

Ordinance No. 188129 As Amended

Authorize a surtax to the City's Business License Tax for publicly traded companies subject to U.S. Securities and Exchange Commission disclosure and reporting requirements if a subject company reports that the ratio of compensation of its chief executive officer to median worker is equal to or greater than 100:1 under the Commission's Pay Ratio Disclosure Rule (Ordinance; amend Code Section 7.02.500)

The City of Portland ordains:

Section 1. The Council finds:

1. According to economist Thomas Piketty in his book *Capital in the Twenty-First Century*, inequality in the United States has exploded during the past four decades. In the 1970s, the top 1 percent collected less than 10 percent of total income in America; by 2010, the disparity had grown even larger, and the top 1 percent had 20 percent of total income. Much of the gain of the top 1 percent has actually been the gain of the top 0.1 percent. Between the 1970s and 2010, the share of income held by the top 0.1 percent went from 2 percent to between 7 and 8 percent. Wealth inequality is also growing as wealth concentrates among the richest 0.1 percent of Americans; even a conservative analysis presented in a note by the Board of Governors of the Federal Reserve System shows that in 1992 the top 0.1 percent had 11 percent of the wealth in the United States, compared to 14 percent by 2013.
2. The explosion of chief executive officer pay is a major contributor to growing inequality. According to Piketty, the increase in inequality in the United States after 1980, "was largely the result of an unprecedented increase in wage inequality and in particular the emergence of extremely high remunerations at the summit of the wage hierarchy, particularly among managers of large firms." Piketty's research shows that 60 to 70 percent people in the top 0.1 percent of income in the United States are these very highly paid executives.
3. The Center on Budget and Policy Priorities reports that between 1979 and 2007, average after tax income for the top one percent of income earners rose by 314 percent, while average after tax income for the middle 60 percent rose by only 42 percent.
4. Average worker compensation has grown just 10.3 percent since 1978, while compensation of chief executive officers has increased about 941 percent. Data from the Economic Policy Institute show that chief executive officers in the nation's largest firms made an average of \$15.5 million in compensation in 2015, or 276 times the annual average pay of the typical worker.

5. A 2016 report by the Economic Policy Institute found that, over the last three decades, chief executive officer compensation nationally has grown faster than other highly paid workers. Chief executive officer pay is growing faster than company profits, the pay of the top 0.1% of all earners, and stock market growth.
6. Rising inequality nationally is a major factor in Portland's housing crisis because huge disparity in income allows high income people moving to Portland to drive housing costs out of reach of middle class Portlanders.
7. A 2008 paper by researchers Janna Matlack and Jacob Vigdor concludes that, "in the United States, tight housing markets tend to be those where incomes are rising rapidly at the high end of the distribution, while incomes at the low end trend upward only slowly, if at all. In these areas, the poor have experienced greater crowding, higher quantity-adjusted rents, and have less income available for savings or other consumption once they have covered their housing costs."
8. In October 2015, City Council declared a housing emergency, allowing the City to establish temporary housing, emergency mass shelters, and storage units for homeless people. In September 2016, City Council extended the housing emergency declaration until October 2017.
9. In June 2016, the Portland City Council and the Board of County Commissioners for Multnomah County approved an Intergovernmental Agreement establishing the Joint Office of Homeless Services. The Joint Office will centralize funding, policy, and planning efforts for homeless services consistent with community plans.
10. According to Multnomah County, the Joint Office will help at least 4,300 people move off the street into permanent housing and assist 5,600 people in avoiding homelessness altogether. The Joint Office will administer contracts for services, conduct homeless street counts and one-night shelter counts, and manage systems of care.
11. The Intergovernmental Agreement between the City and Multnomah County commits the City to an additional \$3.5 million beyond the \$11.5 million already budgeted for the Joint Office. Identifying ongoing resources will require prioritizing new forecast resources, raising additional revenues, or reducing funding for other City programs paid for with General Fund dollars.
12. In 2015, the U.S. Securities and Exchange Commission adopted a rule requiring public companies to disclose the ratio of the compensation of its chief executive officer to the median compensation of its employees. The new disclosure will help shareholders better evaluate chief executive officer compensation based on performance, and it offers local, state, and federal policymakers a tool for penalizing or rewarding companies based on its ratio of chief executive officer to median worker pay. Publicly traded companies will report the pay ratio for fiscal years that begin on or after January 1, 2017.

13. Research indicates that companies with high estimated chief executive officer-worker pay ratios have lower employee morale and lower shareholder returns compared to companies with lower ratios. For example, the job site Glassdoor analyzed 1.2 million chief executive officer ratings from current and former employees, finding that higher chief executive officer compensation is statistically linked with lower approval ratings for those executives. And, a review of pay ratios and long term shareholder returns by CtW Investment Group found that companies with high pay ratios perform worse than companies with lower ratios over the next five years.
14. The spectacular concentration of income and wealth among the top 1 percent and 0.1% is bad for the economy and bad for democracy. If other jurisdictions follow Portland's lead in enacting policies based on the Securities and Exchange Commission disclosure, shareholders may realize that extreme chief executive officer to median worker pay ratios reduce their profits and, with this result in mind, make changes to their pay structure.

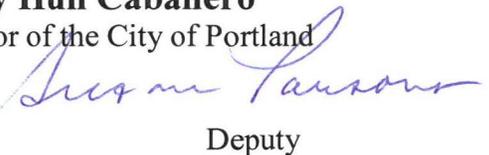
NOW, THEREFORE, the Council directs:

- a. City Code Section 7.02.500, Tax Rates, is amended as set forth in Exhibit A.
- b. The Bureau of Revenue and Financial Services and the City Budget Office will prepare necessary adjustments to the Revenue Division's budget in the Fiscal Year 2017-2018 budget process.

Passed by the Council: DEC 07 2016

Commissioner Steve Novick
Prepared by: Katie Shriver
Date Prepared: September 18, 2016

Mary Hull Caballero
Auditor of the City of Portland
By



Deputy

~~1116-1202~~ 1368 246

Agenda No. **ORDINANCE NO. 188129** As Amended
 Title

Authorize a surtax to the City's Business License Tax for publicly traded companies subject to U.S. Securities and Exchange Commission disclosure and reporting requirements if a subject company reports that the ratio of compensation of its chief executive officer to median worker is equal to or greater than 100:1 under the Commission's Pay Ratio Disclosure Rule (Ordinance; amend Code Section 7.02.500).

<p>INTRODUCED BY Commissioner/Auditor: Novick</p> <p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick <i>DN</i></p> <p>BUREAU APPROVAL</p> <p>Bureau: Bureau Head:</p> <p>Prepared by: Katie Shriver Date Prepared: 9/26/16</p> <p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/> City Auditor Office Approval: required for Code Ordinances <i>DB</i></p> <p><input checked="" type="checkbox"/> City Attorney Approval: required for contract, code, easement, franchise, comp plan, charter <i>KAM</i></p> <p>Council Meeting Date 10/5/16</p>	<p style="text-align: right;">SEP 27 2016</p> <p>CLERK USE: DATE FILED _____</p> <p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p> <p>ACTION TAKEN:</p> <p>OCT 06 2016 <i>Rescheduled to</i> OCT 26 2016 2 P.M.</p> <p>OCT 26 2016 PASSED TO SECOND READING DEC 07 2016 9:30 A.M. <i>As Amended</i></p>
---	---

AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: 2 p.m.</p> <p>Total amount of time needed: 3 hours (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	✓	
2. Fish	_____	
3. Saltzman		✓
4. Novick	✓	
Hales	✓	