just under \$200 million, \$198.8 million. Of that --

**Fritz:** Excuse me one second.

**Shaff:** You haven't gotten it yet?

**Leonard:** Maybe we can wait until Karla can get that up on the screen.

**Shaff:** I don't think she's going to have anything to put up.

**Leonard:** Oh, i'm sorry.

**Shaff:** We're not quite as fancy as bes. So you have in front of you the second page where I started. Our total budget is just under \$200 million. Of that, my operating budget is 76.5 million, and our capital budget is \$122 million. We bring in rates and charges \$131.4 million, our retail rates bring in 111 million. Our wholesale customers, we have 19 wholesale customers that bring in just over 16 million. Sdc fees another million dollars. Other fees and charges just under \$3 million. We have a total of 627 positions authorized in our budget. Next page, you know what our primary rate drivers have been for this fiscal year, but i'll go over them again. Our capital budget, our cip, is about 2.1%. Of that, our lt-2 components, the cost that we have been expending on complying with the lt-2 regulation of treatment and reservoirs is about 3.5%. Our interstate facility has an impact of about .8 of a percent this fiscal year. We have deferred and pushed off into future years some of our capital projects. We have had under spending of our capital budget and, as a result, we get a 2% benefit from that. The overall cip component of the 12.9% rate increase is 2.1. Economic factors 3.2%. That includes inflation, the cola that the council has agreed to with our labor -- under our labor contracts, pers changes, health benefits. That's 3.6. We are getting lower interest earnings. That has a .6% impact on us. But we've had favorable rates in our borrowing and bond sales and that's had a benefit of approximately [unintelligible]%. You've heard us talk about the deferral of

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prior year rate increases. That's a significant portion of this year's increase, 5.7%. If you'll remember, in '08, '09 -- excuse me. '06-'07, '08-'09, the council made a number of decisions that had rate impacts. Rather than take those rate impacts in those fiscal years, they took a portion in those years and evened them out over the next several years beyond that. That's what this is, that 5.7%.

**Fritz:** We spent that money, right? Did we bond for that? Is that what we have to pay back?

**Shaff:** No. Some of it -- much of it was increased maintenance. That's our operating budget. Some of it was -- increased our cip. Some of it was, for instance, our wholesale contracts. We made changes. Part of it is our decrease in demand. So it is a combination of decisions we made consciously over those three years that had rate impacts that we then spread out over future years.

**Fritz:** So could we now choose to spread them out farther or delay them since we're still struggling with the recession?

**Leonard:** You could, but then that --

**Shaff:** That increases next year's rates.

**Leonard:** Over and above this rate by that amount. So you end up having even larger rate increases in the future.

**David Hasson, Water Bureau:** Commissioner, part of the means by which we were able to defer those rate increases was we had adequate fund balances at the time to do so. Those fund balances have diminished to the point where we can't spread them out much longer.

**Fritz:** But are we paying -- what are we paying for with that 5.7% increase?

**Hasson:** You're getting rates back up to the point where --

**Fritz:** No. What costs are we paying for? What services? And staff.

**Shaff:** In '06, '07, we made a conscious decision to increase maintenance in the bureau. We had impacts from one of the things that you just talked about a little while ago, the benson bubbler charge. We haven't been charged for the benson bubblers. That was a new charge. We have paving costs, the ebs project. We had our new wholesale contracts, those had impact in '06, '07.

**Fritz:** Some of those are capital costs like paving but some of them are people costs in maintenance and such. So is this increase --

**Shaff:** The paving's not a capital cost. That's paying for when we dig a hole to fix something or to replace a hydrant, for instance, then we pay maintenance to repave.

**Fritz:** But what I'm not understanding is why would we be paying more this year for paving that we did three years ago?

**Shaff:** Because the impact, we chose not to make that impact -- we chose not to fully pay for that impact that year that we made those decisions. We spread them out.

**Fritz:** How did you pay for that, though? Where did the money come to pay for that paying?

**Shaff:** We used our fund balances.

**Fritz:** Are we now restoring the fund balances?

**Shaff:** No. We've brought our fund balances down to where we believe they should be.

**Fritz:** Right. So what are we paying for with this increase in this current year? Continuing to do the paving and maintenance and such?

**Shaff:** You're paying for those decisions that we made back in '06, '07.

**Hasson:** Which were to increase service levels on an ongoing basis for the most part. And those service levels are still occurring today but not fully funded.

**Fritz:** We're paying for a heightened service level this year.

**Hasson:** Yes.

**Adams:** Some of the increased service level costs were paid for by the stabilization fund or all of them up until now?

**Hasson:** Some of them were paid for by fund balances, but that is, as you know, mayor and commissioners, a one-time source of money for the most part, and it was an ongoing expense that potentially you have to raise the rates.

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**Adams:** When you say increased level of service, you mean maintenance of the system? Is that based on life cycle, also based on you starting to get charged for first-time to we are rates, the benson bubblers?

**Shaff:** All of the above. Including other things, such as I mentioned, the wholesale contracts. Remember we signed new wholesale contracts back in 2006, and there was a cost to those wholesale contracts, and we spread the cost out over a series of fiscal years moving forward.

**Fritz:** Why are the Portland rate payers paying for the wholesale contract costs?

**Shaff:** We consciously made a decision to come to an agreement with our wholesale providers. We made concessions in order to get long-term agreements with our wholesale customers. That has an impact.

**Leonard:** Give some examples of what those items were.

**Shaff:** The primary change was we wanted long-term agreements, 20-year agreements, and we got a lower rate of return in exchange. And those are -- so that creates a guarantee of financial stability for us for the next 20 years.

**Leonard:** You need to be careful in how you're addressing that. We are not shouldering the net cost.

**Shaff:** No.

**Leonard:** Let me finish. The increased revenue that we would get is not as high as we used to have and, if we didn't have the revenue, these rates would be 20% higher.

**Shaff:** That's exactly the impact.

**Leonard:** We're not subsidizing anybody else. To be real clear, our wholesale contracts do subsidize our rates to the effect of around 20%.

**Shaff:** 20% of our revenue comes from our wholesale contracts. That's correct. And if we didn't have those wholesale contracts, our rates would really go up by a significant amount.

**Leonard:** The reason is we have the same infrastructure to maintain. We have the same amount of flow going through. By having wholesale contractors, we can reduce the cost of our maintenance of our infrastructure and our system and reduce our rates by selling water to places like gresham and now sandy, Oregon.

**Shaff:** Right. We have a take or pay provision in our wholesale contracts that guarantees that they will pay for a certain amount of water whether they use it or not. And that is a huge benefit to the rate payers of Portland for 10 years for some of our wholesale contracts and for a full 20 years for some of our others, and sandy we're looking at a 25-year contract.

**Adams:** Haven't we had more competition in the region where other local governments have options other than us?

**Shaff:** Absolutely.

**Adams:** And have developed their own treatment because they feel they would pay less than our costs and it was cost-effective for them to develop their own supplies.

**Shaff:** Yes. We were notified by the city of tigar that they expect to be ending their wholesale contract with us in five years time. That was why a number of our west side wholesale customers insisted on 10-year deals as opposed to 20-year deals, because a number of our wholesale customers are looking at alternatives to Portland.

**Fritz:** That's all very helpful. At our work session I asked for projections of longer than five years of what our rate increases would be. In light of this discussion, i'd like to see from 2006 when we started doing the deferrals. From 2006 to at least 2016, what are your projected rate increases? And why?

**Shaff:** We have provided those, but I would be glad to provide them again.

**Fritz:** I'm sorry. You have provided a lot of information. I must've missed that one.

**Shaff:** Sure. Not a problem. We will make sure we do that. Next primary rate driver has to do with retail demand. We've continued to see a reduction in our retail rates or our retail demand. Excuse me. As i've said before, we are a primarily fixed cost system. So if we produce 36 billion

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gallons one year and we only produce 35 billion gallons next year -- and that's about what it's been -- then we still have the same relative costs. Our costs in general don't go down with the minor exception of things like chemicals. We have reduced our budget by the equivalent of 1.4% in our rate, and then we've had other impacts. So, for instance, we've had reduced nonrate revenues. We have less reimbursement work so that, when we do a work for pbot or bes or parks, there's less of that now, and there are fewer sdes that we're bringing in. That's had an impact. We have seen an increase in the number of people who take advantage of our low-income discount program, and we have a slightly higher bad debt expense. Those two things, less reimbursement work and the income discounts and the bad debt expense, adds up to a 1.6% impact on our rates. And then just general cost changes. We have a higher general fund overhead cost at .5%. The ecc coming on a year before we had planned had a .2% increase.

**Fritz:** I'm wondering why the budget reduction is shown as 1.4 when on the next page it is 1.5.

**Shaff:** I asked the same question. The rate -- the 1.4 is the rate impact on page 3. The 1.5 was on our overall budget. They're not the same. 1.5% reduction on our budget does not result in a 1.4% reduction in the rate. Looking at the next page, we're required to do originally a 1.5% one-time budget reduction, but we began in september with our budget. It was clear that our 1.5% was going to have to be a mandatory reduction, so I made that decision several months ago. I understand that, since then, the 1.5% one-time cuts to other bureaus have been directed to make them permanent, but we made ours permanent from the get-go. That adds up to about \$2.5 million. \$1.2 million comes from my operating budget. We're eliminating seven positions. We're reducing our electricity budget. This is something that we have a very small amount of our budget is devoted to electricity, but we have a very variable amount that we use depending on whether or not we have to use ground water. So we've taken a very hard look at our electricity budget for ground water and taken -- so far the history, the worst case scenarios that we have seen and said the turbidity and supplement over summer, we can trim the budget back and generate some savings. We have enough room, we believe, in our budget to cover all the events that we've seen when we have a turbidity event and summer supplement event. We still think we have enough budgeted to cover the use of ground word for that. We're going to be doing less tree trimmings in grounds that we own. That's a reduction in one of our other interagencies with parks. As I said, they're being taken as ongoing cuts, not one-time cuts. In addition, we have \$1.3 million in our capital budget that we're reducing on a one-time basis.

**Fritz:** So when the mayor asked you to cut more with the 5.5 overall rate --

**Shaff:** Yes.

**Fritz:** -- what are you cutting with that?

**Shaff:** The 1% is tenths here and tenths there. As I mentioned previously, we have some good benefits from our lower borrowing rate, so our recent bond sales savings, that generated .2 of a percent. The scholarship programs that the mayor decided would not be funded in part by sewer and water, that resulted in a .1 of a percent change. We're going to reduce the amount of time that our bubblers operate. That will result in a .10 percent savings. We were talking about \$450,000. \$100,000 of that is a direct result of our reducing the amount of time bubblers operate. We're going to cut them down. I don't know if you know this, but they operate on timers. We're going to reduce the time they operate every day for two hours, and then we're actually going to shut all of them down for a month in the winter, january, february, which is actually what we did this year because of the cold weather. We're going to reduce the operation of our benson bubblers. That will save us .1 of a percent. Powell Butte, we're going to save .2 of a per cent as a result of a favorable bid on the Powell Butte Project. The bes fountain discharges, the decorative fountains, adds up to .40 of a percent.

**Fritz:** Most of those you were going to do anyway. We knew about the scholarships. Wasn't that part of your provisional budget.

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**Shaff:** The scholarships were part of our original budget. They were in there on an ongoing basis. When the mayor decided to cut them, that was a .1% benefit.

**Fritz:** I wonder if that's the case in bes.

**Shaff:** I don't know if they were counting on them as ongoing or not, but we had. Then the next page 5, over the last four years, we have reduced our overall budget, both a combination of operating budget and cip by about \$9 million, and i'm not going to go through each one of these other than to note at the very bottom we've reduced 31 full-time positions, including the seven that we're proposing to reduce in this fiscal year. Page 6, as I mentioned, our overall effective retail rate increase is 12.9%. On our low-income discount program, the discount is for a single family residential customer. It amounts to 50%. It's based on 500 cubic feet a month, and the total will be \$12 -- approximately \$12.38 per month, so \$148 per year in the total discount. We also provide crisis vouchers, \$150 the safety net that was created in, I believe, '06, '07, fixture repairs, payment plans, and other things we do to try to help our customers who are either low income or are struggling, lost a job, had medical expenses, that sort of thing. System development charges have a very modest increase of 1.3%. They go from basic increase from 1710 to \$1732, and we are well below all the other jurisdictions in the region. We continue to provide waivers for affordable housing and temporary adu exemptions.

**Fritz:** I'm sorry. I'm struggling with the two cuts. I thought your proposal before was 12.9%.

**Shaff:** No. It was 13.9, and then the mayor directed us to trim an additional 1%.

**Fritz:** Thank you.

**Shaff:** We began offering fixed prices for services, mains, and other facilities. That's proven to be very popular with developers. Some of those prices have gone up. Some have actually gone down. Certain main extensions actually are cheaper while some are a little bit more expensive. If you look at page 7, of interest to most people, are typical residential customer who uses 600 cubic feet per month, their typical monthly bill, water only, will increase \$3.19 from an average of \$24.66 to an average of \$27.85. As I mentioned, the qualified low-income residential monthly bill will go up \$1.42 from \$10.96 to \$12.38 with that discount, a medium commercial account, like a fred meyer or safeway, that sort of thing, their monthly bill increases from \$73.80 to a total of \$73.80, from \$571.39 to \$645.19. Water bills are only about 6% of the typical utility services for retail residential customers. If you look at the next page, page 8, we have the current combined water/sewer bill and then the mayor's proposed on there, so our current water monthly bill will go from \$24.66 to \$27.85. We put this together based on the mayor's proposed budget so that a typical sewer storm water monthly bill is \$56.26 and the typical residential customer will go from \$77.99 to \$84.11 on a combined bill so up \$6.12.

**Fish:** Those of us who get a combined bill, it sometimes gets a little bit confusing when separating them out and looking for percentages when you get a combined bill. The combined impact of this proposal would mean a 7.8% increase on my rate.

**Shaff:** Based on the mayor's proposed budget, yes.

**Fish:** And could you just remind us, because that's a blended rate and recognizing that the water and sewer component is different -- just remind us again the percentages. Water is roughly what percent of the total bill and sewer what percent?

**Shaff:** Generally a third to two-thirds. Water to sewer. When you get your quarterly bill, divide it by three, and you'll have your monthly bill. Generally divide it by three again and you'll have the water portion, and the other two-thirds is the sewer, storm water, Portland harbor superfund, that sort of thing. Page number 9, a bar chart shows you what the average Portland residential customer spends in utilities. We are and continue to be the cheapest of those utilities. And the only one that is required. \$27.85 for water. It's just 3 cents higher than the average telephone, slightly higher than the solid waste and recycling. And these reflect the new solid waste rates, as well as the mayor's proposed sewer rates. Internet, sewer, cell phone, natural gas, cable, electricity, our average residential customer pays \$100 a month versus \$27.85 for water. Obviously people will say, but

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that's not what I pay. I have gone through this and applied it to myself, and consistently, that's about right. I pay more for cable but I pay less for cell phone. As a general rule, water is the cheapest utility in town. Our sdc charges are very favorable in comparison to the rest of the region. That's the last page. We're at \$17.32 versus beaverton of 3100 and Tigard of 3800, Gresham of 4100, and TVWD of 5500. At this, I am done with my formal presentation and would be glad to answer any questions you might have. Commissioner Fritz, I know I owe you projections through the next five years.

**Adams:** With the lt-2 decision on covering of the reservoirs, having been moved from the federal to the state level, we will be applying for a variance of that at the state level as we did at the federal level. And the timing of that -

**Shaff:** For treatment.

**Adams:** I'm sorry, for treatment. The timing for that is?

**Shaff:** Shooting for June 6th.

**Adams:** How big is the driver in the budget of the Powell butte reservoir -- how of that is an increase and then how much more are we spending on treatment lt-2 related issues in this next year's budget?

**Shaff:** I don't know that we've broken out the individual. We've got the reservoirs. From a reservoir standpoint, I haven't broken out Powell Butte versus Kelly Butte versus Washington Park. But, in this fiscal year, our -- it's 1.7% of the overall rate increase is attributable to reservoirs.

**Saltzman:** Is that in our handout?

**Shaff:** No, the mayor asked me a question.

**Fish:** David, can you say that again?

**Shaff:** Of our 12.9% rate increase, 1.7 of it is attributable to the work we are going to be doing in the next fiscal year on reservoirs, and it's mostly Powell Butte, but it's not all Powell Butte. Kelly Butte is in there as well. 1.8 of the percent of our 12.9 is attributable to treatment. So, I said in rate drivers, cip, 3.5% was lt-2. That's what I just gave you, 1.8 for treatment and 1.7 for reservoirs.

**Adams:** You said 1.9% for the treatment issue?

**Saltzman:** 1.8.

**Adams:** And what are the kinds of activities that is included in the 1.8 of expenditures?

**Shaff:** Associated with the design of the luv treatment facility.

**Adams:** Other discussions?

**Fish:** A couple questions if I could. On the low-income discount program, which would provide a 50% discount for qualified households, would apply to any increase that the council may vote on, who is eligible for that program?

**Shaff:** Residents of Portland that meet certain income criteria, and we contract with the county, social service agencies, to vet whether or not an individual qualifies.

**Fish:** If you remember, do you know what the floor is?

**Shaff:** No, but I can find it out.

**Fish:** I'm assuming it's 60% of mfi or 80%, consistent with what we do in other programs. That's a low-income, senior, family of modest means, so it would be people who fall within certain income limits, and they get a 50% discount. Right?

**Shaff:** Right.

**Fish:** On the 1.8% that you say is attributable to treatment, that's 1.8% of the 12.9.

**Shaff:** Right.

**Fish:** That's roughly 10% of the increase? I always get this confused. But we're talking about 1.8, but it's 1.8 divided into 12.9, and so it's 10, 12%, something like that, 13, whatever?

**Shaff:** You're the only person that would ask me to do math off the top of my head.

**Leonard:** 1.3.

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**Fish:** So it's 13% or something. And if the council determined that -- if you determine that the variance application is so strong, you believe that it was so clear that we were likely to prevail, what options do you have to defer that spending until there's a ruling?

**Shaff:** I would say not very much. We're at the 60% design stage now. We need to finish the design of the u.v. Treatment plant, because we don't anticipate --

**Fish:** I think it's disrespectful to dave to --

**Adams:** The room in which we're sitting is intended as a place where we air out all points of view and all questions and all discussions, and we deal with a lot of contentious issues here. And so if you like something, you're free to do this. If you don't like something, you're free to do that. But clapping and hissing and uttering and things like that doesn't really facilitate everyone feeling comfortable to get their views out, so we'd ask that you stick to the decorum of the chambers.

**Fish:** Thank you, mayor. If I could just add to that, we often get criticisms for conducting city business in forums outside of this forum. And so in order to invite the public into our deliberations, we often ask questions in a public forum designed to ventilate an issue. If our reaction as a community, when we hear something we disagree with, is to express a hiss or through some other conduct, disapproval of the person speaking, what we're saying is we are uncomfortable having that discussion. Just as we welcome counter points of view, I think when a professional in the city comes forward and gives his best answer, we all need to respect letting him speak and state his opinion. If someone in this chamber disagrees with what he says, then there will be plenty of time today to hear that point of view, and we will afford you the same respect that I think we owe david shaff. So on the 1.8% for treatment, the bulk of that expense then goes to the continuing design work to be prepared in the event that we are not successful with the variance?

**Shaff:** Right. Can I add to that, though? Remember that there is a firm deadline. April 1, 2014. We have to be in compliance with the treatment portion of It-2. Now, that means that, if we are unsuccessful in obtaining a variance -- and we are putting together a really good case to obtain a variance. But if we're unsuccessful, we have to start building by about this time next year. And so I have to have the facility designed. We have to do all of that work so that if we get a decision that's adverse to us at the end of the year, which is what we would etch the timing being, we have to be done and be ready to start moving forward on building.

**Fish:** David, if you are successful, later this year, then the 1.8% component would be reduced proportionately, based on any money that you don't have to expend for the balance of the fiscal year?

**Shaff:** There might be some portion of that this year but really The benefit would be in july of 2012, because that's when we would have a rate impact from having to build something, and we're now not going to have to build it. You won't see much of it this year.

**Fish:** I'd like to ask you an additional question I asked you privately, and I think it's useful to air this publicly. If you were to defer any portion of the Washington park component of It-2, which is downstream, if you were to defer any portion of that and stage it differently, would there be any savings reflected in the proposed rate increase for the next fiscal year?

**Shaff:** It would be pretty small. There would be some. We only have, I want to say, 200,000 in this coming fiscal year for Washington park so 2.5 million in this fiscal year for Washington park and next year. I'm not sure what 2.5 million in capital is, but it's --

**Hasson:** 1 or 2 tenths of a percent.

**Shaff:** Yeah, it would definitely have an impact, but it wouldn't have much impact.

**Fish:** Thank you.

**Adams:** What about the same question between kelly and powell?

**Shaff:** It would have a bigger impact, because a fairly modest amount of money put in our cip for Washington park this year, next year, and the year after, but we have some fairly significant amounts of money put in for this fiscal year, this upcoming fiscal year for powell butte. We are going to be sifting in front of you next week with the report from the procurement officer awarding

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a contract for 80 some odd million dollars and beginning construction July 5th. So that has a fairly big impact this fiscal year.

**Adams:** And how much is in the rate for Kelly?

**Shaff:** Mayor, I'll have to --

**Adams:** You can get back to me.

**Shaff:** Yes, I will.

**Adams:** Why don't we pursue a delay that I understood was pursued by New York?

**Shaff:** We have to have a reason, and New York had a reason. New York got a deferral. They were required to cover their Hill View Reservoir, and I forgot how big it is, but it's an extremely big reservoir. They were required to cover it by 2014. They asked for and received an extension of that deadline to 2028 based on their explanation that they have a number of things that they have to do in their system before they can safely take Hill View and take it off line and cover Hill View. If they do not do that, they successfully argued to the EPA and the state, New York State Department of Environmental Protection, that water quality and public health could be at risk. They made a good argument that they had to do all these other things before they could do Hill View. We don't have that argument.

**Adams:** Are there other factors, though, not the same argument, that you think would be convincing to the regulators on a delay, such as waiting for the Lt-2 decision on treatment?

**Shaff:** Not that I'm aware of. If you go back to the EPA's instruction to us is that they said that they would only approve -- I'm paraphrasing, because I don't have it sitting in front of me. They would only approve a schedule that showed Portland taking immediate steps toward compliance. Saying that, well, we don't want to do that anymore doesn't fit that description. The state now has primacy and the state has told us, if we hit a snag in construction, we could request an extension, but they have not indicated that we could simply come back and say, you know what, we want to renegotiate the compliance deadline.

**Saltzman:** That's for storage?

**Shaff:** That's for storage at the reservoirs.

**Fritz:** Have we asked them?

**Shaff:** No.

**Saltzman:** Which State bureau is it now?

**Shaff:** That's the Department of Health. It's called the drinking water program.

**Adams:** For those of you in the room, we're more used to dealing with DEQ, so we're all trying to get our heads around that this is a different department.

**Shaff:** Our schedule is we have to be complete -- we have to have the reservoirs at Mount Tabor disconnected from the drinking water system by December 31st, 2015.

**Leonard:** So we need to back up, and I may be overemphasizing certain points. Commissioner Fritz asked you if we asked them. I don't think you gave a complete answer. You did talk to the governor's office yesterday, and you did inquire about --

**Shaff:** Last week, Yes.

**Leonard:** You did inquire about what the conditions would be to obtain a variance, and his answer to you was -- I think you have a transcript.

**Shaff:** Yes. There was a KBOO interview of Dave Leland, the director of the drinking water program, that aired last week, and the question that he was asked was can the state grant an extension to the Lt-2 compliance deadline? And the answer was I think that's actually within our authority. We'd have to hear from the water bureau why that would be necessary. So I called Dave Leland and said, Dave, was that all you said or did some of it get edited out? And this is his response: The context of my comment was a question about a hypothetical extension of the current agreed construction schedule for remedying the open reservoirs under the Lt-2 rule. I said that a reservoir construction schedule extension request from the bureau could be considered by us in the event that some unforeseen snag cropped up in the actual construction of these complex reservoir projects.

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**Leonard:** Thank you

**Adams:** Any other issues to air out? Ok. Then let's begin with testimony.

**Leonard:** Purb?

**Adams:** Public utility review board. Purb.

**John Gibbon:** Again, John Gibbon, west side representative to the purb on the water bureau issue. The water bureau proposed, original proposed rate increase was 13.9%, the purb water committee took no position on the proposed rate increase focusing instead on strategic issues. Purb did consider and discuss the water bureau advisory proposal for a 13% rate increase. A motion to endorse the 13% rate increase did not pass, and four members abstained. One reason given for the abstention was that 40% of this year's proposed rate increase was due to purb rate increases from fiscal years '07, '08, and '09, and current purb members did not feel comfortable with endorsing that, because -- i've got to be honest with you. I sat through the discussions. Mr. Hanson gave us a very lengthy explanation of it, and it's really hard to get your head around the implications of what happens when you defer maintenance and expenditures, and part of it is, as I understand it, that because the council chose in those years to pay down a certain amount of the reserves that the water bureau had to sustain the water bureau that now, when we have to do the borrowing, we're up against some physical limits in terms of those deferred rate increases, so we end up having to pay for those increases to some extent in order to carry on with that program. I should note the council directed the water bureau to create an internal process to heighten the transparency regarding deferred rate increases. The goal is to inform taxpayers of when and why rate increases are deferred. I understood, from my conversations with the water bureau, that this deferred rate increase related back to the size of the rates we were facing because of some of the sewer components of our combined rate. I certainly understood why, with those rates coming on for the sewer part of it, you didn't want to bring the water bureau's rates up as fast. It's not a criticism, just that you've got to anticipate that bad situations might come up sometimes like the It-2. One suggestion for information regarding deferred rate increases be included in the water bureau's budget documents as well as in the financial plans, that was what the water bureau came back on was the financial plan showed what the deferred increase was, but nobody looked at it in the budget. I think we definitely owe it to the citizens to do that. If we ever do that in the future -- and i'm not a big proponent of that. Any questions?

**Fritz:** Did you have any other comments Gordon?

**Gordon Feighner:** Yes I do, I'm Gordon feighner. I'm the public interest representative on the purb. Purb has three further recommendations that we voted on and approved as a body. The first is that council should create a task force to review current water bureau and bes capital improvement program documentation and processes. The task force would make recommendations to improve public transparency of and accountability for capital improvements, the task force would include members of the bac, purb, office of omf. My print faded a little bit. The auditor's office and bes and water bureau management. The second recommendation is that council should direct the utility bureaus to include members of the purb in all phases of the budget process, including the budget monitoring process or bumps that occur after the budget is finalized and adopted, and purb endorses the three recommendations of the audit on spending utility rate payer money subject to the qualifications, referring to the auditor's report that was released, I believe, two months ago. The words new significant expenditures, found in recommendations one and two on page 15 of the audit should be defined and clarified.

**Adams:** I want to thank you for meeting with me. I found it very valuable, and I appreciate your willingness to do that.

**Fritz:** Regarding the task force, I would suggest that you add at least one representative from the public involvement advisory committee. I think that could very much inform the budget process ongoing, and I particularly noted the comment in the recommendation that the five-year cip doesn't contain individual project descriptions and justifications that would allow the public in

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understanding of project scope, planning efforts and purpose. In the capital improvement project budget, there is one item for terminal reservoirs for a total cost of 370 million covering major projects such as powell butte, kelly butte, Washington park, and tabor. What I particularly like is your suggestion for the accountability form so anybody could go online to see what stage the project was at, how cost-effective it had been. There's obviously been a lot of thought put into the process here, and I appreciate it. I hope the commissioners in charge of the rate-funded bureaus will take you up on that suggestion.

**Gibbon:** I understood the mayor was going to include those as a budget note and I thought that was a really great idea.

**Adams:** We'll be moving forward in the next couple of weeks. Thank you all very much. How many people do we have signed up?

**Moore-Love:** We have 45.

**Adams:** So we'll be doing two minutes each. Good morning welcome to city council we're glad you're here. Thanks for waiting. Please begin.

**Joe Meyer:** My name is joe meyer, and I love living in Portland because I can come to city hall and speak my mind. I spent the last few weeks researching the lt-2 issue and how they're related to the open reservoirs. The first finding that is our water is so good that we already meet the purpose of the lt-2 rule. I spoke with Multnomah county health officer, dr. Gary oxman, and he assured me our current water it's superb and that burying the reservoirs would in no way reduce illness. I also spoke with OHSU infectious disease specialist, dr. Thomas ward, and he explained to me that the outbreak which prompted the lt-2 rule was because of raw sewage that got into the water system. He called the rule an emotional nonscientific response to the outbreak in milwaukee and said it's completely inapplicable to the watershed. My first realize was that the lt-2 rule does not apply to Portland and complying with it will not improve the quality of our water. If there's no health benefits of varying our reservoirs, then what's driving the process forward? And that led to my second realize that the water bureau takes its direction from a consultant who is actually paid by the Portland water bureau to negotiate compliance with lt-2 and is getting paid again for the work he recommended. My third realization is that Portland water bureau is heavily invested in manipulating public opinion. In fact the chief engineer published a manual called "convincing the public that drinking water is safe" in which he explains the public perception is formed by many subjective and emotional factors regardless of the objective water quality.

**Adams:** We have 45 people signed up.

**Meyer:** I ask that you don't support the rate increase.

**Adams:** Summarize your point.

**Meyer:** I ask that you don't support the rate increase that, you instruct the water bureau to halt all lt-2 related construction and you work towards an inclusive and honest debate for sensible alternatives to these costly projects. Thank you. [cheering]

**Adams:** Hey, hey, hey. This is a chamber where the discussion of the issues is important. There can be no clapping, no hissing, no booing, no chuckling. Wave your hands. It's good exercise.

**Meyer:** Thank you, mayor. I'll stand behind my interview with dave leland.

**Adams:** Thank you. Ma'am, welcome back.

**Cherie Holenstein:** Cherie lambert Holenstein. I trust this is appropriate because it was public knowledge. I'm truly sorry for your recent loss, commissioner Leonard. My basic testimony is the same. I have nothing uniquely original. Stop spending on the lt-2 rule. No to covering, burying the reservoirs, in to an ultraviolet treatment plant, no to 85% water rate increases. Commissioner Fish said on july 29th, 2009, when you unanimously voted in the u.v. Treatment plant, that we're fixing a problem that doesn't need fixing. At the time, I said that's impossible. You can't fix a problem that doesn't need fixing. Even when one fix as genuine problem, there's always problems. What we will have is degraded water, increased water rates. As I said when I testified at the joint terrorism task force hearing, we have many problems that need to be addressed, and why we're working on

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this is absolutely insane. I handed each one of you a flyer, a paper for the hanford hearing tomorrow night, 6:30 at double tree in. They want to bring all the radioactive waste in to hanford.

**Adams:** Ma'am, I need you to stay on topic. It's my job to keep everyone on topic.

**Holenstein:** Mr. Shaff talked about what a wonderful job he's doing of keeping our rates down and that of all the utilities our water is so much cheaper. For heaven's sakes, It's gravity fed, and we don't have a treatment plant. He also talked about lowering electric rates. What's going to happen to electric rates when we build these treatment plants in powell butte and kelly butte? I have a hand-out to give you to ask you to work for a waiver, which is permanent. In the interest of all these tired people, I want everybody to stand up in favor of not burying the reservoirs. Stand up, folks. Show the public. Because the public doesn't really know we're not going to cover the reservoirs. They think we won that battle. They really do.

**Adams:** Thank you. Ma'am, your time's up. Very well said. Appreciate it.

**Holenstein:** I've got 12 seconds left according to here.

**Adams:** You're actually 12 seconds over, but that's all right. I gave you a little extra.

**John Macray:** You guys are supposed to represent the rate payers, just to follow up on that point and not ch2m hill, their consultants, and their friends. Representing us, the rate payers, you would seek a waiver. Katherine has already stated the rate increase and the lack of the need. In this month's current issue of "the northwest examiner," allen claussen has an excellent editorial entitled underground reservoirs, unneeded and costly, blah, blah, blah. An excerpt is living water is an organism. The best and tastiest water, which is what we get from bull run, contains microorganisms that must be exposed to the open air to remain in balance, et cetera, et cetera. Other cities, including new york city, are fighting the rule. We need, quote again, to pursue a congressional waiver from the epa rule. We should not build an unnecessary and inferior second reservoir system until we've made every effort to get that waiver. Scholarships are not within the water budget. All these pet projects that you guys put in that we have to pay for that are not water related, it's unacceptable. In fact it's fraudulent.

**Adams:** Appreciate your testimony. Next three. Give us your first and last name, and clock in front of you will help countdown your time.

**Scott Fernandez:** My name is scott fernandez. Quality of life begins with pure water. Many nonscientists look at the epa lt-2 science as a secondary issue until they get sick. Then they will want the help of science. Last year the national institute of health talked about the highest level of chemicals that will appear in our drinking water. Homes, schools, over the last decade, the weight of the scientific evidence and public health information has grown considerably and remains consistent with my early conclusions. There is no public health basis, benefit or need for opined lt-2 regulations with the drinking water system. Adding drinking water treatment or covering the reservoirs will degrade our water with toxic and carcinogenics. None of the epa's public assertions have come true. Not one. Additionally there's huge unnecessary capital expenditures that will create economic hardship on the community. So I ask you to stop. I'm asking the Portland city council to adopt and initiate the waiver process. The waiver is simple, cost-effective, and enduring action. This permanent solution is not reviewed every three years. Comments from the past about not giving a waiver are not true today. The safe drinking water act provides for a waiver. We need immediate actions against the scientifically thawed regulation. Place it as a rider on a congressional bill at no cost. We want a waiver, and we want it now.

**Adams:** Scott, are you saying there was a change in the drinking water act?

**Fernandez:** The safe drinking water act does provide for a waiver.

**Adams:** But has there been a change? You said "now." has there been any change in the safe drinking water act in the last two years?

**Fernandez:** No.

**Adams:** I wanted to make sure I heard correctly.

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**Alan Shrader:** My name is alan shrader. Darigold is a cooperative owned by 553 members. We operate plants -- we have 13 plants operated in Oregon, Washington, idaho, montana, and utah. Because of all these plants, we have -- we work with different municipalities. For our Portland facility to produce the 32 million gallons we produced to date, our operating costs for utilities is already among the highest of all of our plants. We are slated to do -- for projects to move to 45 gallons from this facility, and with these unintended results from rate increases, the expenditures just will not happen. We have 127 union positions. We have a \$12 million a year payroll budget, and we get services from the city that equal \$2 million per year. We ask the council to pursue your options and to stop this unneeded spending so that we can continue to operate in Oregon.

**Adams:** Thanks. Sir?

**Darvel Lloyd:** Mayor Adams and city commissioners, i'm darvel lloyd, and I appreciate being able to make these remarks today about the water bureau's budget. I represent a number of Portland area friends, including low-income seniors and people with disabilities in southeast Portland. We're all concerned about the projected 85% increase in water and sewer bills over the next five years. I will skip most of my written testimony. I submitted it to you. But I want to applaud your good work for the many water system improvements over the years. Including the big valve replacement project and other improvements in reservoirs. I have been learning about this from the friends of the reservoirs and other groups in Portland, so i'm not an expert at this in any way. I just want to say that you must join forces with us seniors, the Portland water users coalition, the friends of faith drinking water, the Oregon physicians for social responsibility, friends of the reservoirs, friends of mount tabor park, mount tabor neighborhood association, the sierra Club, Oregon wild, and don't forget about the 2004 recommendations of the mount tabor reservoir's independent review panel. You still have time to hit the pause button, stop appearing lt-2 related spending, direct the water bureau to request a deadline extension for a reservoir project, and investigate legal compliance alternatives.

**Adams:** Thank you all for your testimony. Thanks for being here. Thanks for waiting.

**Dr. Theodora Tsongas:** Good morning. Or good afternoon. I'm dr. Theodora Tsongas, a member of the environmental health committee of the Oregon physicians for social responsibility, and I represent them today. Environmental health science has been my passion for 35 years in university teaching research and in federal and state government service. One of my government services was working as a health scientist epidemiologist at the office of drinking water, u.s., and environmental protection agency where I reviewed data and helped develop drinking water standards under the safe drinking water act. As a public health professional, i've long considered health and environmental regulations to be necessary to protect public health. At epa, I learned that regulations had to be carefully crafted to take into consideration vast differences in water systems across the u.s. The variance has been built into the regulatory system for compliance with the safe drinking water act for the very reason that one size does not fit all. The lt-2 regulation appears to be trying to do just that, fit all water systems without considering individual watershed or water system health. We have an unbelievably valuable resource, and that is really clean water. I stated multiple -- as stated multiple times, there will be no measurable public health benefit derived from the expensive treatment and storage currently required by epa. The cost for meeting current compliance time lines for construction of the new water storage treatment are extremely high and come at a time when Portland rate payers are particularly vulnerable. Therefore we are asking that you revisit the city's compliance strategy and change the policy on the lt-2 project. We ask that you reconsider the water bureau's construction schedule for development of covered water storage. The schedule for reservoir burial put forward in 2009 appears to have been submitted to the city council without time for significant review or comment and hurriedly submitted to epa. The timeline submitted to the epa front loads water infrastructure debt and exacerbates rate increases that are already burdensome. The true costs have not been considered.

**Adams:** I need you to wrap up please.

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**Tsongas:** The cost to the people of Portland of trying to live in an unsustainable system with loss of jobs, homes, businesses, equity, community, diversity, loss of trust in government and loss of the human right to safe drinking water. As a retired public servant --

**Adams:** Ma'am, when I said summarize it, I didn't mean another minute. I appreciate your testimony. I think your point is well-made, and you're welcome to submit written testimony to the clerk as well.

**Nancy Newell:** I've got my two minutes. Nancy newell. I'm a 20-year resident. I want to really ask you to listen, because we had a tremendous success story in new york state, and I would advise everyone here to consult them on their successes in stopping these projects. This is an issue which is local which with the county, they fought it. They stood their ground. They were threatened with fines. That nuclear plant its not operating today. The people of long island, numbering 20, started off and continued. The point being you have every legal right not to do this. You have every legal right to request a waiver. Do so immediately. You have every legal right to fight this. If they're going to fine us, tell them to fine us, but we're not going to pay it because we have legal rights. You keep researching those legal rights, you will find a path that you can stand on. Stand your ground. All the people in the audience, stand the city to stand their ground, not give us phony reports, and stop the influence of multinational corporations. This is putting a noose on our neck economically. Please follow through. I have total credibility. The people in the audience have amazing credibility. Amazing credibility. Tremendous skill. If you need assistance on legal advice, you can provide it.

**Terry Parker:** Terry parker. Enough is enough. The city council has been playing a shell game with water and sewer rates for years, skimming off dollars for their own special interest agendas. When measure 5 was voted in, along came the costly water run-off fees, in essence a rain tax now being exploited. The expensive big pipe project was built class affix yawl. Now rate payer dollars are being looted and commingled with other taxpayer dollars to control bio-swells for the freeloading pedal pushers who should be paying their own way. Water users are being fleeced with rate payer dollars used for water, houses, rose festival building renovation, neon roses, a sign patrol, and likely a lot more and less transparent projects. All these rate payer dollars should only be used for the delivery of water and sewer services, not a slush fund for somebody's latest fixation. Additionally, there's been a lot of bond measures that the city council has supported. All that does is add to the cost of living, making any talk about affordable housing for the working class just another shaggy-dog story. Is it as much what the city council does today is all about dictating to the people and implementation of social engineering policies and fees, my suggestion to rate payers to save some money. First don't rinse out any recycling. In a responsible recycle plant it should be financially self sustainable. Use disposable dishes. The garbage rates are the same whether your garbage can is full, half full or nearly empty. The only way to get your money's worth is to have a full can. In closing, it is past due time to hold the city council accountable for cooking the books and misappropriation of rate payer dollars. The city needs to roll back rates and rebate rate payers for improper spending practice. Then do everything possible to challenge the federal government about any mandates to build a filtration system and replace the exquisite and historical open reservoirs of mount tabor and Washington park. Thank you.

**Adams:** Thank you, mr. Parker. We will be taking a 10-minute break after this panel for compassion needs.

**Fish:** Mayor, do we intend to take a lunch break?

**Adams:** We will take another break later in the afternoon. Hi. Please begin.

**Dan Broubonais:** Good afternoon, mr. Mayor and city commissioners. My name is dan Broubonais, and I am the general manager of al's american linen. We've been operating an industrial laundry in the city for over 60 years and employ over 200 people and service over 4000 customers in this marketplace. I'm here to speak to you about the decision-making process of It-2. Our main resource is the use of water as a business, and thus the cost of that utilization, I find it

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inconceivable that we would authorize the spending of nearly one half of a billion dollars of rate payer money when we know the factual scientific evidence that cryptosporidium does not exist in our water supply and delivery system in Bull Run. When I first came to this city nearly 30 years ago, there was a movement to bottle and sell our pure water insurance nationally. How times have changed. We currently hold an elite status of being the second highest cost city in the nation for water and sewer rates. Of the 60 branches that my company operates in the United States, we here in Portland have the highest cost in water and sewer, even though we recycle our water. Over my 30 years of running this business, the costs have dramatically increased year after year, mostly due to the big pipe and now the projected 85% increase in five years as a result of implementing what you are considering today. I believe the action of beginning this construction would have a dampening effect on 4000 customers that will service in the city to the point that it will be unaffordable and employment will be ineffective. We now have a legal option that you can obtain a variance from the threat or treatment or covering mandate, and the decision maker on either of these is the state of Oregon. I ask you to consider the citizens and businesses of this city who are rate payers and do the right thing.

**Phyllis Weih:** My name is Phyllis Weih, and I thank you for listening to me. I truly don't mind paying my fair share for water. Clean water is a blessing. At present, it is a blessing provided with nature's help through our protected Bull Run. What I don't want to do is pay for actions that are not only not needed for the safety or cleanliness of our water but that are actually destructive to the environment. We face the building of the covering itself creating pollution, possible loss of protective status for Bull Run, carcinogenic gases that end up in our homes, schools, and businesses instead of being vented, and much more. This project may create jobs, but they are jobs that do more harm than good. I humbly ask this council to work with our congressional people for a variance of this requirement that the reservoirs be covered, and I oppose rate hikes to pay for the covering.

**Tom Fahey:** Good morning. My name is Tom Fahey, director of human resources with Siltronic Corporation. We've been in Portland the past 31 years. We currently employ 850 Portlanders. We make silicon wafers. It's the largest high-tech company within the city. We are of course one of the employers the city has focused its efforts on. We have the challenge of competing in markets beyond Portland. Products like ours are always extremely sensitive to price fluctuations, so we continually strive to reduce our fixed costs to the people. That's why we have reduced our water usage by 24% since 1999. Yet, despite the significant water conservation, our net water costs have gone up 123% during that same time period, because the rates have gone up 195% during that same timeframe. We now pay \$2 million a year for incoming water and slightly over 2 million per year for sewer costs. Now the city wants us to pay 3.4 million per year for incoming water by 2016. To this we have one basic question: How is this helping us compete and create jobs? Water increases proposed for this year alone are equal to five family wage jobs. 34 jobs by 2016. We're talking here about long-term positions for Portlanders, not just short-term construction jobs that often go to out of state employees. If requested, the city can help fill a role in sector companies. Keep your costs predictable and affordable. There is a way to keep us flat and stable, not constantly increasing. The variance to covering the reservoir is possible. Please make the request to the state. We now can decide to reject capital course increases by expanding the diversion of utility increases on the taxpayers. Thank you.

**Adams:** Thank you very much. Siltronic is the number 1 payer of water and sewer services. How many more left?

**Moore-Love:** About 25 more left, maybe 30.

**Adams:** It is now 12:18. We will reconvene at 12:35. We're in recess.

At 12:18 p.m., Council recessed.

At 12:38 p.m., Council reconvened.

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**Adams:** City council will come back to order. We're sticking with two minutes. We have 20-some people yet to testify and a whole council full of agenda items yet to discuss. So we have found what can be said well in three minutes can be said even better in two. Really, honestly, we are especially looking for the best arguments, ideas, questions, you can say anything, and we're here to listen. But we share the concerns that are being raised, so anything you can provide us by way of arguments to get rate relief is what we find most useful. But any conversation is obviously welcome as well.

**Adams:** Welcome, and for Floy Jones, Because of her years and years of advocacy, she gets three minutes. ...

**Dee White:** I'm Dee White, I'm speaking on behalf of Friends of the reservoirs. Friends of the reservoirs does not support the proposed 12.9 % increase in our water bill. We do not support spending 500 million dollars for lt2 design and construction. We do not support rate increases for excessive spending in 2007, 2008 and 2009. 40% of the 12.9% increase is for deferred rate increases. Friends of the reservoirs supports negotiating the Portland Water Bureau's 400 million dollar lt2 open reservoir compliance plan, delaying compliance. We support removing lt2 design and construction costs from this budget. We support collecting data in support of applying for the safe drinking water act open reservoir treatment technique variance. Confirmed as available by three legal opinions, and seeking permanent regulatory relief, in the spirit of the on going efforts by New York city to permanently retain their hill view open reservoir. There is no deadline in the epa lt2 rule for complying with the open reservoir treat or cover requirement. There is no basis in the law for the Portland water bureau's suggestion. There must be a technical reason for deferral. The state drinking water program assumed promises of the lt2 rule well over a year ago. Including supervision of the open reservoir treatment technique requirement. New York Cities legal team Foley Hoe, and now the water users coalitions legal council, all confirm the applicability of the State drinking water program variance for the open reservoirs. Our efforts in 2007 assured that Oregon law was in line with the state drinking water act with regard to a reservoir variance. The water bureau's 400 million dollar reservoir plan was brought to council without any public involvement in defiance of the intent of the 2004 reservoir panel ordinance 36237. We urge you to renegotiate the reservoir compliance schedule, apply for a reservoir treatment technique variance through the state and seek permanent relief as New York city is doing. Thank you.

**Adams:** Thank you for your testimony. Miss Jones.

**Floy Jones:** Floy Jones, and I'm also speaking for friends of the reservoirs. New York City is fighting for permanent protections of their open reservoir. They have prepared a scientific data document in support of the safe drinking water variance. They submitted it as a deferral request, preserving their right to apply for a variance in the future. As you've already heard, they've already secured a deferral until 2028, and they're seeking an extension until 2034. New York is also pursuing other critical avenues to fight the unreasonable reservoir requirements. Specifically, New York has taken advantage of president obama's february 11th executive order to seek comment on streamlining or eliminating unduly burdensome federal regulations. On March 18th of 2011, new York city submitted substantive detailed comments and objections to the lt2 open reservoir requirements. Unlike the city of Portland, once again, citizens are left to ask where is Portland's voice? We ask you to read this document, particularly pages 1-10, pages 8, 9 and 10 are solely focused on lt2 and the open reservoirs. And I'm going to read some quotes from this document. The costs of complying with lt2 is not justified. Covering the reservoir will harm the environment and water quality because of the absence of sunlight, it will make the maintenance more difficult. The city has wastewater and water needs that are far higher priorities from a public health perspective. Gaining more time to make an investment that the evidence shows will not produce a public health benefits simply defers an expenditure that should not be required in the first place. They go on to say, epa should allow water supplies to achieve the goal with unfinished reservoirs

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without mandating choosing between two equally unacceptable choices, further treatment or coverage. They outline options and advise that options encourage investments that achieve cost effective tangible public health benefits without unduly burdening water suppliers and ratepayers and Portland should enlist the support of the congressional delegation to seek regulatory reform while on a parallel path, renegotiate the compliance schedule, apply for the variance treatment techniques for open reservoirs through the state and seek permanent congressional relief. Thank you.

**Adams:** Thanks miss Jones. Hi.

**Stephanie Stewart:** Hi, my name is Stephanie Stewart and i'm the land use person with the mount tabor neighborhood association, representing 10,000 people. In March of 2009, The Portland water bureau presented this council with a policy statement regarding It2 and with your vote, you affirmed that the water bureau was to simultaneously pursue three compliance tracks for It2. One seeking legislative relief and one regulatory relief and the final one, a traditional compliance track that would have us spend and build our way into compliance. At that hearing the community and all the commissioners were clearly in support of the first two tracks. Pursuing legislative and regulatory relief and commissioners and the water bureau staff openly recognized those tracks would need time to materialize results. Yet when the water bureau left that vote here that day, they filed with the epa a work plan that required them to launch expensive construction projects within days and in direct contradiction with that stated policy, water bureau had developed a construction timeline that would dig us in deep long before any form of legal compliance had a chance to materialize. Since 2009, the water bureau seems to have invested little in the first two compliance tracks but they have spent on construction. Just last month, at the invitation of epa, pwb had a chance to comment on specific regulatory flaws found in regulation like It2 and they submitted just a few disjointed paragraphs in which I can find only three sentences dedicated to It2. Compare that with NYC's response and we see the difference between being committed to a regulatory reform track and not being committed to a regulatory reform track. Today, i'm asking you to pause the water bureau spending on all It2 related projects, including Powell butte 2, Kelly butte and the tabor disconnect projects, which will come before you soon, because we fear unless you stop the efforts on the construction track, they won't dedicate their efforts fully enough to the other tracks. We're also asking you to seek a delay in the construction time line they originally set with the epa, and we're asking that you investigate legal alternatives for compliance.

**Adams:** Thank you very much. Appreciate your testimony.

**Adams:** Hi, welcome. Glad you're here. Who would like to begin?

**Regna Merritt:** I'll be happy to go. Thank you. My name is Regna Merritt and i'm on the environmental health committee with Oregon physicians for social responsibility and i've worked for over 20 years to protect the bull run and the water supply system. And today, thank you for your efforts to try and stave off the \$100 million in unnecessary bull run treatment but primarily i'm here as all of us are to discuss is the \$400 million big ticket item which is going to drive our water rates up 85% in the next five years. When I say we, i'm not just talking about the people you've heard from today, but 20 -- 25 neighborhood associations, olcd, teamster's local, the Portland business appliance and small business advisory committee and lots of people who had to leave to go back to work. We're exercised about this and this group is not going away. The good news, the city council can exercise control to stop wasteful spending, to provide an open airing and delay for a plan and schedule for the reservoir covering and the city council can exercise control to bring water rates to sustainable levels. Why is this important? Wasteful spending. The water bureau spent \$45 million to upgrade our reservoir system and they concluded the last contract to do so and march 2011. To carry us through to 2050. Number two, the water bureau plans to spend \$137 million to build a 50 million-gallon reservoir at Powell butte two. Three, there's evidence there are cheaper ways to go to comply with It2 and several league ways to achieve that. Why is this important? The city council, this council must correct a terrible problem with public process and public trust. In

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2009, as referred to before, the water bureau marched in here with a plan that said they needed to submit to the epa that afternoon and they did. And it was the full plan for reservoir burial construction with a timeline they created. This council had no opportunity to deliberate what the impacts were going to be or the other options available to them.

**Adams:** I need you to wrap up.

**Merritt:** And additionally, you heard about the executive order 16563. The council needed to improve a burdensome onerous open reservoir rule.

**Adams:** Do you know if that executive order can supersede legislation?

**Merritt:** The legislation laws of safe drinking water act and we believe that you can.

**Adams:** The new york city, obama --

**Merritt:** It's a regulatory reform periodic review.

**Adams:** The obama regulatory reform?

**Merritt:** Yes.

**Adams:** By executive order, can it supersede provisions of a congressionally enacted safe drinking water act? Just asking.

**Merritt:** I don't think they're looking at the law. They're looking at the lt2 rule which is onerous and burdensome and that can change. In may and june they will --

**Adams:** That can change, And still comply with the federal law?

**Merritt:** Yes.

**Adams:** Ok.

**Merritt:** Yes, absolutely.

**Adams:** I'd like backup on that.

**Merritt:** It's in the document I handed out.

**Adams:** Thank you very much for your testimony. Did everyone get a chance?

**Merritt:** No.

**Adams:** Please begin.

**Nancy Hatch:** Hi, my name is a nancy hatch, here to testify on behalf of myself as a resident of northeast Portland and on behalf of the sierra club who endorsed three of you and I believe all of you at sometime in the past. The sierra club would like to inform you of its opposition -- water treatment lt2. The sierra club has worked to make sure that water standards are melted and the sierra club likes to boasts why when left to her own devices, mother nature is the most effective way of water treatment. The sierra club is -- realizes that the epa regulation has put the city between a rock and hard place in many ways and also believes that the city must do more about the proposed timeline for covering and burying water reservoirs which it believes is premature. Rather than passing the rate hike, the city should submit variances for bull run and the city reservoirs. Portland should look to defer the variance and strategies that other cities such as new york city has used as models and must postpone the possibly unneeded reservoir and treatment plan and submit a new proposal and timeline schedule to the drinking water to the state's drinking water program realizing this in case it puts the timeline within the control of Portland based on what time it gives when it submits. Most significantly, Portland must not presume it will have to treat the bull run water source or cover the -- cover the reservoirs. It also has the option under this current rule to simply treat the water as it comes out of reservoirs which may be less expensive but to my knowledge hasn't been considered.

**Adams:** Thanks for your testimony.

**Tom Watt:** Mr. Mayor, commissioners, good afternoon, i'm tom, president of the teamster's 305 and a Portland native. Here today on behalf of those who will be most impacted by the water bureau's proposed five-year 85% wage increase, working families. Teamster's 305 members work in the dairy food processing and laundry industries and many of these companies are major customers of your Portland water bureau. Sunshine dairy foods to name a few. And create a particular hardship where commodity prices, milk, for example, dictate how much they can earn on

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their product. Prices cannot simply be raised. Therefore, producers must eat the difference or cut costs elsewhere in the production process and puts increasing downward pressure on wages. And when the city council raises water rates like this, not only income potential diminished but they have to deal with the higher water bills at home. Burning the candle at both ends making Portland a harder place to both work and live. Also, the jobs these projects may create are not the type of jobs we need in our city. We need long term permanent jobs like those previously. We do not need temporary short term jobs that may not be performed by Portlanders. We need your leadership, Portland's high water costs are creating an unsustainable economic environment for working families and if you wish to make Portland a place where they can live and work, have a good paying job and afford a home, please vote no on the proposed water rate increases.

**Adams:** Thank you for your testimony. Thank you all.

**Adams:** Thank you for being here. Thanks for waiting. We need a third person. A third person on the list?

**Adams:** Please begin.

**Patricia Murphy:** Mayor and commissioners, thank you. My name is Patricia Murphy, I am a naturopathic physician, a licensed acupuncturist and instructor in environmental medicine and I'm here to ask you to vote no on the water rate increases. I think I can speak for most when I say that my budget is already stretched to the max and to approve projects that are unnecessary as far as public health goes is really a disservice to the citizens of Portland. We really don't need them. I'd like you to call for a time out on the new It2 planning and construction projects and submit a new plan and schedule for the reservoirs to the state and apply to the state of Oregon for variances for the bull run treatment and the covering of reservoirs. We know we have a unique watershed in this area. It -- the water is pristine. Please don't mess it up.

**Adams:** Thank you.

**Bill Harris:** Members of council, I'm Bill Harris, a resident of Northwest Portland for the last 41 years. A supporting member of PSR and Oregon Wild among other -- other organizations. I'm really grateful to have a city government and a water bureau that has the potential to be overwhelmingly devoted to a sustained availability of our stellar water supply. We're lucky to be residents of this piece of earth. It's clear that a lot of effort will be required to keep our water good and use it in a manner that our use volume matches the recharge volume. I'm a recently retired physician and I can claim no special training in water engineering. I'm however, an ardent student and individual of societal health and of the challenge of a sustainable society. This challenge can only be met with vigorous public education toward accurate insights into the details of the problems in the commons and the immense commitment to truly useful solutions about our decision -- by our decision makers.

You, in this case, our city council. I'm grateful for the considerable publicity of the clarification of the risk of protozoa contamination and sampling for contamination. It's demonstrated that our open reservoirs are not a risk to public health. Reservoir covers and additional purification efforts would be very misleading to our public, suggesting that the water supply is safer when its safety is really not being changed. I suspect with population growth and climate change there's going to be large expense ahead to bring about sufficient water conservation that our prioritized use is kept in headline with the available annual recharge. We need the money then, please, change course. We will stand behind you if you will make a major change of course on this issue.

**Adams:** Thank you, doctor. Sir?

**Brad Yazzolino:** Brad Yazzolino. An artist. I've been on this subject for 20 years also. Change course is right. Pause, delay, think about what history is going -- how history will see this. As Stephanie Stewart said just a few minutes ago, the EPA is now listening to people who want to criticize their current regulations. Well, Portland needs to make a big response to that because it will be tragic, history will see it as ridiculous if Portland goes ahead and spends all of this money for something that we agree we don't need and destroy a beacon to the world, how to collect clean water without involving the giant water industry. So, let's go back, 1894, you know what, the water

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committee wanted water to be free for all taxpayers in the Portland area. And then it went to one cent, 10-cents and all that. Because they understood that the water was essentially rainwater. We need to find the -- I hope you can find the courage to change course on this. I've got the footage to make you look like villains and I don't think you are, exactly. But it's a crossroads. So let's call for a time out on the new It2 construction project. City a new plan and don't cover the reservoirs because people will know about that for decades and they'll know who covered them and why. Because the epa will change the law later that you didn't have to cover them and then who wins, the water industry? Apply for a variance for bull run and reservoirs. Thank you.

**Adams:** Thank you for your testimony. Thank you all.

**Adams:** Thanks for waiting. Glad you're here.

**Adams:** One more.

**Adams:** One more. Oh, mr. Wagner is here. Great. Hi, please begin.

**Diane Tweten:** I'm diane tweten, in 2003 there was an attempt to force building of a filtration plant on this community. The community spoke and the second panel determined this would be a big waste and beside there wasn't a law. There was another attempt to get surrounding water districts to buy into Portland's water system which would have provided the money to do it. They also declined. So the companies who would benefit went back and passed a law to force another version. Mayor potter who actually carried about what is in the public good made it clear that all of this isn't needed in the white paper and proposed economical alternatives. All of that was rejected. We're in a variance process where testing is done by those very same companies. So even while we're protesting what is unneeded, they're still making money. Left out of the water bureau formula for rate increases that the main driver will be the -- add up to over \$1 billion total for what is not needed. It will hurt small companies and people who are struggling and hurt the schools and the problem is that the people who come up with it scheme don't care. They just want the money it will bring them. It doesn't matter if it's even needed. Wendell potter, a former health insurance lobbyist was visiting family and stopped at a medical exposition where people were treated in animal stalls because they couldn't -- in animal stalls because they couldn't afford insurance. He decided he couldn't do it anymore. We're told it's the law. 2004-2009, a "the new york times" article, the clean water act was violated 56,000 times. 60% were significant non-compliance and coal mining areas, water is so toxic it burns the skin and destroys the tooth enamel. They're fined in 3% of the cases.

**Adams:** Thank you, you need to -- your last point you want to leave us with?

**Tweten:** If we refuse to follow this law because we don't want to spend \$1 billion on something we don't need, we'll be fined? Well, then all we need to ask is how is it that the environmental protection agency has become the environmental protection racket.

**Adams:** Thank you for your testimony. Sir.

**Keith Vernon:** I'm keith vernon, we have 200 employees in town. We own and manage 2500 apartments in the city providing housing for low and moderate income people and obviously water rates will have an impact on our renters. And we're concerned about that and in addition, when I was listening to the testimony earlier today about what the water rate increase, I want to also refocus on we're already paying for capital improvements in the current budget, let alone the increase. Typically we only talk about the increase in the budget when actually we have a significant amount of capital improvement in the current budget. One of the things we would like to support you to go back to the state of Oregon, request a waiver, and know you'll have your community behind you. Thank you very much.

**Adams:** Sir?

**David Wagner:** My name is dave wagner on behalf of the Portland water users' coalition with the law firm called reid smith, an environmental attorney and up to about three years ago, I was with the u.s. Environmental protection agency in Washington where I was working on the rule-making. The office of general counsel develops the generally rules on environmental issues and we were asked by the coalition to analyze the It2 rule. In particular, whether any legal pass forward for the

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city. A colleague of mine, who is a special engineer looked at the issues and identified that I guess bottom line, is that there are no legal barriers blocking the city from either seeking a variance or extension from treating or covering the reservoirs. In particular, I guess put another way, there's a legal path forward where the city can seek a variance from the stay. Not epa, from the state. They have supremacy, of course. There's a state statute that allows a variance from treating or covering the reservoirs and I think under a reasonable interpretation of this statute, the state could grant a variance to the city and I heard earlier that the health authority could -- has discretion to issue an extension for the -- the state scheduled deadline. Also, we looked at whether there were any federal rules or state rules that would allow for an extension as well. And we didn't find any, but did see there were several other regulations under the safe drinking water act that allow for modifications and additional time and I think there's more than just construction for construction, but other reasons to seek an extension of time should you want to do that. Thank you.

**Adams:** Thank you, appreciate you being here. Thanks for your testimony.

**Adams:** One more.

**Adams:** Anybody else? Ok. Hi, thanks for being here.

**Kent Craford:** Good afternoon. Mr. Mayor, commissioners, i'm kent craford, the director of the Portland water users coalition, a group of 17 large industrial customers in the city of Portland. Yesterday, Portland voters sent a strong message to their elected leaders, that in this weak economy, they simply cannot afford half a billion in construction projects for schools. No matter how necessary or justified. So given that, we want to know how can we expect them to afford half a billion dollars in new water projects that are scientifically proven to be up necessary and unjustified? The 85% water rate increase you're considering today over the next five years is a major and catastrophic increase, especially for businesses and residents struggling in the weak economy. What we'd like to specifically see is the city pursue all options to avoid or delay these half billion dollars in treatment and reservoir projects and what we now know and encouraged to find out is that you do have legal and regulatory options to pursue a variance or a delay of those projects. Specifically we know that the state, the decision maker, can grant a variance but we need to ask. That's for treatment and reservoirs and we know that the state could grant a modification to our construction timeline. But again, we need to ask for that. We also know that we have other options to comply with the rule even if we're forced to comply. We could seek treatment of the outlet, which the water bureau's own consults analysis shows could save us hundreds of millions of dollars. We'd like to know why that option is not considered as an alternative to the \$500 million option before you. Basically, we have a lot of options we'd like to see the city pursue and we look forward to working with you to do that. Thank you.

**Adams:** Thank you.

**Ted Whitehead:** Hello, mayor and commissioners. I'm ted whitehead, the food safety and quality manager at yo cream international. I'm going to slightly abridge our comments at this point. The arguments, good arguments have been set forth and the only thing we can add is our support for the variances to the lt2 projects. We've been fortunate through this recession and been able to increase our workforce by 60% over the last three years, in light of recent change in ownership and with this and other costs continually rising with our business and the fact that we're a substantially water user, we're concerned in the potential longevity of our manufacturing plant in Portland should things continue to proceed in this direction and we're concerned about the pursuance of cost increases and have alternative alternatives for variances and we urge the council to act on the expressed concerns of its citizens and businesses by pursuing the various options to the lt2 and open reservoir projects.

**Adams:** Thank you.

**Mike Thayer:** My name is mike, thank you all. Water is sacred, it's our most precious resource. All life comes from water and so it must be safeguarded and stewarded as a sacred life giving forces it. We've been talking a lot in our heads logically but i'm asking you all right now to take this into

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your hearts to open your hearts to our concerns, to consider the next seven generations, and the impacts of what you're considering will have on our children's children. Please take the spirit of clean living water in your hearts, take the spirits of your grandchildren's children, whose life comes from this water into your hearts and please join us in absolutely committing to keeping our water system the way it is. Thank you.

**Adams:** Thank you all very much for your testimony.

**Moore-Love:** Was there a marilyn couch? Jonathan dewitt and marcus chase.

**Adams:** Those are the last two?

**Moore-Love:** No.

**Adams:** Who else?

**Moore-Love:** Was matt iverson and michael morgan.

**Adams:** Hi, would you like to begin?

**Moiria Kaminash:** Marilyn left briefly and asked me to say a couple of sentences on her behalf.

**Adams:** Not allowed to do that. You can sign up. Just for -- i'll let you go because I don't know if you've been here before, but you can't trade off slots. But for you, i'll make an exception.

**Kaminash:** I greatly appreciate it. There's a lot of talk about precedence today. I'm mora and i've lived here for the majority of my 26 years. And again, there's been a lot of talk about precedence and one of the things I love about Portland and Oregon, we're a creative independent and unique state. And I don't understand why we're not working together both the water bureau and the commission to find solutions that follow with those characteristics.

**Adams:** Thank you. Hi.

**Matt Iverson:** I'm matt iverson, representing myself as a resident of Portland and representing public harvest, that's dedicated to careful use of the commons and healthy community -- natural community and of the local population. What I wanted to bring to your attention is I guess the effect this would have on -- obviously it will have an effect on the water rates anyone pays but for burgeoning urban farmers trying to get going in this city, I mean, 85% increase in the water rates over the next few years is going to be a huge disincentive to those people to get started and the urban ag subcommittee and others in the office are working on rezoning and grant funding and other initiatives to support the growth of urban farming in the city and this is directly going to come smack up against people operating on really, really thin profit margins and that needs to be considered. As an individual, I would like to state that I live in Portland because I value that -- the system we have here and value what I see as a city and the people who live here, the initiative to be a model to the rest of the country and world on how to live sustainably and one of the things that we have there is the healthy functioning watershed in bull run and we need to preserve that if only as a model to the rest of the world on what they should be doing. Anything other than that would be -- it would make us look quite foolish if we claim to be leaders in sustainability. Thank you.

**Adams:** Thank you very much. Hi.

**Michael Morgan:** Hi. I'm michael morgan and I live in Portland. I fear that replacing the open reservoirs with underground storage would be a huge waste of money. Any change to our water system needs to be based on science and replacing the reservoirs as planned by the water bureau is not based on science. I would like to relative to the -- to -- refer to dr. Ward of ohsu and his letter to commissioner Leonard dated april 19th of this year where he talks about the importance of using science and surveillance information to determine whether the reservoirs need additional surveillance measures. He said we have excellence surveillance water quality data and epidemiological data that shows our current system provides safe water and he recommended that the water bureau request an extended It2 compliance time frame and dr. Gary oxman at the Multnomah county health department in an interview with kboo said we have a well designed and responsibly run system and excellent water and he has not detected any sign of illness associated with the current water system. So they would not expect fewer illnesses to occur after covering the reservoirs. I also agree with dr. Oxman where he said the best thing the community can do is come

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together and debate the issues honestly and openly and to be an active part of the process and that's part of the gift we can give to future generations of Portlanders. So i'm asking you vote against raising the water rates, stop approving lt2 compliance construction spending, direct the water bureau to request an extended lt2 compliance time frame for reservoir projects similar to that of new york city. And research alternative lt2 compliance options and in doing so, allow community participation and use science and carefully collected surveillance data to guide your decisions.

**Adams:** Thank you very much. Thank you all for your testimony. Appreciate it.

**Moore-Love:** There was jonathan dewitt or marcus chase were not here? Ok. Let's go with herschell.

**Adams:** How many after that?

**Moore-Love:** Berger is the last person who signed up.

**Adams:** Mr. Berger. We have one more seat up here if anyone wants to testify that didn't sign up. Thanks, please begin. Glad you're here.

**Tom Keenan:** Thank you. Mr. Mayor, commissioners, i'm tom keenan, president of Portland bottling and representing the ccic today. The city can spend millions less to comply with the federal lt2. The Portland discount has been steered into the program never being offered the opportunity to consider much less choose another less expensive option. Such as the treatment at the outlet. The city council can still make -- can still change the plan. The city has strong justification it pursue a reservoir variance with state regulators. Epa administer lisa jackson says if the state grants a variance, the epa would work to support the state and doesn't expect we would be working in opposition to the state. This will have an impact on business, jobs, quality of life and water. I venture to say that none of you may be commissioners today if you had listened to those who said it was impossible. We look to you to lead, challenge and make the decisions to fight the mandate is clear, can the city of Portland delay the unnecessary \$400 million reservoir projects? Yes. Can they obtain a variance? Yes. Thank you for your time.

**Adams:** Thank you very much. Ma'am?

**Rose Marie Opp:** My name is rose marie. I'm the chair of mill park neighborhood association and we've had many meetings about this topic and the people in that area are very concerned about the water rates and the serious degrading of our drinking water. What i'm going to testify now is as an individual. Because I want to bring up this whole matter of this road we're on which I think very well could lead to privatization. I'll read from the food and water watch, an article called "money down the drain." greedy multinational corporations are after your water and if you don't stop them, it could cost you a lot of money. Privateers may be dropping around your town hall. Your town is sitting on a gold mine, your water supply. Corporate executives know this. And they may be trying to weasel control of your water from your -- weasel water from your city or town. Corporations may exploit your struggling city because the crisis. Cities and towns across the nation are going broke and large corporations are offering large sums of cash in change for control of our valuable drinking water. And our wastewater systems. You might know what's happening in your own community. Your mayor or city council could be cutting a deal behind your back or trying to sell off control of your water without telling you. We've seen it happen far too often. Now I hope that's not the case here, but this whole matter of privatization and debt is something that I want to -- and debt is something I want it bring up and that's why i'm asking you to stop these projects, right away. Because we need to stop act accumulating debt. We do not know about the uncertainty of the economic picture. Internationally, nationally or locally and stopping the projects would be the best thing we could do at this point. The debt issue is very big. I see the variances as a -- as a temporary measure, however i'm concerned it allows spending to continue. A waiver is what our community and water deserves to end this lt2 rule.

**Adams:** Thank you.

**Opp:** Permanently. Thank you.

**Adams:** Thanks for your testimony.

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**Michael Wilson:** Hi, i'm michael wilson. We don't need to be afraid of the epa. We need to stand up for what's true. And there are a lot of people here that have made excellent points. We have science on our side. And so we, the people, are behind you 100% if you stand up to the epa and just don't -- don't cooperate with them on the lt2 rule. Yeah, we can go ahead and ask for waivers and variances and that sort of thing but to spend another dime correcting a problem that doesn't exist, we need to stop that. You have the power as our elected leaders to rally the public on your side. You have a large group of people here today and it's just -- it's not even half of a percent of the people who would be behind you if you decided to stand up to the epa. So there's nothing to fear. It's a kind of david and goliath situation. The public opinion in the united states would be on our side 100%. There's nothing to fear here and we need to stand up to them and stand up for the truth. Which we have on our side, and stand up for our pure water.

**Adams:** Thank you, sir. Thank you all. Thanks to everybody who testified. We're going to -- we're going to have -- do you want staff to come up? So staff could come up for questions and answers. Council discussion. Commissioner Fritz.

**Fritz:** Thank you, everybody, for testifying and staff, for your patience. Director shaff, what are the consequences if we don't comply with the schedule that we submitted? What's the fine, what are the timelines for consequences?

**Shaff:** Under the safe drinking water act, the potential fines are in the neighborhood of I think \$5,000 a day. Presumably, they would be -- for each of the individual reservoirs at some point I calculated it out in the neighborhood of potentially \$64 million a year. It's -- we're away from -- a little ways away from that. The epa indicated question they originally approved the schedule that we would have to take immediate steps to begin compliance, and that we had to put together a scheduled that milestones that they would be able to enforce. So I can't tell you today if they missed the first milestone of beginning the construction on powell butte what they would do, but we would be in violation. Long-term, if the city council were to somehow decide we simply aren't going to -- we simply aren't going to comply with lt2, they have the ability to intercede and in effect, take us over. That's a long ways away as well -- a long ways away. On april 1, 2014 if we haven't built the treatment plant, we won't be supplying drinking water that meets state and federal regulations and in violation of all 19 of our wholesale water agreements. I don't know what the remedy would be. But every one of those wholesale providers would have a remedy. At the same time, since -- if we aren't in compliance with the safe drinking water act, presumably everybody who uses it as a customer or part of their business, could possibly have issues. I'm thinking, you've got safeway and fred meyer who have sprayers over their vegetables. They're going to be using water that doesn't meet --

**Fritz:** That's 2014, right?

**Shaff:** Right.

**Fritz:** I'm wondering about --

**Shaff:** The reservoirs, I can't tell you what happens on june 2nd if we haven't started construction on powell butte. What the state would do.

**Fritz:** June 2nd of this year?

**Shaff:** Yes, that's a deadline.

**Fritz:** What was the july 5th deadline you mentioned also.

**Shaff:** Excuse me?

**Fritz:** You mentioned july 5th as another start date.

**Shaff:** Right, our deadline is June 1<sup>st</sup>, 2005 and we anticipate on july 1 there -- we'll be moving forward.

**Leonard:** 2005.

**Shaff:** Did i? Sorry. 2011.

**Fritz:** Knew what he meant.

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**Shaff:** 2011. We're coming to you to award the construction contract for powell butte next week. That starts the construction. So we will be in compliance if we do that.

**Fritz:** If we award the contract and find we can get a delay, what happens to the contract?

**Shaff:** If we can get a delay, I don't know what happens to the contract.

**Fritz:** I think that's something that I would like to know. There's a number of things that I know we have to approve a rate today. In order to be able to be in compliance with the state financing rules is that correct?

**Adams:** We have to send -- to make amendments today. The actual vote --

**Fritz:** Make amendments. [inaudible] I don't have enough information to be able to know what the rate is, in particular, looking at omf's analysis of your rate and looking -- I do have the five a year forecast. I don't have the 10-year, I misspoke earlier. But looking at the deferred rate increases which are, 5.7% this year, 5.9 the year after and 4.3% the year after that. I'm wondering why the biggest bump is this year. What are we paying for with that 5.7%?

**Shaff:** If I can give you -- I can give you -- i'll send you a spreadsheet that shows the deferred increases from the very first year of deferral through the end of the deferrals.

**Fritz:** I have that, but I don't know what i'm buying with that money. What level of service, what -- what particular items are we funding with that increased rate level which was -- the increased rate level, the maintenance and staff were hired back in '06, '07-08 and we used that reserve fund -- whatever it's called. The rate stabilization fund to pay for that. Why are we going for 5.7% instead of averaging out the next three years to 4.95%?

**Shaff:** We could -- we could do that. But what would happen is that next year, that deferred increase would have to be higher --

**Fritz:** No, the average of the three years. 5.7% this year -- and it comes out to about 4.95%. It wouldn't be more next year. It would be more the year after. Hopefully we'll be more out of the recession and people will be --

**Leonard:** To be clear, he gave you the exact answer. You have a smaller increase this year, you'll have a larger increase in the third.

**Adams:** There are seats in the front here.

**Fritz:** What am I buying with my 5.7% increase I wouldn't with a 4.95% increase?

**Shaff:** I guess the answer is I would have to make -- I would make adjustments to -- I would have to make adjustments -- if you don't approve a 12.9% rate increase, then I have to make adjustments to my operating or capital budget. I can't tell you what I would of to cut in order to meet the rate increase you do approve.

**Fritz:** Can you come back later this afternoon to give me the information so that I can make -- either make an amendment to lower it still further or not?

**Shaff:** You'd have to tell me what my new target is.

**Leonard:** I mean, that's fine, but we then are on the fly. Making cuts that have been through a very diligent process beginning in september of 2010. And i'm not sure to what end. I mean, if we're simply suggesting we're not going to approve the rate increase -- ok, but I don't know that at this point, we can go back and after having spent nine or 10 months getting to this stage, and spending quite a bit of time just finding the 1% the mayor asked, spent probably 10 days working on that list.

I mean, I get it's a very popular thing right now to sit here and I appreciate people saying we'll have an open and collaborative dialogue. Unfortunately, that's not been my experience. Some of the people that have testified here today I had back in 2006 sit in a room and help pick the attorney. I said my only guideline was, you all, including floy jones and scott hernandez, and Kent Craford, two of whom are here, pick the attorneys and my only boundary was pick the best you think are the attorneys to challenge this in court and picked a firm in boston and I offered to fly them back to Washington d.c. when the case was argued. All of the points you're making today were articulated by the best law firm, according to the people sitting out there today in front of a court in Washington d.c. And I offered to pay those folks' way and listened to the oral arguments and we

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lost the case. The public utility review board has recommended unanimously and I might say with some indignation, we want the reservoirs covered, we don't think we need to treat the water, which we agree with and we're in a variance process to do that. Not to have the water treated but the -- the -- the process we have used has been one of the most open, collaborative processes I think this city has ever engaged in and got us to the point where, yes, today we have to make a decision and, yes, there are people still saying what they're saying notwithstanding the facts are different and it's time to make a decision and time to move forward and unfortunately, that day comes when you postpone those days, that day, it still comes and we're here and it's today we have to decide to move on and -- I was passing the laws in the united states congress, I would have voted differently than what our reps have done. But i've talked to senator merkley numerous times and he's gone to senator barbara boxer, the chair of the committee and she said I will not allow a hearing on that bill or anything to that subject to exclude Portland and so every avenue that exists, we pursue and continue to pursue avenues with the state. But we have a timeline we have to stick with.

**Fritz:** Thank you for that clarification. The 3.5% increase for It2, the mayor clarified is 1.8% for treatment and 1.7 for transfer of the reservoirs and seems likely we're going to get the variance for the treatment, however not by the end of the afternoon. So what i'm thinking for that piece of it is to have a budget note next week that we will evaluate the alternatives to the timeline and the treatment related to the It2 portion of the rates and if we get relief, that rate increase which we have to decide what the number is today, would then be applied to the rate stabilization funds and distributed in the following years for rate reduction. I think that's from what I deduced the only way we can move forward on what we're asked to do in setting the rates and being responsive to the requests we've asked to pursue with the state. The other big piece of the rate increase, is the deferred rate request of 5.7%. And john gibbon testified on behalf of the purb and subcommittee they could not pass the endorsement of 13% because they didn't agree with the increase in deferred maintenance. My question is what do I -- why not even out those -- the 5.7, the 4.9 and 4.3 for this year and 2 years after given we're in the midst of the worst economic crisis of my lifetime and many are struggling to pay bills, why choose to pay the costs now? There may be an answer to that. If you can give me a list of the projects and staffing is for why we need to pay the 5.7% now rather than evening it out and increasing the 4.3 in '13-14. But right now I don't have enough information to say that the 5.7% is justified.

**Shaff:** The 5.7% is paying for decisions that the water bureau and the council and the budget committee and the purb made in 2007-08. 2008-9. 2009-10. You can say I don't want to pay for that now, I want it pay later. But that's one of things that everybody is complaining about. We should have paid for it back then. You can defer but you're going to pay for it, it's not free.

**Fritz:** What am I paying for? What am I deferring?

**Leonard:** David, didn't you take out bonds to have projects done that were decided in 2006, 2007, 2008? That got paid for out of reserves that no longer exist and now that money needs to be paid for?

**Shaff:** Yes, there were cip projects that we increased. We increased our maintenance back in 2007. Our whole sale contracts, we're paying for those decisions through our deferrals. Our demand, it's not one individual item. It's a whole list of items which I think we have shared with you in the past but i'd be glad to share again that says in 2007, we made these decisions. It had this rate impact, we deferred and spread them out. And then 2008, did the same and 2009, the same thing.

**Fritz:** I understand that and I appreciate commissioner Leonard's question. Did we do it by bonding and we're paying back interest.

**Leonard:** When we signed the new contracts we get less revenue than we used to get

**Shaff:** Most of it was not cip. Most was operations or things like the wholesale contracts or things like the demand reductions. So, yes, there's some, but most of it is not cip related. It was maintenance, it was from my operating budget.

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**Adams:** You're saying just to put a fine point on commissioner Fritz's question. If you were to -- what is the dollar amount difference of smoothing over -- you've got 5.7, 4.9 and 4.3, we've got the highest increase now and increases of a lesser amount in '12 and '13, and is it -- just it really restate your question so I understand. If you were to take the average increase of those three years and it brings down a little bit the increase the first year and raises it in the out-years, I don't quite understand your answer it with require you to retool your operating. The intention, I think, in the question was you would get the same amount and what are we missing?

**Shaff:** No, if you -- if you say I want to spread that out, then you'll reduce that 5.7 to 4.9. That's .6% -- That means I'd have to reduce my budget by about \$600,000.

**Leonard:** What does that impact?

**Shaff:** Well, i'd have to figure that out. It's hard to tell you how i'm going to cut \$600,000 out of my operating budget at this moment.

**Adams:** Could you say not \$600,000 and cip would be in the second year --

**Shaff:** That's not -- \$600,000.

**Adams:** Operating -

**Shaff:** In order to generate that much -- .6 of a percent in --

**Fritz:** .8.

**Shaff:** Thank you. .8 of a percent in a rate from an operating budget, it's about a million dollars per cent -- per percent. That's around \$800,000. I'd have to cut significantly more from my capital budget to get that same .8% rate benefit.

**Hasson:** About \$8 million to \$10 million.

**Fish:** Can I jump in with a question, mayor? I appreciate the discussion. David, the bulk of the testimony I heard today involved objections to the increases over the next five years, the so-called 85% increase. Focused on lt2 compliance. So I did not -- there was some testimony that hit other pieces of your proposed budget, but the primary focus was on lt2 and listened carefully to the crayford group and others. That seems to be the piece for us to look at. You may have done that in an earlier hearing but it would be helpful if you reminded me. It's a proposed 85% increase over five years. If you took lt2 out, but you had everything else in here. It would then be -- what? -- a proposed what increase over five years?

**Hasson:** Approximately 60%.

**Fish:** 60%?

**Hasson:** Approximately.

**Fish:** Ok. That's helpful.

**Saltzman:** Versus 85%?

**Hasson:** Versus 85%.

**Fish:** So that's -- that's -- from the testimony, that appears to be the focus of most people's concerns. Commissioner Fritz has raised the question of whether you could -- has raised the question of whether you could change the sequencing of rate deferral stuff and of that 25% over five years, how much is attributable to the treatment side? I didn't -- I apologize, i'm not trying to put you on the spot. But I'm trying to understand the numbers.

**Adams:** While you're looking, do you have any other questions? I do want to take a break.

**Fish:** That's fine, mayor.

**Leonard:** He'll find the answer.

**Fish:** I had a companion question.

**Hasson:** Adding it up.

**Fritz:** In answer to david's question earlier, I would like to see if we had a .8% decrease in the increase in the deferred rates, what operations and maintenance would I be deferring to '13-14?

**Adams:** So -- did you have a question?

**Shaff:** I think david has your answer.

**Hasson:** It's a little less than 10% --

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**Fish:** I'm sorry, 85% increase over five years. You take It2 out altogether and down to 60% increase over five years. If you -- if you -- if you just take out treatment, then the increase over five years would be?

**Hasson:** Approximately 75%.

**Fish:** 75%?

**Hasson:** Back of the envelope, yes.

**Fish:** And -- ok. That's over a five-year period so that does not take into consideration what may happen if we're successful on any of these other applications over that period of time?

**Shaff:** Yes, and that was a point I was going to make coming back to commissioner Fritz about the budget note and what happens if we get the variance. You have to keep in mind that the variance is not free. The cost -- we, instead of having capital costs we'll have o&m costs. Operations and maintenance costs. They will be significant because we'll be doing intensive sampling and lab analysis. We're going to be having to hire people in order to keep and maintain that variance. So we will be thrilled if we don't have to spend that capital money, but we are going to be spending money to maintain that variance. Not a one for one.

**Fish:** Last comment, on the communication I received, I want to be clear, on the objections to the proposed rate increase on the water side, what the bulk of the concerns have to do with what you identified, the 25% part of the 85% increase. That's really what will come back, we'll be talking about after the break.

**Adams:** Do you have a question or comment?

**Saltzman:** I guess my question is just was it a significant development that this decision has been delegated to the state department of health by the epa and if so, if that's a significant development, have we fully tested the parameters of what may be available to us at the state's decision? I know we talked about the transcripts and kboo and all that. But gets back to the question, what have we asked the state. That's what i'm confused about.

**Shaff:** Ok.

**Adams:** Let's pick that up. We're in break for a half hour. [recess]

At 1:46 p.m., Council recessed.

At 2:20 p.m., Council reconvened.

#### **Item 466 continued.**

**Adams:** A programming note, we have a 2:30 time certain, if approved by council it significantly moves forward our efforts to complete an initial agreement to bring a new company to town. So, I apologize for those of you that have been waiting, but it means we will pause in our discussion of rates to do the discussion of bringing a new company to town, at precisely 2:30, even if we're in the middle of a sentence. That means you director Shaff.

**Shaff:** Yes sir.

**Adams:** It's 2:20, we were talking water rates.

**Leonard:** David Shaff, We have I think the most, at the water bureau, exhaustive -- in september, we start our processes. The -- the budget advisory committee recommended a series of cuts that -- they agreed to the cuts. I didn't recommend the cuts to the council, but they are in all fairness cuts that have been vetted with all of the public members and private sector members and through our separately appointed board that would accomplish the -- david, do you want to go over that?

**Shaff:** Sure. When the water bureau budget advisory committee got to the point where we were over our projected rate of 13% from where we projected last year, we proposed lowering our projected rate by just about a percent by looking at our non-mission critical list. The list that the purb has for the five years I've been here we've been talking about, and of the things on the list we looked at the things above and beyond what would be considered standard or usual in the industry. One is our low-income program. Our low income discount is 50%, and that is, as far as

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we know, the highest and most generous in the country. We looked at lowering that low income discount for water only, to 25%. Our crisis voucher is \$150, We looked at lowering that to \$50. That achieved us .9% of a savings.

**Fritz:** How long has that program been in operation?

**Shaff:** It went up to \$50 in the last few years. Dave, do you have that? The program has existed for a long time. But the 50% discount is not brand new but relatively new. It went up.

**Fritz:** I agree with commissioner Leonard's decisions on all of those decisions of the package that came with that 1%. What i'm interested in is with the deferred rate increase and the maintenance and operations, what do I not get if we do a 4.9% increase each of the next three years rather than 5.7, 4.9 and then 4.3?

**Shaff:** You're asking me to cut operations and maintenance as opposed to things like the non-mission critical ones. I'm not prepared to do that.

**Adams:** Commissioner Fritz, if I could just ask that director shaff get through his list and then we can return to that line of inquiry. Can you speed through this please?

**Shaff:** Sure. If the -- if reducing our low-income program doesn't fit the needs of the council, i'm spending \$1 million on decorative fountains. As a matter of fact, the council just gave me two more new ones that all but tripled the pumps that I have to take care of which gave me absolutely no additional money to do it. That is \$1 million. I can trim back the decorative fountains, either by operating them less per year. Shut them down in the winter, shut them down for longer. The sdc waivers, I spend \$285,000 on sdc waivers. Community gardens, I budget \$20,000 to provide water to two community gardens a year. All of those things are non-mission critical that aren't related to providing water to our customers.

**Adams:** That adds up to what? A percent cut --

**Shaff:** Well, if you add up all of them, it adds up to well over a percent. The decorative fountains are \$1 million. That is over a percent. Low income discount, .9 of percent.

**Shaff:** The director fountain across the street from the fox and the nato legacy fountain on waterfront park.

**Adams:** Where the saturday market is.

**Shaff:** Yes.

**Adams:** Okay.

**Shaff:** So, yes, I can do that. I can trim anyone of those non-mission critical items in order to come up with --

**Adams:** The bureau would still run with all of that gone is your point, right?

**Shaff:** Yes.

**Adams:** We would still be providing water service if we shut all of that off.

**Shaff:** Right.

**Adams:** But it would be noticed.

**Shaff:** It would be. But if I stopped answering the phone, that would be noticed. If I stopped replacing hydrants, that would be noticed.

**Adams:** Fair enough. How would you respond to the criticism of that being on the list as a Washington monument --

**Shaff:** They're the things that the citizens budget advisory committee and the Portland utility review board have been saying to the council for several years. You should be looking at, that is what the auditor's office looked at. Sure, they're Washington monuments, they're what make us Portland. The reality is that they're less important than replacing hydrants. Less important than making sure that water quality is protected. The argument that you have heard today all has to do with we don't want you to build these lt-2 projects. If it were not for lt-2, I wouldn't be sitting here for hours on end. That is the reality. If you tell me that you can't get a 12.9% increase, you can only get x, that is not going to change what the people sitting behind me all day today have argued about, unless you decide to defy the federal government, you know, that is something that you

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have to move forward on. So, I would have to adjust elsewhere. What I'm telling you is I would adjust in the non-mission critical areas. You had a question, commissioner.

**Adams:** We do have a 2:30 with special guests from out of town. And it is about job creation. So, even if you are mid-sentence at 2:30, we're going to pause and take the agenda item. Please continue.

**Shaff:** I was going to answer your question about significant development. I think potentially it is. And the reason why I think it is potentially a significant development that dhs now has primacy, the federal government, as some of the people have said, does have a one size fits all rule. Oregon isn't quite as rigid. For instance, we comply with the lead and copper rule in a manner that the epa does not like or support, but Oregon does. So I think we have a better chance than we did on our variance application for treatment than if we were going in front of the epa. The epa has all but said that we would deny it. And we will recommend to Oregon that Oregon denies it. So, I think we have a better shot --

**Saltzman:** And what about storage?

**Shaff:** Well, the storage is --

**Saltzman:** Maybe not so much what we do, but maybe the timing of which we do it.

**Shaff:** We would have to have a reason. What Oregon has told us that a legitimate reason would be something along the lines if you have something that happens during construction of these complex projects and you can't meet the deadlines, then we would be willing to talk. We would have to have a reason like new york did to say that deadline doesn't work for us anymore. We want to change it. I don't have that reason. Now, perhaps other people will say, you know, what about this, this, and this? The primary reason that I have heard is cost. And this -- when congress modified the safe drinking water act and told the epa to create an lt-2 rule, they said you may not consider cost in your rule-making. That will apply to Oregon, too.

**Adams:** And this is a good place for us to pause. Thank you. Unless there is objections from council, we will take a recess from this item to consider our 2:30 time certain.

**Fish:** Before you do the title, may I just -- because there is some stuff later on and I want to make sure that people know, if you could play traffic cop for a second. For example, I have some bureau stuff at the end of our regular agenda and it may be we're not going to get to it today. Is your intent to run council through as long as it takes today to get to the agenda? So, 5:00, 6:00, if necessary.

**Adams:** Correct. We don't have council tomorrow. Please read the title for the 2:30 time certain.

### **Item 505.**

**Adams:** All right, we are seeking city council approval for a deal to build solar power next generation solo manufacturing facility. About four weeks ago we heard from the state and solopower that the company was interested in looking at other sites than their initial site near wilsonville. And the following week, solopower's executive teams toured sites in Portland and I and chair scott andrews, and my staff toured their solopower facilities in san jose. The past two weeks, we have worked with the state, and I want to underscore our thanks with -- for the state's efforts and staff in partnership with city staff, pdc, Portland bureau of transportation, office of management and finance and the city attorney's office to put together an incentive package and complete our due diligence. In short, this is a very collaborative effort among a lot of partners and was done with a great amount of speed and agility. The then film panels that solopower manufactures weigh far less than traditional glass covered solar panels, and can be installed directly on the roof. Solopower's potential investment is \$340 million. They're expected to hire more than 150 workers within the next 12 months, and 481 employees at full build-out. The average annual salary for employee is estimated to be around \$51,000, plus benefits. Initial operation will require about 200,000 square feet. When fully operational, it will be 400,000 square feet. With that

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introduction, i'm pleased to have -- we have I think three quick panels and we're going to start with tim. Ceo of solopower, tim harris. Welcome.

**Tim Harris:** Thank you very much. Good afternoon. My name is tim harris. I'm the ceo of solopower. Thank you. I know it is another perfect day in Portland, and I think we will take credit for that now, two trips in a row and we're bringing the weather with us from california.

**Fritz:** Thank you.

**Harris:** So, solopower has spent over the last six years \$150 million on a multiple years of -- management team developing this next generation solar module. This module is 260 watts of power, weighs 13 pounds, and not only lightweight but flexible and perfect for any rooftop application throughout the world. Made in Oregon.

**Adams:** Uh-hmm.

**Harris:** So, these lightweight and powerful modules are optimized for an under serviced, very large and fast-growing market. The commercial and industrial roof top market, a key market in the u.s. And worldwide. This unique product is produced with extremely cost effective world-class manufacturing process and combined with innovative support from the state of Oregon and city of Portland will enable us to manufacture modules here in the states and ship throughout the world. We are proud and pleased about that. We have chosen Portland and reaffirmed our choice of Oregon as our manufacturing headquarters based on the quality of the people and the established ecosystem of support and suppliers for our manufacturing processes. This is also helpful that Portland is a short flight from our first production and our development facility in san jose. And that Portland is a beautiful place that people are happy to spend time in or even relocate to. It is really nice added benefit. Of course my family and I spent five years in malaysia, so having people fly 1.5 hours to Portland is easier than that. It is a big plus. We expect to produce over 400 megawatts of modules per year. This is one of the very low-cost rooftop applications where the panels are adhered directly to the roof. The project is budgeted at \$340 million. Very, very big commitment. We expect to grow the team from the initial 150 people for our first line to 500 people with full factory. In my experience, and we have done this repeatedly throughout the world, the real benefit is not only the direct jobs but the multiplier effect of spending this much money locally. So, this is very high technology. It has got great -- in terms of the invested capital dollars per watt, but it is a very complex process with multimillion dollar pieces of equipment. Which on the whole is really a good thing. We have absolute minimal number of assembly-type jobs, minimal handling jobs, but what we have are thinking jobs, intelligent and flawless execution maximizes performance. And this requires excellent people in extensive and ongoing training and commitment. The existing enterprise zone is very helpful, we made commitments on jobs, living wage compensation and benefits. It has been my experience, opening factories throughout the world, our team will work to be valued and valuable members of this community. I think this is a huge win-win for solopower and for Portland. Thank you very much.

**Scott Andrews:** Thank you, tim. I'm scott andrews, chairman of the Portland development commission. I am going to start by trying to do a very complete explanation of the incentive package. Ken rust is here to explain the guarantee portion of it and then I will close our very brief presentation. The intensive package actually has three -- incentive package has three pieces with it. Two the city of Portland and pds is involved -- pdc is involved with. That is the loan that the state a requiring city to provide a \$5 million guarantee on and ken will be giving you the details with regard to that guarantee. There is also \$20 million in betc, which is investment tax, a state program. It is actually worth probably about \$14 million in cash. The last and most important piece locally is the \$17.9 million expected return from the enterprise zone property tax abatement, and I think that is the one least well understood. Enterprise zone is a state program. There are 90 of them I think in the state of Oregon. Several of them in the city of Portland. The location that solar power is looking at is within one of these zones. The -- it actually provides for

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an abatement of taxes on the new equipment. Nuances, but it does not reduce taxes on existing facilities or equipment. It lasts for five years. And at the end of the five years, everything goes on the tax rolls as though it was there on day one. It is not a check up front, it is a -- it is the ability not to pay income taxes on this monster investment of equipment basically and construction to be able to build the plant to begin with. I wanted to point out that as a requirement for solopower to access their u.s. Department of energy loan, they're required to have a clean balance sheet. What this means is they are eligible to take the loan down at -- when they complete the first line, and have a working product, which they expect to have next spring. At that point, in order to build the next three manufacturing lines, they will need to pull down the federal loan and the federal loan will require them to pay off the state loan. So, we think that there is very little bit of risk associated with this. They have an operating demo line in san jose which I have had a chance to see which actually has licensed output. They are selling these out of this plant. They have a couple of years of production for the first line that's already in the pipeline, it's sold. There are customers for this. And as a matter of fact, I have had several folks come up to me and once they've seen this, who do I call? I want to buy this stuff. It is really fantastic. So, those are the pieces in place. Again, the enterprise zone, existing program. I wanted to point out commissioner Fritz that I met earlier in the week and she wanted me to point out that this program is available to any company currently in Oregon, not in Oregon, not in the united states, that would bring manufacturing jobs into the zone, they would qualify for this just like anyone else.

**Fritz:** We have other vacant sites that people would be welcome to.

**Andrews:** Yes, we do. With that I will turn it over to ken to explain the guarantee for that.

**Ken Rust:** Thank you, chair andrews. I'm ken rust, I want to talk about the loan guarantee aspect which was one of the more challenging pieces of this financing puzzle to put together. The reason it is challenging, for a city to provide a guarantee to a private company always creates tricky legal issues with regard to lending and credit. The reason why it was important that we provide this loan guarantee, the packages -- the package of incentives and the financing structure that have been developed in wilsonville had a loan guarantee and had a loan guarantee provided by the federal government because of the rural location of wilsonville. Don't ask me how it qualifies, but it did. With that being said, that was an important part of the financing structure. We needed to replicate that if we wanted to be successful in bringing solar power to Portland. Working with the city attorney's office, and also with pdc staff, we looked at how we could provide a guarantee that did not involve nontax revenues. That becomes a key distinguishing factor. The available meter revenues associated with the city's on-street parking meter program. We have pledged available meter revenues to various obligations that are already outstanding, and although we have never drawn on that, and by doing so, we are able to create the guarantee and do it in a way that it also protects the finance interest -- we are offering a state subordinate to bonds that are outstanding that have a pledge of those revenues already. Pbot -- the selp loan would be in front of that particular obligation that they have. We are not going to have a reserve fund established up front. Available meter revenues total about \$12 million net of the cost of collecting those revenues. It is a very substantial annual cash flow that should be more than sufficient to make good on the guarantee, if necessary, and we believe that the likelihood of that is extremely low. But in order to protect pbot in the unlikely event there is a draw on the guarantee, we will enter into an iga with pdc, where pdc would agree to replenish the amount spent by pbot on other transportations projects that are happening in an urban renewal district. One project that we're looking at that could be a potential backfill for that, the redevelopment of the parking garage -- a way to make a guarantee to the state. If it is drawn upon, pbot is back stopped by the pdc which basically shifts the ultimate obligation to the economic development agency, Portland development commission, which we think has a lot of symmetry with what we're trying to do to bring jobs to Portland. In the unlikely event that we were asked to draw on it, pbot is protected and

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it is part of the program of trying to bring jobs to the city of Portland. I think it was a good, satisfactory conclusion, and I am happy to bring that forward to the council and pleased with the quick work by the city attorney's office in order to help make this happen.

**Andrews:** Any questions? If not, I, too, want to thank Ken and the city attorney, our staff. When Sam and I met with the principals of Solopower initially, as long as they found a spot in the right district, we were not worried about the property tax side of it, but we knew it was going to take some quick, creative, and good thinking, with regard to loan guarantee in a very short period of time, and everyone has done that. It has been a great job. This company's decision to join Vestas, [and other companies]-- it -- it underscores the value of having a targeted, clear, economic development strategy. I can't overemphasize enough your approval of that first strategy in a decade has time after time after time paid off, and this is one that I can point to as well. City's quick response, our partners at the mayor's office, at Pbot, at OMF, the state of Oregon, Bruce is here, it was an amazing effort to save this company to stay in Portland. Clean technology has always been an area of focus since that economic strategy was developed, and with Solopower's announcement, we are taking a huge step forward in our effort to create the most sustainable economy in the world. Portland is in the forefront of clean technology in the United States, and these industry leaders know that. I had an opportunity to accompany the group on the visit to San Jose, and I could not have been more impressed with the entire tour. We had a chance to meet the entire executive team. And if you get a chance to see their resumes, their experience, their background, it's just absolutely outstanding from having built plants from scratch in Malaysia to taking start-up companies to tens of millions of dollars in sales, to raising money, 15 -- no, 25 current patents -- 19, and I heard 45 more in the wings which will protect the intellectual property here and make sure that at least over the next few years, there won't be a close competitor. I can tell you, I am very confident that this company is going to be around for years to come and would hope that you would help us and pass the ordinance necessary to make this happen.

**Adams:** Thank you. Why don't we proceed with our panels and we will have questions at the end. Thank you very much. Nick.

**Fish:** So moved.

**Fritz:** Second.

**Adams:** Moved and seconded. Any discussion? All right. Karla can you call the vote.

**Fish:** Aye **Saltzman:** Aye **Leonard:** Aye **Fritz:** Aye **Adams:** Aye.

**Adams:** We'll hear Next from Sandy McDonough --

**Adams:** Director Quintin, are you testifying today? Okay. Welcome.

**Sandra McDonough:** Hello. Mr. Mayor, members of council, I'm Sandra McDonough, president and CEO of the Portland Business Alliance. I'm here to support the loan guarantee and other incentives that would enable Solopower to locate its new manufacturing headquarters here in Portland. Over the past couple of years, Alliance has focused on increasing the awareness of the need to grow private sector jobs and retain the ones we have in our region. Over the last 12 years wages and income have fallen relative to national average -- this isn't good for families in our region or state and it is not good for public services. Oregon is an income tax dependent state, if we want great schools, open spaces -- we need good jobs that generate healthy family wage salaries and income tax revenues that our state depends on. That pyramid is the strongest if the base is made up of high value private sector jobs. Initially we will benefit from the great construction jobs as the site is prepared. I'm sure John will be talking about that. And then when the production starts, there will be about 170 jobs as you heard, and could grow to as many as close to 500. These are really great manufacturing jobs paying an average of \$51,000 a year. Moreover, they're traded sector jobs, they will bring new wages into our region and those dollars can then -- those dollars can be spent at other local companies which will benefit the whole economy. This is consistent with the city's economic development committee. It is a huge win for our region. I want to thank the officials in Clackamas County and Wilsonville and business

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Oregon who initially talked to Solopower about coming to the greater Portland region. When the site became unworkable that were reasons outside of the control of officials in Clackamas county, I'm proud that Mayor Adams, Portland Development Commission, other city leaders and all of you stepped up quickly to provide a site that will keep the great jobs in Oregon. A great win for Portland, our region, and our state. I want to congratulate all of you and urge to vote for the ordinance today.

**Adams:** I want to thank you and your team for providing us advice as well as we sought to do this -- so thank you.

**McDonough:** Thank you.

**Jonathan Schleider:** Good afternoon. For the record, I'm Jonathan Schleider, executive director of Westside Economic Alliance which serves Washington county and western Clackamas county and that includes the community of Wilsonville. I'm very pleased to sit shoulder to shoulder with my colleagues here. Because this is a win for the region. We would have preferred it be on the west side perhaps, but this is good for the region. I congratulate you and congratulate you for this opportunity to bring this employer to Oregon and to our region. I -- I can point to examples of manufacturing companies in the Portland metro region who once they locate here, economic multiplier benefits go well beyond the jobs that they have indicated are coming your way with this ordinance and opportunity. Intel in 2005. Nike in 2005. City of Hillsboro -- Clackamas county in 2010, metals and machinery manufacturers in 2010. Intel again in 2011 -- you get the point. A number of companies have all studied what their contributions to the communities are when they expand and locate in a given community. The multiplier benefit is well beyond the reach of this company and the services, supplies, and support, business and economic development that it allows in your community and in this region. In the economic indicator sheet I just passed out, we faced grueling statistics. In our region, 87,000 people unemployed, 37,000 here in Multnomah county alone. This is a great opportunity to plant the flag for green and sustainable technology, innovative technology, manufacturing employment in the Portland metro region. I congratulate you for this opportunity. And I urge your support for the ordinance.

**Adams:** Thank you, sir. Commissioner.

**John Mohlis:** Good afternoon Mayor Adams. I'm John Mohlis, executive secretary of the Oregon State Building and Construction Trades Council. I'm here to urge you to take the steps necessary to allow Solopower to locate in North Portland. I would like to thank the Mayor and City Councilors and their staff and Chair Andrews and the PDC staff and all of the other staffs that the folks to my left mentioned that I don't know who they are, but all of the hard work that everybody has put in to bring us to this day today. I also would like to second Chair Andrews' remarks earlier about having focused economic development policy that I think benefits us all in being coordinated and laser sharp in what we're trying to do around here and you can see it paying off. All of you know how difficult the last couple of years have been. I know all of you know that the construction industry has been battered harder than anybody else. Over the last six months with Intel ramping up, we have probably went from 35% of our members being unemployed on average down to around 30. Some locals are maybe getting close to 25. But I would want to reassure the folks from Solopower here today or any other company that is looking -- that is either here and looking to expand or coming in from out of the area and wants to build a facility, that anything that you can dream, that you can draw, that you can put on a piece of paper, we can build it. And that is with local, skilled, knowledgeable contractors and a local, skilled work force of apprentices and journeymen and women. Anything you throw at us, we can build it. Thank you.

**Adams:** Amen. Thank you all very much. Appreciate it. Last invited panel, David, PCC, Rockwell, Paul Riggs, and who am I forgetting? Is that it? Welcome.

**Dr. David Rule:** Thank you, Mayor Adams, Commissioners. I'm Dr. David Rule, on behalf of our district president and board of directors, I am here to speak in favor of Solopower coming to Portland. PCC has a long tradition of effective collaboration with industries, helping them design

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curriculum specifically for their needs. And since last Friday and the press conference announcement, we have moved from emails, now moving to phone calls and setting up tours of our training facilities for this company. And with that, we are delighted to bring these jobs to the greater Portland area and we stand ready to partner with Solopower in any way possible.

**Adams:** Thank you, Mr. President. Mr. Riggs.

**Paul Raize:** Mayor Adams, Commissioner Paul Raize, local council here, 15 construction unions representing 15,000 construction workers. 30% of those unemployed just like John said. Thank you for having the foresight to bring this plant here. It would have been terrible to see it slip away. Many of us in Wilsonville promoting this and saw it unwind and it would have been a horrible blow to the area. The initial construction jobs, we have the people to do it and that will put them to work, but the residual effect of having a plant here that will employ up to nearly 500 people, really sets into motion the economic program that you have laid out which is very simple, jobs, economy, and quality of life in the Portland area. Thank you.

**Adams:** Thank you, sir. Thank you. Has anyone signed up to testify on this matter?

**Moore-Love:** I did not have a sign up sheet.

**Adams:** Does anyone wish to testify on this matter that did not sign up? Alright, Karla would you please call the vote on the item which has been substituted?

**Fish:** This is the final vote on the matter now.

**Moore-Love:** Yes, this is an emergency.

**Fish:** So, I want to just begin what will be a chorus of thank yous from the folks up here. First and foremost, I want to thank Mayor Adams who has made job creation the center piece of his administration and that is reflected in the work PDC is doing and the budget priorities that he submitted and it is reflected in the action that we're poised to take today.

Congratulations for your leadership. I want to say something about Scott Andrews. Scott has a tough job. When he goes to timber games he gets rained on a lot.

**Adams:** Couldn't get better seats?

**Fish:** It is the one row in from the roof. Scott has been a superb chair of the commission and a great partner of the council. Not sure how he does his day job because he spends so much time here briefing us and working tirelessly. Scott is not compensated for his work. He is a volunteer leader who is doing a superb job. Thank you for your leadership. A couple of years ago this council following the lead of the mayor and with my full support separated out housing and economic development. There were skeptics in our community who wondered whether that was the right thing and whether that would leave stronger or weaker. I think time has shown that was a master stroke. Because about 70% of PDC's time was spent doing the housing side of the ledger and that left not enough time to deal with the economic development side of the ledger. Today I believe that PDC is stronger and more focused on the job issue and I believe our housing bureau is stronger and more focused on meeting the needs of all Portlanders when it comes to housing. I think that was the right decision and I'm proud that the council gave this commissioner in particular so much support as we have gone forward. And finally, ultimately this is about jobs. And it is about prosperity and about people being able to provide for themselves and have the services that they need. The only way we're going to dig out of this hole is by creating good, family-waged jobs here. For all of us it is very inspiring when both labor and business come together arm in arm and say we're doing the right thing. Our goal is to meet the needs of both communities, to create prosperity in taxpayers and also put our folks back to work and give them opportunity. This day belongs to the mayor and to PDC. But I want to just thank everyone who worked so tirelessly and welcome Solopower to Portland. Aye.

**Moore-Love:** Saltzman.

**Saltzman:** I, too, want to thank the mayor and Portland development commission and Solopower, Wilsonville, West Side Economic Alliance and everybody who has helped to keep this good company from going elsewhere. And I do think it is definitely a solid job, solid contribution to

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our tax base, and to opportunities that our residence so desperately -- residents desperately need right now, in the future, and long term future if we want solopower to truly develop into the giant that I think we all believe it will become in this industry. It certainly has got the product that looks like it is going to be a clear winner, certainly the flat panel, very flexible solar cells in front of us are something that looks like is going to set the new trend for the industry and make it easier for a lot of buildings to go solar that in the past couldn't because of the weight loads associated with the existing solar arrays. This was really a significant step in our future and it is part of our clean green future as well. I'm very pleased to support this. Aye.

**Leonard:** I think it should be apparent to all of those that have watched the story unfold as to how solopower ended up here, that it does require leadership. We use that term a lot. And I don't know that people always define for themselves what that means, but this is an example of leadership, especially as it was manifest by Scott Andrews and our mayor, Sam Adams. I appreciate the work that went into making this happen. Aye.

**Fritz:** Even the Oregonian editorial board lauds Mayor Adams for this proposal you know it's got to be good.

**Adams:** One of the seven signs to the end of the earth -- expect locusts over the west hills any minute. Sorry.

**Fritz:** Quite All right. Thank you Mayor Adams, for your leadership on this. It is wonderful. It is also a sign when the only emails I get are also laudatory, which is good too. We have the enterprise zones, one of the best opportunities I believe that we have, and we do have vacant signs in enterprise zones, so to those who feel this is a special deal, there certainly is good work that has been done by Ken and Linda to make sure that the loan backstop is available, but the enterprise zone itself is a state program, as Chair Andrews said, and it is one of our best researched products, too, that we don't get the income unless the company moves here and then it creates really good jobs and we have done studies to show that, indeed, it does. There are additional benefits that are required for the employees. It is a great tool and it benefits everybody. So I'm really glad that we had it available and that Mayor Adams was able to go and offer solopower a home when Wilsonville wasn't able to -- I do appreciate the West Side Economic Alliance coming to recognize that it is a regional issue and regional jobs we do need. The Mayor and I work hard on the Metropolitan Advisory Committee to look at things in a regional manner. The more we can collaborate and celebrate when we do things right the better. Thanks to the Portland Business Alliance and PDC and Community College and others for their great work on this and solopower for bringing a good product and great jobs to Portland. Aye.

**Adams:** Ryan and Tim -- where did they go? Way in the back. Thank you, thank you for your willingness at dinner to entertain the idea that in two weeks we could come up with a deal. At least the outlines of a deal that would persuade you to stay in the region. You didn't have to do that. You had other options. So thank you for making the investment that you are. To Bruce, thank you for facilitating that as well. We really appreciate it. Collin Sears and Andy and Patrick as well, but we really appreciate your work on this. I know you have chased this company for years. I wouldn't say, you know, restraining order, but it was -- I know you never gave up. And you were supportive of Wilsonville when they were focused on Wilsonville but you stayed in touch and I really appreciate that. Skip Newberry on my team and Peter Parasot and Rayhanna on the Mayor's Economic Development team, I appreciate the good work as well. A bureau that doesn't often partner on issues like this, but the Portland Bureau of Transportation was very flexible and willing to be a partner on this unusual backstop, and I want to thank Director Tom Miller and his team for the willingness to do that. Finally, I want to thank Chair Scott Andrews who I think will go down in history as the best PDC Chair we have ever had. Your business expertise is incredibly valued, and Commissioner Fish said, I'm really grateful you're able to spend as much time at this as possible. Because you are making a huge difference in an area, as you have heard from others that this city really needs. Aye. Congratulations. That deserves a

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clap. [applause] back to the regularly scheduled program. We're back on item -- yeah, thank you.

**Returned to Item 466.**

**Adams:** We were in the middle of a conversation with director Shaff and team. The decision before the city council today is on the rates, the rates only, and whether for both water and sewer and then garbage and then I believe -- the question is, first reading, reminder. The question is what are those rates going to be? Are there any amendments that anyone wants to offer? We're focused on water right now. We will come back to BES -- before we go to garbage and permits. Thank you. We're in conversation.

**Fish:** I think you answered my questions.

**Fritz:** I still haven't had an answer to my question of what operations and maintenance and I buying with 5.7 this year, versus if we were to have a 4.9% or 4.3% rate this year and then have the higher rate in '13, '14 --

**Shaff:** You are not buying anything. You are paying for decisions we made in the past. They are increased maintenance, wholesale contracts, reduced demand, cip projects, all of those things that we decided in '07, '08 -- '06 -- '07 --

**Leonard:** Can you break that down and take it to the next level and relate that to the rate? I think that is the missing piece that is happening.

**Shaff:** So, back in '06-07 --

**Leonard:** I think we all understand that. And I -- I can explain it, but I want you guys to explain as though you are explaining to a person that's for the first time coming and asking, translate why those decisions then mean the deferred rate increase now, if you understand what I'm asking?

**Shaff:** No. Sorry.

**Leonard:** So we're paying today for decisions, for example, deferred -- excuse me, the water contracts --

**Shaff:** Right.

**Leonard:** Just take that as an example, as an example, break out just approximately what percent of that deferred rate increase that is and explain why that impacted our rates today?

**Shaff:** Okay. Well, we made the decision to compromise on the water -- the wholesale water contracts --

**Leonard:** Explain what that means.

**Shaff:** Well, we gave a higher rate of return to the --

**Hasson:** Accepted a lower rate of return on the -- on what the wholesale customers were paying us --

**Leonard:** Paid us less money.

**Hasson:** Less money. And in exchange, they signed long-term commitments with guaranteed purchase quantities.

**Leonard:** Why is that showing up in the rates today and why was that deferred to today? Explain how you did that.

**Hasson:** That was less money. Okay. So we had a choice. We could raise the rate then to cover that on --

**Leonard:** I'm sorry, I'm going to break this down so that we go step by step. When you say then, we signed the contracts in 2006, right?

**Hasson:** 2006.

**Leonard:** Then we were all of the sudden, when we signed the contracts, and I'm not asking these questions because I don't know the answer, but I'm asking these questions because I do know the answer and I'm trying to help you walk through this so there are more than one person that heard a member say today I'm voting against this because I don't understand it. What I'm trying to do is illustrate by this one point. And if others want to extrapolate to other examples, we can do that. We are going to use the same process -- in 2006, we signed wholesale contracts which ended up

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having the wholesale customers like tigar, rockwood, gresham, others, pay us less money than we used to get and that we depended on to keep our rates as low as they were.

**Hasson:** That's correct.

**Leonard:** We could have in 2006 come to the council and asked for more money from Portland rate payers to make up for the amount we are no longer getting from our wholesale customers, but instead we decided to do what?

**Hasson:** Instead we decided to use our fund balances to provide some basically one-time money to wait and incur the rate increase later.

**Leonard:** Why were those fund balances so high that we had balances to use then?

**Hasson:** It's a combination of factors. I don't know the exact answer

**Leonard:** There was no nefarious reason?

**Hasson:** No, no, no. It was just what it was -- sometimes we under spent compared to what we had planned. Sometimes revenue was exceeding our -- various factors.

**Leonard:** Water bureau found itself in a place where it had an option to spend down money in a savings accounts, let's say, to subsidize for the lack of money that we were now receiving from the wholesale customers.

**Hasson:** That's correct.

**Leonard:** And so today you are saying we've spent our savings account, and we still have the same ongoing costs and we still don't have the income that we thought we were going to get from the wholesale contract, so we need to reflect what we no longer are able to draw out of our savings account into an increased rate which is part of that 5. something percent.

**Hasson:** Yes.

**Leonard:** Is that example applicable to each of the items --

**Hasson:** The same concept applies to all of those items that combined make up the 5.7%.

**Leonard:** When you are asked, okay, if I want to -- these rate increases again, where as five years ago, four years ago, three years ago, you could have drawn from the savings account, the reason you're saying today we have to reduce services is you don't have the savings account any longer. So you have to pay today for the services you received today and you can't subsidize the rates with an account somewhere.

**Hasson:** Basically correct. We do have some money in our savings account still. But we don't want to draw below prudent levels.

**Leonard:** Why?

**Hasson:** In case of unforeseen expenses.

**Leonard:** What is an example of an unforeseen expense?

**Hasson:** We have -- we have a very hot summer and we have to run groundwater for a very long period of time beyond what's budgeted. Might have to dip into our savings for that sort of thing.

**Leonard:** What does groundwater cost to run compared to water from the bull run?

**Shaff:** Water from the bull run is free, and groundwater is pumped.

**Leonard:** Why does that cost more?

**Shaff:** Because you have to pay for the power.

**Leonard:** How much does that cost?

**Shaff:** I don't have a per gallon figure.

**Leonard:** Do you know how much per day?

**Shaff:** No. I -- i'd have to get -- have to come back to you and tell you what the number is.

**Leonard:** It's Hundreds of thousands of dollars.

**Shaff:** Yes, it's fairly significant.

**Leonard:** And if you have a main break.

**Shaff:** A main break is something -- i'm not sure what your question is related to a main break.

**Leonard:** I'm anticipating questions that are going to be asked in order to come up with creative ways to reduce the rates beyond what you have. What i'm trying to get on the table here, if you do

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have reserve funds, you need it to pay for emergencies that may occur, groundwater is one of them, it costs a lot of money to run the generators. You may have a main break or series of main breaks, catastrophic failure of one of the three lines that come to Portland from bull run.

**Shaff:** Our goal is to have 45 days worth of operating funds available to us. And generally we have that. We -- we have dipped below it --

**Hasson:** Briefly once in recent years.

**Shaff:** Go ahead.

**Hasson:** And having that level of prudent reserves that you don't go into on a regular basis, is part of the reason that we have a good bond rating and --

**Leonard:** My next question, to what extent do those reserves reflect our triple a bond rating?

**Hasson:** Significant item, not the sole item, but a significant item.

**Fritz:** How much of the deferred increase did we borrow to pay for whatever we paid for in those three years?

**Leonard:** Did you borrow or draw down on existing funds?

**Fritz:** Did you issue bonds to pay for any of this?

**Hasson:** We do not issue bonds to pay for any operating expense, and most of the items, not all of them, but most of them were operating expenses. Very little that was capital and bond funded.

**Leonard:** Some was bond funded.

**Hasson:** A small amount. I don't have the number in front of me.

**Leonard:** Some of this deferred rate increase does pay for the repayment of bonds?

**Hasson:** Of bonds, yes. That debt service has been ongoing since the bonds were issued --

**Leonard:** But you don't know what amounts.

**Hasson:** I don't.

**Fritz:** Thank you, commissioner Leonard, that's very helpful. I think my -- the final point that I don't understand is why we're going for 5.7 this year, 4.9 the following year and then 4.3 and why not average it out?

**Hasson:** We average out the totality of our factors causing rate changes so that we try to keep a total rate change approximately level. This is just one component within that. So other items that may be more erratic, balanced out with this.

**Fritz:** Isn't the lt2 going to go up if we have to do it, be more than 3.5 that we're projecting for next year?

**Shaff:** More -- in what way? It is 3.5 next year. It will have a different impact -- 13-14, bumps up to six in 14-15, and 4, 15-16. We tried to spread it out as much as possible.

**Fritz:** Is that all of the pieces --

**Leonard:** They do five year projections regularly. They can do 50-year projections if you would like. They would be completely unreliable. After a point, unpredictable factors that happen in the economy, such as interest rate, employment, other factors, contract -- wage increases -- I think it is typical for the utilities to do five-year forecasts, 10-year forecasts can be done. They're just not as reliable.

**Fritz:** Granted. I remember when bes did a big pipe project. It was laid out for citizens that it would be 20 years rate increases and we all said yes, we need to get the willamette clean.

Similarly, if we move forward on the plan for -- if we have to do that, that is supposed to be done, what is the end date for lt-2 compliance?

**Shaff:** Absolute end date is going to be december 31st, 2020, when Washington park is taken off line.

**Fritz:** Do we have the rate projections through that point?

**Shaff:** We can provide you with what we think the rate projections will be that far out.

**Fritz:** That would be helpful, thank you.

**Shaff:** With a huge caveat and asterisk that says we're, you know, we don't think they're very reliable after a certain period of time. But we will do that, yes.

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**Fritz:** Thank you. That would be helpful. My final question on this, I think, do you have an assessment of deferred maintenance? Do you have catching up to do to replace 100-year-old pipes the way --

**Shaff:** Oh, absolutely. I have to go back to our asset management presentation that we did a couple of months ago, but sure. I mean, we have -- we have a lot of needs that we're not meeting. We are treading water. We're not making progress. But we're treading water. And we have a system that is getting old, but as Mike likes to say, Portland is a good place to be a pipe. So, we have -- we don't have our -- our infrastructure is not falling down around our ears or breaking constantly. We have -- we absolutely have what we call funding gaps. And we have a plan that our asset management plan that actually goes out almost 50 years, and says here is what we need to be doing over these next several decades.

**Fritz:** And is that included in the projected rates, 2020 for example?

**Shaff:** It is in -- it is in our five-year financial plan. We haven't gone beyond that in any way, shape, or form.

**Fritz:** If I could get the information by next week --

**Shaff:** We will do that.

**Leonard:** To be clear, this is stuff that I had the water bureau at my request bring to council, since I've had the water bureau -- we had an asset management plan this year that had a number of hearings and a number of subjects and we will have more, and it's complicated stuff, but we have been providing this information in a number of venues.

**Fritz:** It would be helpful to have it all.

**Leonard:** Okay.

**Fritz:** For the budget.

**Shaff:** We can do that.

**Fritz:** Thank you.

**Adams:** Other discussion? Okay. So, again, today is not a vote on the rates. Today is a first reading. So, is there any other discussion on water rates? All right. Then we are going to move to some folks that have been waiting a very long time. And that is the revised solid waste and recycling collection rates. We come back to the issue of what goes in the approved budget for water, sewer, and my request for additional cuts.

**Bruce Walker, Bureau of Planning and Sustainability:** Mayor, can I join them at the table. Mr. Walker --

**Adams:** For water sewer --

**Walker:** Solid waste, yes.

**Adams:** Absolutely.

**Walker:** Thank you. Mayor Adams, commissioner, I'm Bruce Walker, solid waste and recycling program manager for the bureau of planning and sustainability. I'm here to recap the rate process briefly and the recommendation before you. We conduct an annual rate review of the services provided by franchise garbage haulers to residential customers. We are proposing a 2.3% rate increase. Here comes the handout.

**Adams:** We have to read the title.

**Walker:** Sorry.

**Adams:** My apologies.

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**Walker:** Thank you. Our rate is -- I will use as a -- the most common service we have in the city of Portland is a 32 gallon can that is picked up weekly. Monthly charges proposed to increase by 60 cents per month, and the primary reasons for it are, not surprisingly, fuel. Increased fuel that the haulers are going to be paying. And they're also disposal of garbage will increase at metro transfer station. Those are the primary rate drivers, if you will. Offsetting that is hauler efficiencies that they have had over the past year. And improving recycling markets that provide greater revenues

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that are collected from the blue carts. So, that's the good news. It dampens some of the rate increase. These are our proposals. We have done extensive analysis. It has been a fairly rushed or late developing rate. We just finished this up last week. And I know that John from -- that John wants to touch on that. I brief synopsis, I know it has been a very long --

**Adams:** Thank you, Mr. Walker.

**John Gibbon:** Because it developed so late, per se -- we moved the meeting to the first week of May so that we could vote on the issues that were before us and those kind of things. And we just -- they -- solid waste was there. Brought us all of the information they had right then. It wasn't a final proposal. We didn't vote on it. Obviously in the future we're interested in solid waste rates and we have talked to you about it at our work session earlier this year, even going farther. So, we don't really have a proposal for you on it, but we're briefed on it, and we're --

**Adams:** Thank you.

**Gibbon:** Thank you.

**Fritz:** One brief question.

**Gibbon:** Certainly.

**Fritz:** It is interesting that the weekly collection goes up 60 cents, but the monthly collection goes up 45 cents. So, if this is a lot to do with fuel, which I think most of us understand that it is to do with fuel costs, if you are only doing one pickup a month instead of four, why would the difference not be proportional?

**Walker:** That is a good question, commissioner. A couple of factors go into it. There are multiple collections that the haulers provide. It is not just the garbage that is getting collected, but it is also the --

**Fritz:** Recycling.

**Walker:** The weekly recycling, and the -- every other week yard debris. The fuel costs are still substantial and the disposal -- there is slightly more garbage in a monthly customer's can, if you will. So there is a higher disposal component.

**Fritz:** Thank you.

**Adams:** Does anyone --

**Saltzman:** The market for recyclables is improving?

**Walker:** It is improving. That is a very positive sign and it is reflected in the rates.

**Adams:** I apologize, I have to move this along. Any council discussion on any topic not raised this far? Does anyone wish to testify on this matter?

**Moore-Love:** No one signed up.

**Adams:** Move to a second reading. Can you please read the title for item -- first reading nonemergency ordinance 504?

**Item 504.**

**Adams:** Sorry to keep you all day. I apologize.

**Adams:** We will as folks assemble and I will turn to commissioner Saltzman here in a second. We will for a program note, unless council chooses otherwise, we will bureau of financial planning I think is having their final conversations with counsel and bureau staff on the 1% reduction. So, from here we will start at 492 and work our way through the regular agenda items we have not yet done and when they're ready, we will hear that item. Commissioner Dan Saltzman.

**Saltzman:** Thank you, mayor. First reading of the bureau of developmental services -- the has been -- is -- this new fee schedule is key for the bureau's financial recovery. Advisory committee, whose chair could not stick around. She was here earlier today. We have a letter in support of the fees. Out of these conversations we have come out with the current service levels that are being proposed and the fees to support those. Adequately meeting customers' needs and we are trying to overcome that by restoring positions as the fee climate improves, but we also are -- we're asking for general fund assistance, too, in areas like housing inspectors. But it is important to note that bureau of development services has implemented many efficiencies, streamlined the central

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services and actually cut programs that were useful but not mandatory for the development process. So, I'm going to now turn it over to the director Paul Scarlett and business operations manager, Denise Kleim.

**Paul Scarlett, Director, Bureau of Development Services:** Thank you commissioner Saltzman, good afternoon Mayor and commissioners. Paul Scarlett, Director for Bureau of Development Services. I am pleased to be in front of you to present on the bureau's fee increase proposal. The bureau of development services continues to promote and is eager to ensure that development is built safely and contributes to the city's livability and economic vitality. Our challenge is with our operation which is predominately funded through permit fees. However the fee proposal that's in front of you, we believe is reasonable, it's realistic and it does connect with relative issues. There are some challenges we continue to pursue. Such as, the fees will assist in continuing to assist us in meeting cost recovery, and in maintaining prudent reserves. And also to promote and ensure improved customer service, as well as to increase, as much as we can, efficiencies and effective programs. Historically BDS has reached out as commissioner Saltzman says, to industry partners and customers, in collaborating on our operations as well as dialoguing on the fees that are appropriate. I'm looking at Commissioner Leonard, who I have to give a lot of credit to, in the six years he was my commissioner, and commissioner of Development Services. We went extensively with our customers and reached out in dialogue and talking through about what fees provided and we have found over the years that our customers and industry partners are willing to pay the fees provided there is a direct correlation that, that the services are provided. Unfortunately, over the last two years, that balance hasn't been met, as you are aware, the recession, unfortunately, less fees were brought in due to the, the economic downturn. However, the amount of work kept coming in at a disproportionate amount relative to the fee, so our service levels were impacted. And in moving forward, we still have an eye on, on improving our service levels. The fees that, that are listed, which, in general, 8% fee increase, in total, it's about, about \$1.6 million that it will generate, and the anticipated growth rate is another 3% to 4%, which will generate about \$900,000. So, \$2.5 million, additional revenues in place this year, that will help bring back staff. And that's pretty key to improving the service levels. And in terms of what the breakdowns are, and how the programs really lay out, we have, as commissioner Saltzman said, we have done a lot of work in streamlining, our operation, certainly, started with commissioner Leonard, and continuing with commissioner Saltzman and whether it's bundling inspections, so we have efficiencies in reducing overtime, and, and in pursuing technology, as part of, of how to connect with the customers more efficiently, and, and our technology with excellence will allow for plans review and remotely and, and our inspectors to work more efficiently, that's something that's key. We were here several months ago, and borrowed money to, to allow us to operate and, and not be, not have, to have cash on hand in case there is a downturn on a daily or monthly basis, and that's also part of, of what the fee increases will help us to do is to pay back that obligation by the end of next fiscal year, so we're excited. Definitely, eager, and optimistic that the fee increases will be approved. We have met with over 20 industry partners, with letters or face to face meetings. Certainly not eager support, but there is an understanding given the challenges that we have at the bureau with providing services, certainly, there is internal inflation, salaries, benefits, whatnot, so we have to offset those costs. I will, I will turn it over to Denise to talk a bit more about the more specific program changes again, this is something that, we rely on. We're an operating bureau, 90% of the operation is supported, the other 10% is general fund. Thank you.

**Denise Kleim, Bureau of Development Services:** Thank you. Denise Kleim, development services, business operations manager. So, Paul gave a very good overview of the fees, and indeed, 8% is the overall increase for most of our fees, the site development program and zoning enforcement program are at 5% for the fee increase, the other thing that we've been doing over the past two years is really looking at the fee schedules themselves and looking within them to ensure that, that each permit comes closer to cost recovery. So, in many cases, it's not necessarily an

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across the board increase on each and every fee line, but is quite dependent upon the cost recovery of each of those fees. So for example, we have raised some of the lower fees and the building permit fee schedule because frankly, those were not bringing in the revenues to support the work and the cost. We have met with a number of groups, and I did want to mention some of them. We think it's really important to work proactively with our customers and seek their input, so we meet with, um, the plumbing industry and electrical industry, and go line by line through the fee schedule, and in the past, they have had some really good ideas for adjustments to make, but still that bring in the revenue, but our, are very helpful for them too, and we met with the Portland business alliance, and home builders, building owners, and managers, Oregon remodeler's association, and associated general contractors, northwest council, so there is over a dozen leaders in the industry in our construction industry that we meet with, and work with. Over time.

**Saltzman:** Thanks.

**Adams:** All right. Question, comments, discussions from council? Anyone signed up to testify?

**Moore-Love:** No one signed up.

**Adams:** Anyone wish to testify on this matter that did not sign up? All right. Thank you very much. This moves to second reading. [gavel pounded] That gets us to regular -- are we ready to discuss the 1%? Or we're still working on it? Let's do 468. Can you read the title for 468.

**Item 468.**

**Andrew Scott, Office of Management and Finance:** Good afternoon, Andrew Scott, financial planning. We had a bump, this is the spring bump, we had a bump work session last Tuesday where we went through a number of items, so I am not going to spend a lot of time on this today, but the memo spells out we're the major additions and reductions and movements are in terms of the funds.

I just want to note that between the work session and now, we did change the way that we are portraying a couple things so if you compare some of the reports from last week to this week, you may notice a difference, and I am happy to explain those, but most of that is technical. The big issues here, again, we're setting aside a significant portion of the compensation set aside for next year's budget, and that also includes the creation of a retirement reserve for retirement payouts.

There are some drawdowns on contingency, and then some carryover requests from various general fund bureaus and non general fund changes, as well, and I am happy to answer any questions on the bump, if we didn't cover it last week.

**Adams:** According to law 294 4-480, I open a hearing on the fy-10-11 spring supplemental budget. Is there any member of the public who wishes to testify?

**Moore-Love:** No one signed up.

**Adams:** I hereby close the hearing on the winter supplemental budget. [gavel pounded] Karla, can you please call the roll.

**Fish:** This has been a stellar bump process, and I appreciate all the time that you have spent with us walking through the various components. I don't know that they have certified the results yet in parkrose, but the bond measure was leading, and we can only hope that, that --

**Fish:** That in approving 100,000 so they can complete the ball field we can add to a banner day for our friends at parkrose. Thanks to my colleagues. Aye.

**Saltzman:** Aye.

**Leonard:** Aye.

**Fritz:** Thank you, Andrew, for your work on this budget adjustment, and Kezia Wanner was particularly helpful within the neighborhood involvement and in the office of human relations, and I want to appreciate her. I agree with Commissioner Leonard, Fish, that it's really exciting.

**Fish:** You refer to as Fish and I am Fritz, now you are referring to me as Leonard?

**Fritz:** Well, you know, it's a compliment.

**Adams:** Leonard-fish. [laughter]

**Leonard:** You're welcome. [laughter]

**Adams:** Because the two of us are bald right? [laughter]

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**Fritz:** \$100,000 – stop it, stop interrupting me, please. [laughter]

**Adams:** I apologize.

**Fritz:** That's right. The \$100,000 for parkrose high school will help them complete their soccer fields and it's a sign that the city council does care about parkrose school district, as well as about all our other school districts, and I particularly appreciate commissioner Fish's leadership on making sure that got done. Aye.

**Adams:** You can interrupt me now because I interrupted you now twice. [laughter]

Aye. [laughter] All right. It's not over yet though. Can you please read the title for emergency ordinance item 492.

**Item 492.**

**Adams:** Related to the good workings of the bureau of transportation. I am pleased to welcome you to explain what we're working on. What we're looking at.

**Christine Leon, Bureau of Transportation:** Good afternoon. Mayor and commissioners. I was planning to have one of my managers do this presentation to give him exposure to council, so if he walks in -- that's not him. I'm doing the first one first. What we have is a consideration to, to extend the, the, the lifting of the restriction that we have on how we assess the public works permit fees. Code combines us into, into collecting the actual fees for services. A year and a half ago, we brought before you a request to lift that restriction and do something different, and we have got that in place. It expires at the end of the fiscal year. We would like to continue it because we have not had enough permit case this is to make a determination if we want to do this permanently or not. Basically, it's the 30-60-90 review process that we've been using we're we give an estimate at the 30% level of design, and at the permit stage, if the costs have exceeded that, the cost of the city's review, we don't require the applicants to submit any more money. If the estimates is such that it results in a below estimate, if it results in a cost refund to the applicant, we will give that to them at permit issuance. So, that's what we want to continue with for the next fiscal year.

**Fritz:** Remind me of your name and job title.

**Leon:** I'm sorry, yes, I am christine leon from the bureau of transportation, and I am the development services street systems manager, or management, division manager.

**Fritz:** You deserve to have the credit for the great work that has been done on this project. I really appreciate you coming to tell us about it, and, and we did say that we were going to look at this annually to see whether it needs to be continued so I appreciate you coming to give us our report.

**Leon:** Thank you.

**Leonard:** Apparently, we have to do an amendment? Did I hear you right? I need to do this amendment you passed out? I don't see the mayor present.

**Leon:** Ok.

**Fritz:** It's just adding more.

**Leonard:** Ok. Can we just move the amendment and adopt it? Can -- Did we move the amendment?

**Fritz:** I move that we amend the original order just passed out to you add the revenue paragraphs have more specific information.

Leonard: Seconded. Moved and seconded, Karla, please call the roll.

**Fish:** Aye. **Saltzman:** Aye. **Leonard:** Aye. **Fritz:** Aye.

**Leonard:** Amendment becomes part of the main ordinance. That will be an emergency, should have been read. Is there further discussion?

**Moore-Love:** No one else signed up.

**Leonard:** If not, please call the roll.

**Fish:** Aye.

**Saltzman:** Aye.

**Fritz:** Thank you again for your good work, aye.

**Leonard:** Aye. Passes. What's the next?

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**Moore-Love:** 493.

**Leonard:** Ok. 493.

**Item 493.**

**Leonard:** We had four. He's not present at the moment. I'm the presiding officer and I have declared him not present. If that helps. So, um, so this is the first reading, 493?

**Moore-Love:** Yes.

**Leonard:** And do we have somebody from PBOT?

**Ron Geason Bureau of Transportation:** I am ron geason, the manager of business services with PBOT.

**Jan Wallace, Office of Management and Finance:** Jan wallace, financial analyst.

**Leonard:** We're on 493.

**Adams:** Thanks.

**Geason:** We're here to answer any questions.

**Adams:** Major changes?

**Geason:** No, I don't think so. We have a very active budget advisory committee. And who saw these fee increases and approved in january and february. Management and finance has approved, as well. We're sensitive on the development services front to be client oriented, and we have, as a result, in this budget put about \$116,000 of additional resources into development services to try to keep those fees down. Parking fees are, basically, flat. We talked to you about the parking garages and this was our intent. And we're honoring that. And we have a pretty rigorous system of going through almost time and motion studies in terms of looking at what it cost to process permits, what the real cost is in terms of the lost revenue, on on street parking. Slots, and so very modest fee increases. On the development side. They are related primarily to, to cost of increases in salary and benefits. Most of the fees are flat, and on the other hand, there is, there is, the result of the time and motion studies so I think that there are minor increases, pretty flat, so there is not anything that we want to draw your attention to.

**Adams:** Discussion from council.

**Fritz:** Is what you just said, there were no changes in the garage or meter parking?

**Geason:** That's correct.

**Fritz:** Thank you.

**Mayor Adams:** All right. Why don't, while I have you here, it was a surprise to some of us to read in the local media outlet that we had, that there is less for paving streets in the budget, and it was juxtaposition because we boosted funding for bike projects. Now, when we put the budget together I thought that we, actually, increased motor vehicle projects by 120% of funding. Is that your understanding?

**Geason:** With the increased funding with house bill 2001, projects for paving and motor vehicles did go up in absolute terms. Projects for bikes and peds also, also went up. So, there are no dollars being slashed. It's a slight distribution of the extra revenue in house bill 2001, that's right.

**Adams:** Great. I'm sure we'll see it on the front page of the paper tomorrow. [laughter]

**Geason:** Looking forward to seeing you again.

**Adams:** Yes, thank you. Moves to a second reading.

**Moore-Love:** No one signed up.

**Adams:** Thank you. I just assumed. It's only employees in the office. Oh, no, and purb folks. Can you please read the title for item 496.

**Item 496.**

**Adams:** This is a very important thing that is of significant importance. Is there any, anyone on the council that would like to ask me a question about it?

**Fish:** Which number?

**Adams:** 496. Hearing none, does anyone wish to testify on 496? Moves to second reading next week.

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**Fish:** May I have a request, a mercy request?

**Adams:** Yes, of course.

**Fish:** [inaudible] Director Van Vliet has been here four times today, can we jump to 501 and 502 please?

**Adams:** Karla Could you read 501 and 502 emergency ordinances.

**Item 501 and 502.**

**Adams:** Mr. Nick Fish.

**Fish:** Thank you, this is straightforward but the distinguished director, Margaret, will just give us a brief overview on each item. Welcome, Margaret.

**Margaret Van Vliet, Director, Housing Bureau:** Thank you, Mayor Adams and commissioners, so 501 and 502 are similar to an item considered by you a few weeks ago where we sold homes in the Interstate area to another development company. And so, they were selling five homes in Lents, it rose CDC, and, and, um, six homes in Lents to Amethyst development. And these were single family homes that were purchased as part of the way to meet the home ownership goals and the 30% set-aside. Once they came into our possession of PHB, we worked through competitive process and offered them for sale, and so, we have got proposals from these development companies. And the finance is explained in detail in the staff report. In short, what we're doing is providing 100% acquisition financing, which will be repaid into the area budget whether the homes are sold by the developers. And in addition we're providing funds for renovation and development expenses, averaging \$61,000 per house, and that amount will be forgiven when the homes are sold to eligible buyers in order to make them affordable. Final sales prices for the renovated homes, we believe, will be in the area of \$130,000. Some will be higher and some lower, of course. And the only other thing that I would highlight for you is, is that both of these development companies have, have made a strong commitment to contracting with minority owned firms, and we expect them to, to well exceed our policy goals for minority contracting, and both, also, have made a commitment to selling the homes, affirmatively marketing them to families of color. In the Lents neighborhood, in which they reside. We're feeling good about the prospects and will recycle some of our investments. Questions?

**Adams:** Just a friendly suggestion that clean energy works, which is, council created effort at, does the, I don't know that they will qualify but, does the analysis in, and offers on the financing.

**Van Vliet:** We'll take a look at that. Great suggestion.

**Mayor Adams:** Any additional council discussion? Anyone wish to testify on 501 or 502? Karla, can you please call the vote on both.

**Moore-Love:** 501, Fish.

**Fish:** The Portland housing bureau has put equity at the heart of its mission. And on the home ownership side, we have the goal of making the dream of home ownership accessible to people in our community, particularly first-time homeowners, and we have also developed a plan to, to tackle what we call the minority home ownership gap, that is the gap between, between rates of home ownership and, and the minority communities and the white communities. These properties were acquired by the Portland development commission, and were transferred to, to the Portland housing bureau, and in conformity with the policies of Margaret and her team have found what they believe is the best way to meet our bureau goals by dealing, by, by transferring them to trusted non profit partners, I'm sorry that Nick Sobe is not here today to, to, to join us, but, but, this I believe, is good for the Lents area, a wise use of taxpayer money, and meets the goals that this council has set. Thank you, for your good work, and aye.

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

**Fritz:** Thank you, Commissioner Fritz, aye.

**Adams:** Thank you, Commissioner Fish, Director Van Vliet. Great work, and perfect part of town.

Aye. [gavel pounded]

**Moore-Love:** 502.

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

**Fritz:** Good job again, aye.

**Adams:** Aye. Can you read the titles for non emergency ordinance 497.

**Moore-Love:** Did we do 496?

**Adams:** Yes it moved on to second reading. It was a fierce debate.

**Moore-Love:** 497.

**Item 497.**

**Adams:** Commissioner, we'll turn this over to staff.

**Jonas Biery, Office of Management and Finance:** Thank you. Good afternoon, mr. Mayor and commissioner, I am jonas, the city's debt manager and the office of management and finance, and the ordinance before you is something that council sees every year-round this time. And it's an emergency ordinance that authorizes around \$27 million of short-term tax anticipation notes that will bridge an annual cash flow, cash flow deficit for the fire and police disability and retirement fund. And fpd&r receives funding once a year in november from property tax receipts from the voter approved fpd&r levee, proceeds, spent throughout the fiscal year which leads to an annual funding gap, and beginning july 1, and until proceeds of the next levee come in november. And the notes, um, will be secured by the revenues from that upcoming november levee. And proposed borrowing will be repaid in no more than 13 months, typically on june 30, the last day of the fiscal year, and one other note is that this is a rare instance we're, we're the city, the federal government allows the city to, to keep all of it is earnings -- all of the earnings that we retain on the bonds so that upsets some of the borrowing costs.

**Leonard:** You said it was an emergency ordinance?

**Biery:** This is not, this is not an emergency ordinance -- i'm sorry, it is. It should be.

**Leonard:** Does it need to be an emergency ordinance?

**Biery:** I believe it's intended to be an emergency ordinance.

**Fritz:** Why? Is there any reason?

**Adams:** Would you introduce yourself for the record?

**Stacy Jones:** For the record, ok. Stacy, fire and police, financial analyst. And I don't believe it needs to be an emergency, does it?

**Biery:** From a timing perspective, we anticipate issuance in the early july and typically we would have council approval prior to posting the disclosure document, which will be mid to late june. Non emergency, second reading.

**Leonard:** So we should add an emergency.

**Biery:** If it could be done as an emergency.

**Adams:** Ok. Do you want to make a motion?

**Leonard:** I move that we add an emergency clause to it, and item 497.

**Adams:** Second.

**Adams:** And moved and seconded. Is there council discussion on the motion?

**Leonard:** I think the reason is so that there can be timely distribution of the funds for, for the fpd&r retirees.

**Adams:** To meet statutory deadlines.

**Fritz:** I'm disappointed because I was going to commend you for it not be an emergency ordinance. It does come every year and you have the time but I will support this.

**Biery:** Our intention was to bring it earlier in the calendar but we had trouble getting

**Fritz:** Try again next year.

**Adams:** Would you please call the vote on the motion to apply an emergency clause to this ordinance.

**Fish:** Aye. **Saltzman:** Aye. **Leonard:** Aye. **Fritz:** Aye.

**Adams:** Aye. Motion approved. Please continue.

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**Biery:** Finally, as I mentioned, we anticipate the, the bond sale will occur in July of 2011, and it will be sold via a competitive bidding process, as is typical, and I would be happy to answer any questions. Thank you.

**Adams:** Does anyone wish to testify on an emergency ordinance 497? Carla, would you please call the vote on 497.

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

**Fritz:** Thank you for your work and clarifying, aye.

**Adams:** Aye. [gavel pounded] 497 is approved. Can you please read the title for non emergency item 498.

**Item 498.**

**Adams:** Hi and welcome back.

**Biery:** Thank you, good to be back. I'm Jonas, debt manager, the ordinances now before you presents an adjustment to a previously approved ordinance. This is a non emergency ordinance, and subject to a second reading and subject to the requirements of ORS 287A.150 for revenue bonds. Council previously approved ordinance 184212 in November 2010. That ordinance authorized the total not to exceed borrowing amount of \$315.5 million for seven urban renewal areas, and ordinance 184212 also identifies the specific borrowing maximums allocated to each of those urban renewal areas. The ordinance before you today preserves the combined not to exceed borrowing amount of \$315.5 million. But increases, specific borrowing authority allocated to two urban renewal areas, central east side and Oregon convention center. As you remember, the city typically utilizes for urban renewal financing, funding through the line of credit, and that's backed by, by the, the city's faith and credit, converting those to long-term bonds once the balance is sufficient to justify the issuance, the long-term bonds are funded by tax increment revenues, and this ordinance, along with the prior one, 148121 authorizes the line of credit and the long-term takeout bonds. The proposed increases reflect adjustments to the project plans within the central east side and Oregon convention center areas, and this ordinance does not address the specific project expenditures which are or will be, will be approved through the budget process. But authorize the mechanism to find the approved projects. And be happy to answer any questions, and I apologize if -- we did intend to have pdc staff available but they were not able to be here this late in the day.

**Fritz:** This doesn't change the cap.

**Biery:** Correct, it is at 315.5.

**Fritz:** Which funds are going down if these two are going up?

**Biery:** What we intended is that by not identifying the specific area, subject to the reduction that provides flexibility to, to make those adjustments through project planning and budget cycles, and are without limiting up front, and a specific, a specific area.

**Fritz:** How will that decision be made?

**Biery:** It's made two ways. First, through the authorization of, the total authority, and two conversations with pdc. Many of the, of the 315 million, there is a, a significant balance, and we identified working with pdc, we're we believe the, the reduction will come from. But, the intention was that we not limit that through an authorization to maintain the flexibility of, as projects plans continue to be modified over the remaining use of this authority.

**Fritz:** I would like more information on that before we vote next week.

**Biery:** Ok.

**Fritz:** So I get more comfortable that we're not robbing Peter to pay Paul to taking one from one to another, we're are you thinking you have extra capacity that you are not going to need.

**Biery:** We can provide that specifically, and I can tell you that, that there are a couple of districts that have very, very large amount originally authorized by, by the original ordinance, for example, river district had 92 million, and we have not used very much of that to date. And there were a couple others that have a lot of remaining capacity, so there is, there is much capacity available to be used. We'll provide with the specifics.

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**Adams:** Does anyone wish to testify on 498? All right, moves to second reading next week. Please read the title for our third to last item, and that is 499.

**Item 499.**

**David Rhys, Bureau of Human Resources:** David rees, class and comp manager from the bureau of human resources.

**Adams:** Sorry to keep you waiting.

**Rhys:** Not a problem. This is the ordinance with, with once approved by the council, would, would increase the rates and ranges for non represented and elected officials. In a manner similar to those of our represented employees, all of the contracts currently enforced have a 1.2% cost of living increase associated with it. And this would make that same adjustment for the listed classifications for non represented and for elected officials. The money for, for this, this is in the, in the compensation, the compensation contingency and non general fund bureaus, and for general fund bureaus, the bureau fund set-aside. I'm here for your questions.

**Adams:** So I won't be take my cost of living increase. Does it provide for that?

**Rhys:** It has the flexibility for the mayor and the commissioners to, forego their cost of living increase, what we will do once this is passed is, is send each of you a, a, an email saying that if you wish to forego it, you can do this, otherwise the cost of living increase would be for each of the elected officials, mayor and commissioners. So that's one of the provisions that has been traditionally in this ordinance.

**Fritz:** I won't be taking mine. I did note somewhat to my chagrin if I took it I wouldn't make as much per hour as I was making at ohsu after 27 years of nursing.

**Rhys:** Your word is gold but we still will write you and we will still need something written back from you in order for you to forego it.

**Saltzman:** I thought it was 1%.

**Rhys:** 1.2% is the cost of living cpi that is, that was used. It is a Portland area cpiw for half year index, and it's the one that's signed in all our contracts.

**Saltzman:** The one in our contracts? I thought it was 1%.

**Leonard:** I would like to point out to my colleagues that, you are, in essence, donating your salary increase to the city, if you are to accept your salary increase, and then donate that same amount, to your favorite charity, it would have the same effect, except that you could direct money precisely to a charity of your choice.

**Adams:** All right, other council discussions? This moves to a second reading. Anyone wish to testify on this matter? Moves to second reading next week. [gavel pounded] Please read the title of, for non emergency ordinance 503.

**Item 503.**

**Adams:** Our regular sidewalk repair ordinance. I think that we have outlasted PBOT staff on this matter. Does anyone wish to testify on 503? Any council discussion on 503?

**Moore-Love:** No one signed up.

**Adams:** Moves to second reading next week, and that gets us back to the rate ordinances, which are 565 and 566. Yes. Mr. Scott.

**Moore-Love:** 465 and 466.

**Returned to Items 465 and 466.**

**Adams:** Correct. Legal wise we would need to amend water to change it from the 12.9 and we have to make a decision on whether, based on our earlier motion whether it's 5.5 or 6 for sewer.

**Saltzman:** We were instructed to come back, oh, they were instructed to come with what a 5.5 would look like versus 6%. I would like to speak to it.

**Adams:** Yes. I want to have them present before you speak.

**Andrew Scott, Office of Management and Finance:** Andrew scott, financial planning division. And you have two handouts coming to you. One is a Portland water and bes proposed rate reduction, comparison to hopefully clarify the conversation, and the second is, the fy2011-2012

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potential cuts to bes to get to the 5.5% rate increase, I will start with the water and bes proposed rate reductions, and what we're trying to do is make sure that everyone is on the same page in terms of what we are talking about. You could see at the top the bureau requested budgets, water, requested, 13.9% rate increase and bes 6.5% increase in combined --

**Leonard:** I'm sorry. I'm lost. So you are working off this sheet?

**Scott:** Yes. Top line, so the combined requested rate increase for both bureaus was 8.8%. And the mayor's proposed budget, 1% rate cut for each bureau, and so what we give is the rate, but we also give the dollars because I think in some ways when we're talking about rates, the impact to bes and water is different when we're talking about percentages so we'll talk about dollars, and then we are percentages, but, the mayor's proposed budget had 12.9% and 5.5%, and for water, they got to the 12.9, and they took a net reduction of 600,000, and they had a gross reduction of a million dollars. And again, 400,000 of that, was a reduction in the interagency payment between water and bes. Bes had, in the budget, 5.5% rate increase, and they would need to take 3.1 million of cuts in order to achieve that, and you could see in the combined, it would take the combined rate to 7.8%, and \$3.7 million in total reductions between the two utilities. What we have listed below the mayor's proposed are two alternatives. Alternative a would ask water to essentially take back that 450,000. You will note the numbers are rounded. And so that's why we're getting even numbers, but, it would ask water to take that back, and then would ask, and bes would take a 2.7 million reduction. And alternative b, which is what financial planning is recommending, would, for one year split the difference of the fountain discharge fees, and it would have water we need to increase the cuts to get it about 800,000, and bes would need to cut about 2.9 million. And again, keeping that 3.7 million constant to meet the mayor's proposed budget reduction target. You now, since then, I have also, on the 450,000, it was explained that of that cost 100,000 is being saved by turning off the bubblers and for more times during the year, so that's reduced water discharge cost, so really, the cost that I think will be split between water and bes would be the net, approximately 350,000, and so, it would be roughly 175,000, so we're using round numbers here, just to illustrate. But, what we would be asking is water to find an additional 175,000. Bes to find 175,000 above the 2.7 million. And again, that gets us to the 3.7 combined.

**Fritz:** Why isn't there a proposal?

**Adams:** I want to speak to this a bit. So, in 2006, bes started charging water for the discharge of unused water from the benson bubblers, and so, bes recognizes that this is certain principles of fairness, and one or the other, not paying -- paying their appropriate for the appropriate services rendered for both the decorative fountains and the bubblers, so, that's what i'm trying to accomplish here. Is, is just a certain amount of parity.

**Fritz:** My question is if we are trying to reduce the rate to the rate payer, they don't necessarily care whether it's the bes or water who is paying for the bubbler discharge, and the proposed 12.9% cut, you know, and I agree with the principles of fairness, but the 12.9% cut isn't a full 1% cut. For the rate payers. So, why does, why isn't there an option that specifies that?

**Scott:** I will just point out what we're showing on the net dollar cuts, so, not, not to sort of gross cuts so again, for, for the water bureau to go from 13.9 to 12.9, they need to reduce the expenses by approximately a million dollars. They have done that in terms of, of in the mayor's proposed budget, and reducing by a million dollars, what we're trying to illustrate here is 400,000 of that, as you mentioned, was just a transfer between the two bureaus, and which doesn't have an impact on the rate payers so in order to get that full joint 1% reduction to the rate payers we need a total of 3.7 million in net reductions between the two bureaus. So we're trying to do with this is illustrate that a bit more clearly. In terms of, of the conversation.

**Fish:** I know it's a long day you but the 1% you are describing is from 8.8 combined to 7.8. And it's, and it's, and it impacts water and sewer differently.

**Fritz:** It impacts sewer worse.

**Scott:** And sewer is always the larger portion of the bill. So 3.7 million reduction --

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**Adams:** It increases on a much higher bill and sewer. It's going to impact, plus or minus, it's going to be more amplified than the water, so when we hear the 85% increase in water bills, it's a different numerical amount than if we were to do 85% on the sewer bills. Ok.

**Saltzman:** I would like to speak to this. I guess i'm going to -- I appreciate talking about maybe divvying up the drainage charge from the benson bubblers differently. I'm still going to stand by my recommendation of a 6% rate increase for bes. And i'm doing that for two reasons. First of all, we took a good, hard look at bes's budget and came up with the 1.4 million in cuts. To get us to a 6% rate cut from, from, or 6% rate increase from 6.5%. I can hand out you the chart, there is no Washington monuments or anything like that. It's solid cuts to the bes budget. Secondly, as you heard earlier from bob sallinger and also from the Portland utility review board, they did endorse and scrutinized the proposed budget and the proposed rate increase of 6.5% for bes and they both endorsed that. And I think what's happened today has been sort of a total on the fly from, 10 minutes to 9:00 this morning, financial planning has been looking at external materials and services and coming up with, with I would argue more or less arbitrary recommendations to meet the rate reduction and I don't think that that's a process that has a lot of integrity to it, that's not how we should be doing things. Just as we didn't amend the water rates on the fly earlier when we had a hearing on that, and we heard david say he wasn't sure how it would affect rates but it would affect rates if we made changes. So I think we need to stick with the recommendation that I am putting forward of the 6% rate increase. It's lower than 6.5%. It honors the integrity of the purb and our bes advisory committee, and it avoids what I think is sort of rate-making on the fly, which I think is emblematic of we're we are at this point in the day so I would urge sticking with the original ordinance of 6%.

**Adams:** Well I'm ---

**Leonard:** I just need to be clear about what david was reacting to. Which was -- we're all tired and it has been a long day, but david reacting to was literally new information today about making the cut. Commissioner Saltzman, we received the mayor's direction the same day. And to take the 1% cut, and I am as unhappy as you were, and I understand why. I mean, you do run a tight ship. I believe the water bureau does, equally, an impressive job with its charge, and how it oversees its expenditures but we were both given the same amount of time to come up with the package that I came up with. And i'm not, Andrew, thrilled with your proposal today, but in the interest of, of compromise and hopefully bring us all together, I am willing to accept back some of those charges, that bes charges in the discharge and hopefully find some common ground here now that commissioner Saltzman --

**Adams:** I will speak to what you just said. We have asked for additional information from the bureau of environmental services throughout the process of putting together the mayor's proposed budget, and it has been difficult to get the information we requested, from your bureau. And I do think that, um, asking for cuts of travel, printing and postage, pte contracts, and \$6.1 million miscellaneous service line items is a higher priority. I think those cuts are more worthy than the additional increase in the rates. So, it's ok that we have a honest disagreement, it is absolutely my prerogative as mayor to, take all the recommendations and including yours and, and purb and your advisory council, and your bureaus, and come up with my proposed. So, you are welcome to vote against it. But I don't think sort of casting aspersions on it, is necessarily helpful. We have tried to get better information from your bureau, and we have not succeeded to the degree that I would like. And I think that that is a major contribution to having to do this today.

**Saltzman:** If I may speak in response to commissioner Leonard and mayor Adams. Commissioner Leonard, your original way to achieve your 1% cut was to, to shift \$450,000 in the drainage fees to bureau of environmental services and we didn't object to that. The only difference is we found out two minutes ago that all of a sudden that's not an obligation that we carry. Whereas you knew about it over a couple weeks ago, and secondly, I think that --

**Adams:** I don't understand.

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**Leonard:** I don't understand that either.

**Saltzman:** Up until this point, we've been looking at a 1.4 million dollar cut plus an ongoing revenue reduction of \$450,000, so, you made in essence a half percent cut to water, and anyway, I don't want to belabor that, more to the point, though, is, is coming at the last minute, and looking at travel, miscellaneous expenditures, p.t.e contracts, and to characterize my office, not just the bureau as not being cooperative, I think of course is, as I said, that lacks integrity. We filed this rate ordinance over a week ago and we have talked to OMF, had several discussions, we're do you think the cuts should come from? And we have gotten nothing until this point right now.

**Adams:** Commissioner, as part of the mayor's proposed budget process, we have asked numerous times directly from the bureau, which is the prerogative of the mayor and the mayor's proposed to, to give me cuts in the areas that you see under the fpd suggestions. And the word came back differently than what you see today. My point is, you and your bureau have contributed to having to do this today, and sometimes that happens. And that's what happened today. I also think that it's important to note in terms of the fountain issue that your bureau began to charge water, you know, \$350,000 in, sewer fees on the Benson bubblers or something approximate to that amount. So this is, i'm trying to strike some balance here, and some fairness here, and I don't think that it passes the straight face test to say, that that these items down here, which are part of tens of millions of dollars in line items, you know, that they cannot be trimmed further. We have all had to trim on these kinds of line items. These are the kinds of line items, like travel and postage and education and outside contracts that we go to, to preserve the in-house expertise of the city. Let's vote. You have made a persuasive case, I have made my case, and let's figure out where the council is on this, and we'll move forward.

**Fish:** I have one question.

**Adams:** Yes.

**Fish:** Andrew, on the second chart you gave us, pfd suggestions, these are the further reductions you are recommending based on a review on the bottom, the bottom box. And based on your review of the prior budget submissions, these are the additional cuts you are recommending?

**Scott:** Yeah, these are places that is we would recommend bes look to make the reductions.

**Fish:** And we're they would look or we're the council is saying that they would come out.

**Scott:** The way we budget, we would ask, we would recommend that bes make reductions in these line items, and again, bureau's budget at the larger categories, we would recommend that's we're they go for the reductions. And just to be clear, bes did, in fact, make the, the 3.1 million of reductions to get to the 5.5% rate increase as part of the proposed budget, so, staff did that but again as a lump sum reduction. In terms of the total budget, 2.7 million.

**\*\*\*\*\*:** Not the 3.1.

**Scott:** Right, 2.7 million.

**Adams:** And at various times the discussion was around the healthy working rivers and esa listings and a bunch of stuff that you and I both know constitute the bes version of Washington monuments so respectfully, commissioner, it is not necessarily -- it hasn't been my experience through putting together my budget with you and your office and the bureau, it hasn't necessarily been the experience the way you characterize it.

**Saltzman:** I would just come back to say, you know, if early on in the budget process we submitted to you, mayor, and copied the rest of council, a memo of \$220,000 of ongoing cuts that we didn't feel were mission critical. Those were not included in the budget. And that's fine.

**Adams:** I rejected many of the cuts because they fell under the category of what I felt were Washington monuments.

**Saltzman:** But I think in the proposed 6% rate increase there is no Washington monuments in those 1.4 million of cuts.

**Adams:** Fair enough. So let's do --

**Saltzman:** There needs to be a motion and I will move approval of the 6%.

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**Adams:** I recognize your motion I'm just going to ask commissioner Fish, he wants to say something and there's a comment from commissioner Fritz, and then I will poll council to see whether out of the 5.5 or 6 and make a motion from there.

**Fish:** So Andrew, when Bob Sallinger testified earlier, and someone else testified to this point, he had a concern about recommendations from the, the budget committee and then, and then changes that were made. And I certainly understand his, the concern that he might make as to key priorities of the bureau, so in balancing things, they have decided that they want to find something, grey to green, or something else, I understand that. Your suggestions here, what's the intent, what was the filter you used to come up with these suggestions?

**Scott:** In terms of travel education, printing and postage, that is the place that bureaus go to make reductions. They are not easy reductions to make but often easier than other places in a bureau. In terms of the three m and s line items, the larger share of the additional reductions, we went through the, the bureau's current year, materials and services, and spending and, and specifically looked at their pte contract and miscellaneous services line item, and tried to identify areas that were larger in terms of the total dollar amounts, and that comes with the caveat because there is more in a particular category, doesn't necessarily mean it's easier to cut but usually when any bureau goes through a budget process that's the place that they look, they go to the largest dollar items and say what if we shaved off the dollars from these contracts, and what if we pushed the contract back for a year. So, and again, we were doing that, and the mayor noted, and we have been talking to the bureau about this. The bureau, you know, didn't put forward some initial cuts, some of which, um, were not recommended moving forward, we asked them for assistance on these alternative cuts, and we did not get a response, so we were left, you know, as happened before, sort of looking through our own to try and find some areas. It's not an ideal situation. But, you know, I'm comfortable with the recommendations as I put it. And I think these are the areas that the bureau should look. The other option here is to, is to accompany next week's budget with a budget approval with a budget note requiring the bureau to more explicitly lay out within these line items where they are going to be make the specific reductions. There is an issue of how we budget because council approves higher level line items and it's sort of that question of how deep do we want to go.

**Adams:** Commissioner Fritz.

**Fritz:** Thank you. This bureau submitted cuts, is different from the cuts that commissioner Saltzman submitted to get to 6%. And similar to the Oregonian praising the mayor in the editorial, Bob Sallinger saying that it was a really good process, and that he felt that the budget advisory committee had all of the information it needed is really significant to me. So I'm wondering why we have got cut funding for Portland harbor position, and we have got reduced odor control facilities which might not meet community commitment for odor control, and defer grants for ecoroofs, and it seems like that's a good way to leverage money and cutting the funding for the office of healthy rivers proposal, which was definitely not in commissioner Saltzman's 6% proposal, how did we get to this?

**Scott:** One thing to note is on the, the commissioner Fritz, in the top section there, with the subtotal of 1.4 million, that's the subtotal of the tier one cuts to get to 6 percent. And those are, in fact, the cuts with one exception. There was one cut that the bureau put forward on the esa program that we swapped out with the waste water treatment staffing position, and otherwise, though, that 1.4 million is identical to what's in the, what's proposed in the, in the -- what commissioner Saltzman is proposing.

**Fritz:** The Portland harbor one was not in the ordinance for considering at 6%?

**Scott:** The water resource program manager? Yeah, that is, that is in the 6%. Reduction. But what's below the line.

**Adams:** That was proposed by the bureau and commissioner and there were deeper cuts proposed in other iterations during the mayor's proposed budget process.

**Fritz:** Ok. Thanks for the clarification. And below the line?

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**Scott:** Those are cuts that the bureau put forward that again, in our analysis and recommendation, we felt comfortable recommending taking those cuts, as well, to drop below the 6%, and again, we did have more time on those to dig into the details so if you had specific questions, for instance, I know on the office of healthy working rivers, I think the issue there is that there is other administrative support within bes that can help to support that.

**Fritz:** What about the odor control?

**Scott:** I think that was just for efficiency to see if we could operate more conservatively in the winter months.

**Adams:** I will be the first to tell you the examples of the bureau offering up odor control cuts, given the hundreds of millions in the budget, strikes me as Washington monuments but, again, it will be an opportunity, to continue to polish this, and I think that, this is the best that, that we can come up with. People either can go with -- I would like to have Karla go through the standard voting order. And just poll council informally on where they are at on the 5.5 or 6 and go to a motion and take a vote for -- this is the bes. We have to decide whether 5.5 or 6. This is illustrative of the cuts we would want to see come back to council next week, but we reserve the right as council to improve upon them.

**Fritz:** Just as a clarification, you want to get to the vote, does the alternative b, as omf suggested, does that get to 5.75 for bes?

**Scott:** No. Again, it would be 5.5% rate increase for bes and 12.9% for water.

**Fritz:** But only making them take half of water's pass along --

**Scott:** That's right. It's the rate ordinance up for approval and the cuts would be up for approval next week in the approved budget. Procedurally, I just want to note your motion earlier asked us to come back with a rate ordinance of 5.5%, and I don't know if they are here, we don't have that ordinance.

**Adams:** Let's at least poll the council on whether they are leaning 5.5 or 6, and can somebody call bes to see if they have been responsive to the council's earlier motion today? This is a technical requirement, in order for this to be the first reading, that bes doesn't actually submit one rate. They have a whole bunch of rates that, lead up to this, sort of rollup number of 5.5 but let's go ahead and poll the council. Someone please call bes. Perhaps you could commissioner Saltzman?

**Saltzman:** With all due respect Mayor, You instructed omf to come up with the cuts but not bes to be part of that discussion. I asked them not to be here because I didn't feel --

**Adams:** You asked them not to be here. The motion was to come back on the rates.

**Saltzman:** Yeah, so we have a rate ordinance in front of us that does --

**Adams:** The specific council motion was to come back on a 5.5% scenario for rates. Did, you do that? Did bes do that?

**Saltzman:** No, I think fpd has done that.

**Adams:** No, This is where the cuts might come from. The motion this morning was very clear, it was simply about rates. And then the division of task, division of labor was that they would come up with potential cuts from going from 6 to 5.5, so if you could call your bureau, that would be great. Let's do a poll of council.

**Fish:** This is a modified council discussion, Mayor?

**Adams:** Yeah, this is not a vote just which way do you lean.

**Fish:** Commissioner Saltzman and his team spent a lot of time with us, reviewing this matter and, the impacts on parks of various scenarios so I came here prepared to support a 6%. The 5.5 is also responsive to the overwhelming testimony we have heard today about reducing the impact on rate payers, so I appreciate this discussion and at this point, I'm open to the 5.5, although this does appear to be a somewhat irregular way to get there but I appreciate the discussion, and I would like to hear from my colleagues.

**Saltzman:** I support 6%.

**Leonard:** 5.5.

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**Fritz:** It would be more like 5.75 because again it depends on what is being purchased. But, I do go back to bob sallinger and the purb and the back saying the 6.5 was their recommendation so I will go for 6.

**Adams:** And I lean to 5.5 so that gets back to commissioner Fish's, deciding opinion here. So, perhaps, we can, um, make a motion. I move that bes, as part of, council item 5.65, that bes provide us with a rate increase of 5.5. And that exhibit is A be amended to, effectuate that change.

**Leonard:** Second.

**Adams:** Moved and seconded. Call the vote.

**Fish:** This is an interesting way to end a long day and a day with a lot of comedy. So, I feel that there are two compelling principles here. One is the work that we do before we come to council, and that is collaborative on our budget submissions, and the second is the work that we do here. Commissioner Saltzman and his team have spent a lot of time with my office on this matter. And I felt comfortable coming in today at 6%. And I felt that that was appropriate. I am concerned about some of the discussion here today because I also think that we act as colleagues, we try to act as colleagues in a way that is respectful, and I regret that we are, actually, at this point because I think that we could have gotten here, perhaps, through other means. The mayor has put down markers about reducing rates, and taking other steps, which I support in concept. On the other hand, this is a, a, the 6% figure was discussed at great length, and a case was made that I was comfortable coming in today, and I do not feel comfortable at this point, even though I have great respect for the points the mayor has made in making a change with this information, and so respectfully, mayor Adams, I will vote no.

**Saltzman:** No.

**Leonard:** In my mind's eye I am imagining vera at home with a glass of wine watching tv and laughing and saying, that's why I took the bureaus every year, sam, and she did. And I think that this is an illustration of her reasons for doing that. Yes.

**Fritz:** It's illustrative that again we have to vote something yes or no today, otherwise we're not, we won't be in compliance with the time lines that we've been set, that have been set up. And that when, when we have complicated issues like this, we need the have these discussions sooner, and we didn't end up having the, some of the work sessions after the budget presentations that we might have been able to have flushed out some of these concerns ahead of time. And next year it would be better if we did. Because we should leave time for things to come up that then we have time to consider carefully, and to research, the same thing will come up when we have the water bureau rate increases. But I don't have all the information that I need. And that's not from anyone's particular fault, just is that we, I think, need to be more disciplined in setting time lines that give leeway before the deadlines, so, given that, that I don't have all the information that I would like i'm going to rely on the purb and the budget advisory committee, and the conversations to this date where 6% is a half a percent less than what initially was proposed, and I think that will have some significant impact on services, so I vote no.

**Adams:** Well, I just want to -- I think that the commissioner, the commissioner Leonard's point is a good punctuation for the end of the sentence. This was, as staff will attest, this was very difficult to get information from the bureau of environmental services. And the mayor's proposal was 5.5. And so, we went into this process with the 5.5, and I understand that folks can push back on that, but this is a massive budget. There is a lot of good scrutiny happening to the water bureau budget. And I would argue that given the much larger nature of bes that level of scrutiny is equally important on bes. Your mayor has had trouble getting the information that he has requested in putting together his budget but I am convinced that 5.5 is more than well enough for a bes rate increase. Aye. [gavel pounded]

**Adams:** Motion fails, so unless there are additional motions the 6% is what moves forward. And that gets us to item 466. Are there any motions related to 466? Or additional council discussion? Which did come in at the full 1% reduction.

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**Fritz:** I think that's questionable, but I don't have the information I need.

**Adams:** Not according to our financial staff.

**Fritz:** I don't have the information that I need to be able to propose a motion to reduce the rates because I don't know what the effect of smoothing out the 5.7, 4.9, and 4.3 would be.

**Adams:** Ok.

**Leonard:** At the risk of being repetitive, the -- we have offered to you what those cuts would be, and it came through our own process, that I did not support. And I am happy, I don't want to leave the impression that the information is not there, where the programs wouldn't be cut. Because we provided that, and I am happy to do it again if it needs to be done. But we have specified exactly where we would take another percent from.

**Fritz:** I appreciate that, and I think that, that some of those proposals were not all the possibilities that could have been considered. I am going to propose next week that, we have the budget notes so that if he get a variance for any part of the lt2 rule that that portion of the rate increases go into the rate stabilization fund. But my understanding is we don't have to propose that today.

**Leonard:** But I think what needs to be remembered, and I don't oppose that but what needs to be remembered is if we get the variance we will continue to have increased costs, so all those, the budget note, I will support, as long as it's, as long as it's, written in a way that reflects there will be increased costs in order to maintain the variance. If we get the variance.

**Fritz:** My proposal will say after which any monetary savings it should be changing will be placed so that would be a net savings.

**Leonard:** Right.

**Adams:** Not hearing any motions. Then 466 moves to second reading next week. I believe that's all the business before the city council today. And for the week so we are adjourned. [gavel pounded]

At 4:41 p.m., Council adjourned.