



CITY OF
PORTLAND, OREGON

**OFFICIAL
MINUTES**

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS 19TH DAY OF MARCH, 2014 AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Hales, Presiding; Commissioners Fish, Fritz, Novick and Saltzman, 5.

Commissioner Fish left at 12:40 p.m.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Ellen Osoinach Deputy City Attorney; Jim Wood, Sergeant at Arms; and John Paolazzi, Sergeant At Arms, at 1:00 p.m.

Item Nos. 267, 268 and 269 were pulled for discussion and on a Y-5 roll call, the balance of the Consent Agenda was adopted.

COMMUNICATIONS		Disposition:
244	Request of Trillium Shannon to address Council regarding Right 2 Dream Too and plight of the houseless in Portland (Communication)	PLACED ON FILE
245	Request of Amber Dunks to address Council regarding houseless issues (Communication)	PLACED ON FILE
246	Request of Brad Gibson to address Council regarding sweeps/R2D2 (Communication)	PLACED ON FILE
247	Request of Timme Helzer to address Council regarding Port of Portland's application for annexation of West Hayden Island (Communication)	PLACED ON FILE
248	Request of Jeff Geisler to address Council regarding Port of Portland's application for annexation of West Hayden Island (Communication)	PLACED ON FILE
TIMES CERTAIN		
249	TIME CERTAIN: 9:30 AM – Accept the City of Portland Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (Report introduced by Mayor Hales) 30 minutes requested items 249 and 250 Motion to accept the report: Moved by Fish and seconded by Fritz. (Y-5)	ACCEPTED

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250 Accept the audit of the Comprehensive Annual Financial Report for FY 2012-2013 and the related Communications with Those Charged with Governance, and adopt the management responses to correct the deficiencies in financial reporting controls disclosed in the audit (Resolution introduced by Auditor Griffin-Valade) (Y-5)	37062
251 TIME CERTAIN: 10:00 AM – Assess benefited properties for improvements in the Northrup Loop Streetcar Alignment Local Improvement District (Second Reading 242; Ordinance introduced by Commissioner Novick; C-10034) 30 minutes requested for items 251 and 252 (Y-4; Fish absent)	186503 AS AMENDED
252 Assess benefited properties for improvements in the Portland Streetcar Loop Extension Local Improvement District (Previous Agenda 243; Ordinance introduced by Commissioner Novick; C-10025) (Y-4; Fish absent)	186504 AS AMENDED
*253 TIME CERTAIN: 10:45 AM – Authorize acquisition of approximately 85 acres of the Colwood Golf Course for park and natural area purposes (Ordinance introduced by Commissioner Fritz) 30 minutes requested (Y-5)	186505
CONSENT AGENDA – NO DISCUSSION Mayor Charlie Hales Bureau of Planning & Sustainability	
254 Authorize the City Attorney to intervene on behalf of the City of Portland in Portland General Electric rate case (Resolution) (Y-5)	37061
Office of Management and Finance	
*255 Pay claim of Aaron Elliott in the sum of \$25,000 involving the Bureau of Transportation (Ordinance) (Y-5)	186491
*256 Pay claim of Bach Nguyen in the sum of \$18,245 involving the Portland Fire Bureau (Ordinance) (Y-5)	186492
*257 Pay claim of Holly Pierce in the sum of \$45,000 involving the Parks Bureau (Ordinance) (Y-5)	186493
Commissioner Nick Fish Position No. 2 Bureau of Environmental Services	

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<p>*258 Authorize Joint Funding Agreement with the U.S. Geological Survey, U.S. Department of the Interior to provide hydraulic and hydrologic modeling and estimated flood inundation mapping for Johnson Creek in the amount of \$40,487 (Ordinance)</p> <p>(Y-5)</p>	<p>186494</p>
<p>259 Authorize a contract and provide for payment for the construction of the Sellwood-Moreland Sewer Rehabilitation Project No. E10333 for \$7,500,000 (Ordinance)</p>	<p>PASSED TO SECOND READING MARCH 26, 2014 AT 9:30 AM</p>
<p>260 Authorize the Bureau of Environmental Services to execute a Temporary Construction Easement and Permit of Entry with Waverly Country Club as part of the Sellwood-Moreland Sewer Rehabilitation Project No. E10333 for \$19,500 (Ordinance)</p>	<p>PASSED TO SECOND READING MARCH 26, 2014 AT 9:30 AM</p>
<p>261 Authorize a contract and provide for payment for the construction of the Inner NE Sanitary Sewer Extension Project No. E10205 for \$1,100,000 (Second Reading Agenda 229)</p> <p>(Y-5)</p>	<p>186495</p>
<p>262 Authorize a contract and provide for payment for the construction of the Kenton Sewer Rehabilitation Project No. E10357 for \$2,550,000 (Second Reading Agenda 230)</p> <p>(Y-5)</p>	<p>186496</p>
<p>263 Amend contract with BergerABAM Inc. for additional work and compensation for the Tryon Creek Sewer Upgrade Project No. E10251 in the amount of \$267,267 (Second Reading Agenda 231; amend Contract No. 30003097)</p> <p>(Y-5)</p>	<p>186497</p>
<p>Commissioner Dan Saltzman Position No. 3 Portland Housing Bureau</p>	
<p>*264 Amend subrecipient contract with the American Red Cross, Oregon Trail Chapter to add \$50,000 for the Severe Weather Overflow Emergency Warming Center Services (Ordinance; amend Contract No. 32000996)</p> <p>(Y-5)</p>	<p>186498</p>
<p>*265 Amend Intergovernmental Agreement with Multnomah County for an additional \$65,000 to be received as revenue for Homeless Outreach Services staffing lead (Ordinance; amend Contract No. 30002899)</p> <p>(Y-5)</p>	<p>186499</p>
<p>Commissioner Steve Novick Position No. 4 Bureau of Transportation</p>	

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<p>*266 Accept a grant in the amount of \$2,635,000 from the Oregon Department of Transportation and authorize an Intergovernmental Agreement for the design and construction of the Burgard/Lombard at North Time Oil Road project (Ordinance)</p> <p>(Y-5)</p>	<p>186500</p>
<p>267 Repeal TRN 8.05, 8.07 and 10.01 for inclusion in TRN 8.08 Encroachments in the Public Right-of-Way administrative rules (Ordinance)</p>	<p>CONTINUED TO MARCH 26, 2014 AT 9:30 AM</p>
<p>268 Adopt TRN 8.08 Encroachments in the Public Right-of-Way administrative rules (Ordinance)</p>	<p>CONTINUED TO MARCH 26, 2014 AT 9:30 AM</p>
<p>269 Authorize Intergovernmental Agreement with Portland State University for traffic safety research, evaluation and communications (Ordinance)</p>	<p>CONTINUED TO MARCH 26, 2014 AT 9:30 AM</p>
<p>270 Authorize a contract with the lowest responsible bidder for the S.E. 136th Ave Phase 3: Division to Powell Sidewalk Infill Project (Second Reading Agenda 235)</p> <p>(Y-5)</p>	<p>186501</p>
<p>271 Authorize a contract with the lowest responsible bidder for the S.E. 136th Ave Phase 2: Holgate to Foster Sidewalk Infill Project (Second Reading Agenda 236)</p> <p>(Y-5)</p>	<p>186502</p>
<p style="text-align: center;">REGULAR AGENDA</p> <p style="text-align: center;">Mayor Charlie Hales</p>	
<p>272 Report on Building Equity in Construction (Report) 30 minutes requested</p> <p>Motion to accept the report: Moved by Fish and seconded by Fritz.</p> <p>(Y-5)</p>	<p>ACCEPTED</p>
<p style="text-align: center;">Bureau of Police</p>	
<p>*273 Accept a grant in the amount of \$15,000 from and appropriate \$11,250 for FY 2013-14 for the Oregon Department of Transportation, Transportation Safety Division 2014 Outer Powell Boulevard Enforcement Grant Program for sworn personnel overtime (Ordinance) 10 minutes requested</p> <p>(Y-5)</p>	<p>186506</p>
<p style="text-align: center;">Office of Management and Finance</p>	
<p>*274 Amend contract with G4S Secure Solutions USA, Inc. to increase contract by \$706,212 to provide for uniformed security officer services (Ordinance; amend Contract No. 40997)</p> <p>(Y-5)</p>	<p>186507</p>
<p style="text-align: center;">Commissioner Nick Fish</p> <p style="text-align: center;">Position No. 2</p>	

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<p style="text-align: center;">Water Bureau</p> <p>275 Authorize a contract with Black & Veatch Corporation for a Water Quality Corrosion Study in the amount of \$240,000 (Ordinance) 15 minutes requested</p>	<p style="text-align: center;">PASSED TO SECOND READING MARCH 26, 2014 AT 9:30 AM</p>
<p style="text-align: center;">Commissioner Steve Novick Position No. 4 Bureau of Transportation</p> <p>276 Declare intent to initiate local improvement district formation proceedings to construct street, sidewalk and stormwater improvements from NE 3rd Ave to NE Couch St in the NE Couch Ct Local Improvement District (Resolution; C-10046) 10 minutes requested (Y-4; Fish absent)</p>	<p style="text-align: center;">37063</p>
<p>*277 Assess benefited properties for street, sidewalk and stormwater improvements to NE 97th Ave and to NE Everett Ct in the NE 97th Ave Green Street Local Improvement District (Second Reading 241; C-10035) Motion to add emergency clause and accept amended Exhibit D: Moved by Novick and seconded by Fritz. (Y-4; Fish absent) (Y-4; Fish absent)</p>	<p style="text-align: center;">186508 AS AMENDED</p>

At 1:14 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.

<p style="text-align: center;"><u>WEDNESDAY, 2:00 PM, MARCH 19, 2014</u></p> <p style="text-align: center;">DUE TO LACK OF AN AGENDA THERE WAS NO MEETING</p>	
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Closed Caption File of Portland City Council Meeting

This file was produced through the closed captioning process for the televised City Council broadcast and should not be considered a verbatim transcript.

Key: ***** means unidentified speaker.

MARCH 19, 2014 9:30 AM

Hales: Good morning, everyone, and welcome to the March 19th meeting of the Portland City Council. Let me start with a statement here that we need to read before we begin, and then we'll call the roll. First, good morning and welcome, everyone. I just want to have some understanding about the ground rules of the chamber for anyone that may need those. First, when you come up to speak, please just state your name. You don't need to give your address. If you are a lobbyist, please declare what organization you're lobbying for. Everyone gets three minutes to speak, unless there's some arrangement otherwise. You can please focus your testimony on the item at hand. So if you come up to speak on a particular item, it ought to be relevant to -- your testimony ought to be relevant to that item. So that everyone is welcome, we ask that the audience be courteous and respectful. We don't allow interruptions while someone is speaking. This includes clapping or booing or other demonstrations like that. If you agree with somebody, raise your hand, please do. Disruptive behavior will not be tolerated, and someone who is disruptive will be warned and then asked to leave. If you have any handouts, please give them to Karla, our clerk, and she will distribute them. And again, thank you all for joining us today. So, would you please call the roll?

Fritz: Here. **Fish:** Here. **Saltzman:** Here. **Novick:** Here. **Hales:** Here.

Item 244.

Hales: Good morning, Trillium. Welcome.

Trillium Shannon: Good morning. As you know, my name's Trillium Shannon, I'm on the board of Right 2 Dream Too. And I'm kind of at a loss for words today. That doesn't happen to me too often. I wonder if you will all join me in a moment of silence for the people that we have lost to houselessness, to the streets this year. [moment of silence] That moment of silence is not long enough to carry the grief that we feel as a community when we lose people unneedingly. We are losing people every day on the streets. People are sleeping in dumpsters, getting crushed in dumpsters. I understand the young man who got crushed recently survived that. We're losing people because they don't have adequate health care. We're losing people because they don't have housing. So as much as what Right 2 Dream Too does -- I'm so proud of the people that I work with. I have the privilege of working with people who, as volunteers who are trying to get their own lives together, provide a safe place for people to sleep day and night. They respond to emergencies. They give people caring, compassionate love that they need, hugs, you know, just the basic human compassion. They see them, they don't look at each other the way that many people look at them as invisible, you know, don't look at them, in fact, pretend that they're not there, step over them, think of them as a sort of problem for business. A problem for business. And that's what I'm really upset about, because I believe that if we lived in a city that really believed in people over profit, we would be much further ahead than we are now. And I look at all of you, and I know that some of you have done some really amazing work in trying to address this, but there's a big gap in understanding the reality. The reality of what people are living out there. And one of the things is affordable housing. When I read about affordable housing in the paper, and I see things like the median income, and it just is to me an astronomical amount of money -- I can't even imagine having that amount of money, the median income to spend -- and then I look at the ads for housing, I'm on Craigslist trolling through looking for housing for people who make 733 a month on disability, can't see, can

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hardly walk, are trying to get into treatment, can't get into treatment, there's no room, there's no beds, they get turned away, are dealing with all these obstacles. And I go, you know, I can't afford these apartments that are out there. So, really, really makes me upset to think that Old Town/Chinatown is being targeted for \$1500 a month studio apartments. I really am concerned about --

Hales: Need you to wrap up.

Shannon: -- this turn away from affordable housing. I'm sorry, it took a bit longer, but you know I do think that it's important for all of you to take a moment and think about and honor the humans who have passed because we're not -- we are failing. We are failing. And we want to help you not to fail, and I think that there's a lot of people in this city who do, and I believe that deep down, most of you want to do that, too. So please, let's try a little harder, and look inside and really reflect on how we can be more compassionate people.

Hales: Thanks for what you are doing. Hey by the way, are you getting the information and support you need for signing people up for the Affordable Care Act?

Shannon: I think that Amber would be better to speak to that. I'm not really sure if that's happening.

Hales: Alright, thanks.

Item 245.

Hales: Is Amber here this morning? Yes. Come on up. Good morning.

Amber Dunks: Good morning. That's not what my speech is about, but yeah, there's a thing at Sisters every Wednesday morning to sign people up for the Affordable Care Act.

Hales: OK, good.

Dunks: I was asked to speak about what happened last Thursday. The first thing that I want to say is I want to thank everybody who responded for the care and compassion that they made and the compassionate choices that they made because it could have been so much harder. Because we have a community that's just ripped apart and grieving right now because we lost a big, big part of our community. And then I wanted to speak about Emma, the lady that we lost. Emma, to me, embodied what we as dreamers try to instill in our community. She was kind, compassionate, always ready to help. She -- I'm sorry. Even on the days when she was having her own problems, she was always ready to try to cheer somebody up. I never heard her speak a bad word about anybody, and she's going to be dearly, dearly missed. She was -- she never went through the membership process at Right 2 Dream Too but she was definitely a dreamer at heart. And what I wanted to impress upon people at city council today, the commissioners and everybody here, is -- you know, everything that she gave doesn't cost money. It doesn't cost anything to say a kind word to somebody or ask them how their day is doing, regardless of their social status. And I think everybody in this chamber, myself included, should strive to be more like Emma. I wanted to bring her story here because I think it's important that the people that we've lost don't get looked at as just some homeless person. They need to be looked at for who they are, and we need to try to see the good in everybody. And I would really hope that everybody in this chamber will go out there and try to make somebody's day a little bit brighter. And just try to carry those values with you. Thank you.

Hales: Thank you.

Item 246.

Hales: Good morning.

Brad Gibson: Good morning. How are you guys doing today?

Hales: OK.

Gibson: Thank you for listening. Prosper Portland is a sit-lie, sundown laws all rolled back into one. Now, sit-lie was deemed unconstitutional in June of 2009. Article 11, section 2. And you keep trying to shift the language around to where it's sidewalk management is all over again. Homelessness is not a crime. Criminalization seems to be the pinnacle treatment for homelessness.

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Now you yourself, Mayor, endorsed the Salt Lake model as far as housing first. Got to make that switch. People in trauma, they cost a lot of money, you know, emergency rooms, everything else. I know R2DToo is where I come from. It's where I'm living now. But we are not -- this is something to do in the interim. We still believe in the housing first model, and I wish that we could make that into an effect. Thank you very much.

Hales: Thank you.

Item 247.

Hales: Are you here, Timme Helzer? OK. I guess we'll wait for him to come back.

Item 248.

Hales: Mr. Geisler? OK. Let's move on to --

Fish: Mayor, may I make an observation? We are starting to hear from people in our office that the current calendar for public appearances during communications is booked for a very long time. And this is the second week in a row where at least two people who've signed up have been unable to come. And I just want to flag this because this is a very important part of our agenda: to hear from the public. And it may be that we need to revisit this and just figure out, do we have enough slots, are we confirming people's availability, are there other people in the queue? Karla does a wonderful job, but I fear that the system may be buckling. And I want to flag this as something to think about. We'd like to have at least five people every council meeting.

Hales: Right.

Fish: Sometimes people have life issues that get in the way, but perhaps there's a way to also ensure that we have backups so that people who are on that waitlist who want to come to talk to us about current issues have that chance. So I just want to approach that.

Hales: Yeah, let's look at that. I will spend time with Karla about that and see what we can do to tune it so that we try to get five people here ready to speak. I like your point. Thank you.

Fritz: To add to that, though, I appreciate knowing in advance what the topics are, because if they are connected with my bureaus, I would like to have somebody here ready to give me answers, give the constituent answers. So there needs to be a balance in making sure that we have the opportunities for people to speak, and as well as making sure that people in the public know what the topics are ahead of time. And also, that the relevant staffer is available.

Hales: It might be more a matter of confirmation than a queue, but let's talk about that offline. Good points. Thank you. Let's take the consent calendar. I don't think that there were any requests to pull anything from the consent.

Moore-Love: Two items pulled. 267 and 268.

Fritz: And I would like to pull 269.

Hales: I'm sorry, there we go. I see 268 and 267. They were noted here and I missed it. And you want to pull 269. OK. Any others? OK. Let's take a vote on the balance of the consent calendar, minus those three items.

Roll on consent calendar.

Fritz: Aye. **Fish:** Aye. **Saltzman:** Aye. **Novick:** Aye. **Hales:** Aye.

[gavel pounded]

Hales: Let's take the first two together.

Item 249. Item 250.

Hales: Great, good morning.

Jane Kingston, Office of Management and Finance: Good morning. Good morning, Mr. Mayor, Commissioners. My name is Jane Kingston, I'm the City Controller, and I'm here to formally present you with the comprehensive annual financial report for fiscal year 2013. Copies of this document were originally provided to you in December upon publication. The report comprises the annual audited financial statements for the City of Portland, referred to as the Comprehensive Annual Financial Report. Affectionately known as the CAFR, it is produced by the technical

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accounting team in OMF. And if you don't mind, I would like to ask them to stand and be recognized, those that are here.

Hales: Good morning, and thank you for your work.

Kingston: Thank you very much. The CAFR provides the actual financial results of the city as opposed to the budget document which provides guidelines for everyone in the city to follow through the year. And it also presents this information in accordance with governmental accounting generally-accepted accounting principles, and the governmental accounting standards board requirements. There are a couple of -- I think you should've been provided with a presentation that I'm talking through. Do you have copies of that?

Hales: She does, I think. OK. Thank you.

Kingston: If you wouldn't mind drawing your attention to page four, there are some -- there's a short list in there on some important elements within the CAFR document that you might find useful. In particular, I would direct your attention to the management discussion and analysis, and also the statistical section which includes trends and history of actual financial results. And then, if we could move on to -- there's a highlight section in here. I don't want to read the entire presentation to you. But if you go to the highlight section, there's a graph on page six which shows you a chart of the changes in net position at the city over time. The net position is connected to the highest level statements within the CAFR, which are referred to as the government-wide statements, and what you could see from looking at this graph is on a net basis, some decline in the net position of the city, and the two major components of that net position, the governmental activities and the business type activities, relationship lines that show what their change in that position has been. The governmental activities include general fund, the Portland transportation fund, grants fund, and other governmental type of activities. The business type activities includes things like the utilities, water and sewer. So, any questions at this point?

Hales: So the green is the net of both those?

Kingston: That's correct, yes.

Novick: Ms. Kingston, I think Mr. Miller might be able to address this later, but it's my understanding the net position is -- our assets are valued at the time that they were bought, at the price that they cost when we bought them.

Kingston: Right, capital assets are recorded at historical costs.

Novick: So, they're not valued at the replacement cost, but the historical cost?

Kingston: That's true. The accounting guidance requires us to record them at the acquisition cost and then apply a depreciation to this particular set of statements.

Novick: So basically, anything that's new is going to be relatively valued higher than anything old, because new things cost more?

Kingston: For those that are depreciable, yes.

Hales: This includes assets that came to us with no price attached? I mean, the first 2500 acres of Forest Park and a bunch of Multnomah County parks were transferred to us with no consideration. So, they are valued at?

Kingston: I would have to look at that particular asset. But it is sometimes true that donated assets are recorded at even a dollar because the city didn't invest any actual money into it. So, again, not addressing that particular asset, I'd have to research that.

Fish: This is extremely complicated stuff but we also want to bring the public along with us, so could you give us just a little 101 on depreciation and why we depreciate assets, and how that changes the value of the assets on our books?

Kingston: Well, what happens is that the City uses depreciation on a straight line basis, and depreciation is used on the full accrual statements -- these statements that I'm referring to now -- to reflect the ongoing use of those assets. And they don't stay in the same state that you originally purchased them if they are things that are actually being utilized in the course of business. The

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straight line basis means that for the number of years that we estimate, those assets will live. We divide the value equally by those number of years and record that expenditure for each of the years that it's expected to live.

Fish: I always find an example helpful to sort of make it concrete. So could you give us a couple of examples of assets, and then the impact of appreciation over type on those assets?

Kingston: I will. So for example, land is not depreciated, but city buildings, equipment, etc., would be depreciated. If a building has an expectant 40-year life and it cost us -- this is not a very realistic example -- \$40,000, then over each of those 40 years, we would incur or record \$1000 of depreciation.

Hales: Commissioner Novick, I interrupted you.

Novick: That's alright. Does it matter whether we do any maintenance in the meantime? Does money spent on maintenance get added to the booked value of the asset?

Kingston: Strictly speaking, maintenance is expensed during the period that it is incurred. But any modification that extend the life of an asset would require us to add an additional asset for that additional life.

Novick: So what would be the difference between something that is maintenance that would merely be expensed and a modification that would extend the life?

Kingston: So for example, again, if you have a building, and after 20 years, you decide that the roof has deteriorated and you need to add a new roof, the cost of adding that new roof would be a separately constructed asset, and would be recorded at the cost of re-roofing.

Hales: We're sitting in one, actually, because this building was built in 1895 for \$10,000 or something, and then 15 years ago, we spent \$30 million to seismically strengthen it and make it beautiful again. So I assume you recapitalized this asset at some new value at that point, right?

Kingston: Right, for those costs of improvements.

Fish: Let's take a related question, which is our water and sewer infrastructure. So, it's estimated that the replacement value of the water and sewer infrastructure is somewhere north of \$15 billion. So my first question is, how is that reflected in the CAFR?

Kingston: It is not. Beyond the historical cost, any increases in the valuation, under the accounting rules, is not allowed to be recognized. So, we can't record any additional perceived value in any of those assets.

Fish: Let me take the flip side. We have 80-year-old pipes which are on a 400-year replacement schedule. And I don't say that to scare people, but it's an illustration of the challenges we have with an aging infrastructure and the need to constantly replace it. So, under what you described earlier, a pipe would have a shelf life, you depreciate it out but we would still be using it for many years after it had been effectively reduced to zero as an asset. So, help us to understand how, in accounting terms, that pipe is worth nothing but continues to provide a basic service to Portlanders.

Kingston: Well, that is a very good point, and in fact, it is no longer reflected in the net assets of the city, or the net capital assets once it's fully depreciated and it can continue. One of the comments that we heard from the auditors last year was that we needed to pay a better attention to the lives that we are assigning to assets to make sure that they really reflect the length of time that they are going to be in use. And so, we have spent some time subsequent to that comment in talking with the bureaus, and they have been assuring us in accounting that they feel that they are adequately reflecting what the lives of, for example, in BES and Water, for various lines and so on. They feel that they are in control of managing those lives. We have generally established lives for groups of assets that are reflected in the statements and at the city, but they have some degree of autonomy in saying, well, this set of pipes is not specifically defined in that group, and our knowledge and experience is -- meaning, their knowledge and experience is relied upon to be the best judge of what the life of those assets are.

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Fish: You described circumstances where there's always going to be questions about what's the value of an asset, about what's the shelf life for purposes of depreciation.

Kingston: Yes.

Fish: But I think the interesting point you also make is that if the city made no new investment in capital assets, we would every year show a decline in the net value because of the depreciation.

Kingston: For those assets that are depreciated, yes. I would also point out that there are assets that are not recorded because it is the general practice not to. For example, all of the artwork that the city owns is not recorded as an asset. And if it were, the value of that artwork may fluctuate wildly from year to year, and part of the accounting guidance is intended to remove that possibility of big spikes in valuation in assets.

Novick: Just one more question related to transportation. It in fact cost much less to do regular preventative maintenance on streets than to let them fall apart and then replace them entirely. But from an accounting standpoint, it seems like our position would look better if we replaced an entire street at a great cost than if we did maintenance at a lower cost.

Kingston: The analysis might lead you to that conclusion, yes, from an accounting perspective. But this is why it's important to convey this information, and we'd like to help you to the extent that this might guide your decisions, that you at least know what the repercussions are from an accounting perspective.

Fish: Mayor, I'm sorry but this is such an interesting discussion, if you don't mind.

Hales: I don't mind at all.

Fish: I just want to make sure we're all on the same page. Could I take another concrete example and just have you walk through how it's reflected on the books? Let's take the big pipe, which was a \$1.4 billion project to take the sewer out of the Willamette. It was built over a period of time. And so different portions came online at different times. How do you value an asset that is being introduced into the system over time?

Kingston: During construction and development, that asset would be recorded as construction in progress, and it would be an asset on the city's books but it would not be in the capital assets classification. It would not be depreciated until it was fully completed. If there were pieces of that -- and I have to say that I'm not familiar with all of the specifics of that particular asset -- but if there were portions of it that were deemed completed and that they could be recorded as a capital asset and begin depreciation, then that would have been done at the time that the completion was recognized.

Fish: So, help me to understand something. If you take big pipe and you take all the unfunded federal mandates that have been imposed on water and sewer as utilities, we're getting close to \$2 billion of new assets coming online within the last few years, completion of big pipe, and in the next year with all the replacement reservoirs. How does that get reflected on this chart that you have shown us?

Kingston: So again, if they are being constructed by the city, they would be included as construction in progress. If they have not been started but that funding is imminent but not received, it would not be reflected in the statements.

Fish: So, if our two new reservoirs come online in the next couple years, we'll show a spike of \$400 million of capital assets being booked?

Kingston: Potentially. I hesitate to acknowledge that 100%, we'd have to take a look at it and understand exactly what is being recorded. But, I would expect that that would be the case.

Fish: So the line might actually move dramatically up simply because of the timing of booking that asset?

Kingston: It may, yes.

Hales: Good. Thanks for letting us run you a merry chase on that discussion.

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Kingston: No, that was fun, thank you. If you'd like, we can look through some of the other graphs. The next one on business type activities, which again is water and sewer, shows you a trend line for revenues up at the top, the expense line directly underneath that, and at the bottom, net. So you could see that these are all upward flowing lines. And if you go next to the governmental activities history, you see a very different picture. And to a great degree, that is driven by the nature of governmental activities. They are not put in place for any kind of -- you know, we're not profit-driven in governmental activities. You do see that where we have expenditure lines up above revenues for some period and that we have a net that is, in fact, declining. So on a trend basis. And then on the next chart, if you look at governmental activities -- and this is a chart that I am going to just state outright is not in compliance with generally accepted accounting principles or GASB requirements -- but it does show you, again, the governmental activities net towards the bottom in blue. Above that, if we were to take that same statement and add back in the amounts that are basically deducted for pension, accumulated depreciation, which is the purple component, and a very tiny, almost imperceptible line for other post-employment benefits, you can see that the trend would very different. We're not allowed to -- of course we wouldn't even want to do that from an accounting perspective -- but I wanted to show you this so that you can see the impact of what the accumulated depreciation does to that net, and what the pension costs do to that net. That's the gist of that particular chart. The next page basically describes to you something about the results of the independent financial audit performed by Moss Adams. And I know that they are going to be presenting later, but their opinion statement at the beginning of the CAFR states the city was basically given a clean opinion. There are other items in the rest of this presentation --

Fish: Can I just jump in? So, we're going to spend a couple of hours talking about this, but you're going to say in passing that we got a clean opinion, so.

Kingston: Right. Again.

Fish: My guess that may be the headlines. Could you tell us, what is a clean opinion?

Kingston: Well, in short -- and I would actually really like to allow the auditors their chance at this -- but what it basically means is that they feel that our statements fairly present the results of the city in accordance with generally accepted accounting principles and government requirements under ORS and under the governmental accounting standards boards requirements. In a nutshell. And we're very proud of that. I would also like to mention that again, this year, the city received the GFOA Government Finance Officers Association award for excellence in reporting on our 2012 CAFR. There's a certificate from them also included in the introductory section of the CAFR. We're very proud of that.

Hales: That's great. That's a very prestigious good housekeeping sign of approval.

Kingston: Yes, thank you. It's been over 30 years that we've received that consecutively. There is a glossary of terms and other information at the back of this handout that you may find useful. I would just like to say in closing that I would be happy to answer any questions that you have at any time after this when you have had more chance to look through this, the presentation.

Hales: Other questions for Jane on the report itself? And then we'll hear from the auditor and our outside auditors about the review. Questions for Jane? Thank you very much.

Kingston: Thank you very much. Appreciate your time.

Hales: Do you have anyone signed up to testify on this item?

Moore-Love: I only had one signup sheet for both, and I don't have anyone signed up.

Hales: OK. So let's now hear from our auditor. Good morning.

LaVonne Griffin-Valade, City Auditor, Office of the City Auditor: Good morning. LaVonne Griffin-Valade, City Auditor, here to introduce Jim Lanzarotta from Moss Adams LLP, the audit firm responsible for the statutorily required audit of the city's financial statements. Jim will be discussing the results of the firm's audit for the city's CAFR for fiscal year 12-13. Just want to say a couple of things to add to what Jane has talked about. The financial statement audit determines

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whether the city's financial statement fairly presents the city's financial position. So it's kind of akin to an independent person reviewing your ATM card receipts and bank statements for accuracy. The audits simply tells the city and the public whether the records are accurate. It's important to note that the external audit does not determine whether the city's spending is good or bad, appropriate or inappropriate. Just like an accurate statement from your bank doesn't tell you if you are spending your money on the right things. So finally, auditing standards require that this information be presented to those charged with governance of the organization, and in this case, that's you folks, and that's why we're here. So, I will turn it over to Jim.

Hales: Thanks.

Jim Lanzarotta: Hey, Mayor Hales and fellow commission members. Thanks for the opportunity to come and kind of complete the process of the audit. I'm going to talk to you about the nature of the service that we provided, so a bit more about the audit and what it means. Of course, you really want to know the results, and so the cat is already out of the bag. You heard the really good news, so I will emphasis more good news as I go through here. And then, you received a letter from us, a communication of a few topics that the audit standards require that we communicate to you, and since you have it in writing, I'm not going to go through everything but maybe hit a couple of points. And do what I would say from all of this is that there's a lot of really good news. So you have heard a bit about that from an audit standpoint in terms of the nature of the reports that we're going to give. You do have a couple of areas where we had some findings or internal control weaknesses where there could be some improvements. And some compliance findings. We'll talk about those. And then in that communication, there was just one matter that we would like to continue to increase awareness to -- you already engaged Jane Kingston in quite a conversation. My hat's off to Jane for covering your questions on the cuff like that. I think she did a phenomenal job, and I would be happy to elaborate on any of those. Those were really good questions and I know on some important topics for you. This is the culmination of a process that actually started almost a year ago. I think that we were here beginning planning discussions on the June 13 audit about this time, or in April. The audit process started in earnest probably in the May/June time frame, even before the books were closed. And then of course, we have to give your staff time to get the books closed, and the financial statements drafted. And we're out in earnest probably in the months of October and November, and then we completed the audit in December, as Jane mentioned, issued the report before Christmas. And then there's a bit of a process to work with management on the findings and responses and have meetings with them, and so you come at the heels of that after those processes have ended for this presentation. So in terms of the audit, I think LaVonne did a good job of telling you -- I kind of break it down into five phases, and she hit the first one really well. We're in here looking at your bank statements and reconciliations, talking to the banks and those that hold your money. We're looking at invoices on both the revenue and expenditure side, we're looking at the source documents for the capital assets that were recorded during the year. So you have a really good understanding, I think, of those things. And the purpose of which is to make sure that what gets reflected in this document is accurate. It's meeting the bells and whistles and the requirements of the government accounting standards. In addition, a second phase, though, is that we are required to look at your internal controls. So what are those checks and balances that management uses to make sure that they can capture this information accurately and reflected in this document accurately? And we have an obligation to report to you if there are weaknesses in those controls, and I'll do that today. A third phase, since you are an Oregon municipal corporation, Oregon has issued some minimum audit standards of its own. And they require your auditor to test your compliance with certain state laws and then report on those. So there's a report in here, which I'll talk about, and we'll share the results of that. A fourth phase, you've been pretty prolific in obtaining federal grant dollars, so my hat's off to you. Obviously that's great when you can go and get some federal dollars to support and provide services. And any time that you get federal grant

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dollars, there's some extra audit requirements of your auditor, some compliance testing and reporting, and there is a report in here that I will talk about with those results. And a fifth phase is just kind of the reporting, coming back to you and sharing the results of that, the issuance of our reports and the communication of that. So, a reporting would be a fifth element. OK, the results. Well, the cat's already out of the bag, you already heard. I should mention, too, under nature of services, it's not just the city we audit. You have other components that roll into your financial statements including the fire, police, disability, and retirement fund. That's a separate audit, they issue a separate set of financial statements. We perform that as part of our contract. The Portland Development Commission, separate legal entity, it's your arm for urban renewal, all the urban renewal projects and tax increment financed projects. That entity issues a separate audited financial statement, we perform that audit. You also have something that we have identified relatively recently as the mount hood cable regulatory commission. That's an entity you created some time ago through an intergovernmental agreement, and through an intergovernmental agreement you take on their financial reporting requirements and help them to secure an audit. We performed an audit of those separately-issued financials. And finally, your hydroelectric operations require a separate audit and a financial statement as a compliance requirement for an agreement that they have with, I believe, PGE. So we do that. Out of those audits -- of course you're interested in all of them, but the city's -- which is a clean opinion. So technical term is unmodified. We did not have to modify that opinion for any known departures in the generally accepted accounting principles. And I know it's a lot of time and effort to come here and just in a couple of minutes and say, clean opinion, and I'm pleased that Jane acknowledged her staff. And really throughout the city, the staff that capture all this information so that you can put together the annual financial statements accurately -- that's a big task for such a large, complex organization as the city of Portland. So, very -- you should be proud of yourself in that regard, and proud of the leadership that you provide, which enables your staff to put together this document accurately. So the opinions for all those entities were also unmodified. So, FDP&R, PDC, the cable commission, hydro -- all those received clean opinions. So that's fantastic. And in fact, FDP&R, PDC, the cable commission, and hydro had no reportable findings that we need to bring to your attention. So I realize that's kind of what -- it's a negative -- it's absence of a negative, so, we're not focusing on all the positives, but the audit standards tell us what types of things we are required to report and there were no negatives that were required to be reported. So again, that's a hat's off to those entities for the work that they did to get to that point. On the city, the overall opinion is on page 11, and again, I'm not going to read it, we already talked about it, it's a clean opinion, that's the best that you can get. But it's on page 11 if that's something that you want to look at to go through. I mentioned the Oregon minimum standards. So you have some certain state laws we're required to test and report on, and that report is located on page 329. And you might recall in your past, probably the most common finding that we have falls under local budget law. It's common for governments of your size and complexity to actually have over-expenditures. So, actual expenditures that exceed the appropriations. A lot of that is a result of how difficult it is to monitor at the legal level of control for every fund that you have. This year, you had none. I'm pleased to tell you that, no over-expenditures. So you did a phenomenal job, your budget office, in assisting you and monitoring and making adjustments where necessary to keep your expenditures. The areas we look at not only is local budget law, but your procurement. So when you are out there obtaining the public contracts. We look at the deposits of your cash and investments -- are you meeting the legal requirements? We look at insurance. We look at programs funded by the state and other sources. There's a few other areas that we look at. And the only findings that we had this year is that you do have a couple funds that ended the year with negative fund balances. And we're just required to report that to you, it's not that it's necessarily bad, or that there's a huge noncompliance issue there. Your grants funds ended up with a negative fund balance, and so did the enterprise business solutions services fund. And both of those, I think, ended up there for similar

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reasons. It's timing. The grants fund is timing. So you are incurring expenses before you are enabled to request a reimbursement. And oftentimes, you've got to reflect that expenditure by year end, but because you maybe haven't met some eligibility requirement, you're not able to record the receivable against that yet. So it's a timing issue on a modified accrual basis of accounting. It may be even that you have submitted a request, but you didn't receive the cash soon enough after year end to be able to reflect that as asset on -- within that grants fund, that year end. So really, that's a timing issue, it's not a huge thing. And obviously, you need to work with staff to make sure your grants fund has adequate working capital so that it can incur those costs before you are able to seek reimbursement. Provided, you're doing well there, that's not a big issue. Enterprise business solution services is an internal service fund used to capture costs, and then you charge the other funds to cover the cost of that. And I think you've got some capital assets there where they're depreciating faster than you're paying down the debt used to acquire those, and I think that that's the biggest reason. So again, it's kind of a timing issue. So, I don't know that those, necessarily, are big issues to worry about. I guess if you had to have findings in your Oregon minimum standards testing, those would be probably good ones to have of all of the possibilities. I'm almost done now with the single audit. So, the audit of all of your grant programs. We have to do a certain amount of testing, it's based on a risk-based approach. The standards tell us how we apply kind of a risk base to determine what programs you have to test. In any one year, we end up testing between six and 10 of your larger federal grant programs, and on page 345 is a listing of the ones that we were required to test, and that's also the start of several pages that have the findings from that. So, we were able to get to unmodified opinions on your compliance with the requirements on all the programs that were required to be tested. So again, good news to you. That your staff, the grants department and the folks within the city are able to administer the grants within the compliance requirements and meeting those. And our testing confirmed that. We also, though, identified that there were two areas where we had some compliance findings. They weren't huge, but they were of a variety that we need to bring to your attention. On page 347, we mentioned the justice assistance grant program cluster, I think it's administered by your police department. There was one finding related to procurement. So, the federal government requires that at any time you go out and procure goods and services that are federally funded, you need to inform the party that you are procuring them from that this is a federally sourced program, and they have some -- you have requirements to check to make sure that they are not debarred or suspended or not able to receive federal dollars or federally-sourced dollars. And in your case, there was a situation where you had some open purchase orders. And initially, I don't know that anyone was thinking you were going to use that on a program that, that was federally funded, but you ended up using an open purchase order for a grant, charged to a grant, and there was no communication with the vendor that, in fact, you were going to use their goods for a federal program. So, that's the finding. They need to be informed. In this case, it was limited to some open purchase orders. And actually, I think that we had the same finding last year, and your staff had already implemented some improvements, but this was one that just didn't quite -- it slipped through the cracks. But I believe that you already have implemented improvements to try to address this situation. The second one was related to housing opportunities for persons with AIDS, a HOPWA program. And in that case, you actually subcontract with another entity to provide services. So any time that you receive a federal grant and it flows through to another entity, you have an obligation to do some monitoring. So you need to determine that if they are required to, that they get a single audit, an audit of that grant program just like you're required. And you get that audit report, you make sure that if there are findings that you follow up. Because you don't want to jeopardize your grant because one of your sub grantees isn't complying. So you've got some monitoring requirements any time you pass through funds. And there was one particular grant -- or subcontractor where the city had not followed up and had performed its monitoring of that sub-

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recipient. You have policies and procedures in place, they just weren't followed in that particular case. So we're just required to bring that to your attention.

Fish: Give us a primer on sub-recipient monitoring, and in particular, is there a general rule of thumb that says the timing of when you have to do that monitoring? Or does it depend on the particular grant?

Lanzarotta: Good questions. It can depend on the grant, and in your case, you actually have really some good policies about what you're going to do. I think that there is some work that you do in advance before you contract with a vendor. You've got some steps to check them out ahead of time, and then you have got specific things. Sometimes you do desk reviews, sometimes you might go out in the field and do reviews. You are required to obtain their audit report when it's completed and check it out to make sure that if there are compliance findings, that you follow-up to make sure that they have an action plan to address them. So you've got a policy that covers all the things that probably start before you actually contract with a vendor, and then how you interact with that vendor during the course of that grant.

Fish: I think in one of your examples, there is a vendor that every time there is a HOPWA grant, that vendor actually delivers the services because they have special expertise. But I guess what you're calling out is at the end of this award year, 2013, there needs to be some kind of -- even a desk review -- to make sure the money was spent as the federal program guidelines require.

Lanzarotta: Yes, absolutely.

Fish: That's not you making a judgment that the money was spent improperly. That's an internal control may not have been followed.

Lanzarotta: Correct. In fact, I think that we actually did obtain -- or through the course of the audit, we did get their audit report, we were able to look at it, and I don't believe that there were any compliance findings within it. So fortunately, there's no issues there that we're aware of. But you still have your obligation, because if you're not checking those audit reports once filed, there can be a finding and you wouldn't know about it. And it's risk. You're trying to manage risk and you're trying to manage a compliance requirement of you as an entity that passes through federal funds to another entity to complete a service that is one of your own services you are trying to get performed. Make sense?

Hales: Other questions for Jim?

Lanzarotta: On the financial statement audit, there was only one minor finding, which is on page -- it's also in this report on page 346. So, there was one internal control that we identified that we're classifying as a significant deficiency, we need to bring to your attention. It resulted in an immaterial error to the financial statements, but it's still something that we deemed important enough to bring to your attention, which is the accounting for internally developed software. There were certain costs that had been incurred that should have been added to the cost of that software, and they were not. And it's just a technical interception of requirements. Sometimes you require special expertise to develop a program software, sometimes you need some supervisory personnel time on that. And some of those costs were not captured in relation to the SAP software and others. I think there were four or five projects the city looked at. So anyway, it didn't result in a material error and I believe that you have already put together an action plan to resolve that issue going forward. Finally, on the required communications. So there was a separate letter that was issued to you, it's called communications with those charged with governance, it's our audit standard number 114, so you'll often times see that number on the header of that. And these are all the topics we're required to go over. So you have it in written form and you've probably read it. What I like to do is just hit a couple highlights. So, from my experience, what do governing boards really want to know? The first one is, geez, did we have any difficulties with the audit? And I'm pleased to tell you that no, we really didn't. I think that we had a good plan. We worked it out with your staff from technical accounting. We were able to execute that plan, and so that process went well. Another thing that

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boards want to hear is whether we had any disagreements. So, over accounting or auditing, were we asking to perform a procedure and it felt like management was pushing back or not allowing us to do that. I'm pleased to tell you that none of that happened. Your staff -- if anything, I feel like they really want to facilitate our work so we can get in and out of there quicker and out of their hair and they can get back to the day job. So, no disagreements, no difficulties. So those were all good. We did have one misstatement, which I would tell you is actually a positive. So last year, we came before you and mentioned that you had an internal control deficiency over accounting for capital assets. Sometimes you acquire an asset and it's an expenditure at a fund level, but it needs to get added to your capital assets records. And it's an asset on those government-wide financial statements that Jane talked about a moment ago. And after you acquire them, then you've got to be able to have controls in place to know that your list is complete and accurate. Last year, we identified that you could have better controls over determining if your capital asset lists were accurate, and we gave you a suggestion to actually -- for real property -- go and take your records and compare it to the county's. So they have an accurate list of who owns all the real property within their boundaries, and so they're a good source. And you actually implemented that. Parks and rec, in particular, when they did their physical inventory of capital assets, endeavored to do that, and they found a piece of property that was not on the books. And so they went ahead and put it on the books this year. Because it was an immaterial amount, they just ran it through as a current year edition -- that's where the error comes from -- rather than recording it as a prior period adjustment. So, anyway, it's an improvement to the books and a direct result of implementing a suggestion that we had made. Finally, the last item was just trying to increase awareness. I think Jane went over it with you, some graphs of some information about the city's overall position. And gosh, I would be happy to entertain questions on that, too. I think that Jane did a good job, so I don't know how to roll through these.

Hales: There we go.

Lanzarotta: OK. So some -- as I think Jane mentioned and as you are very well aware, the city has continued to receive a very high bond rating. So, very much to your credit for maintaining your finances at a level. One of the things that they like -- credit rating agencies like to look at is your general fund, so how well are you doing. And the fund balance represents cash or current receivables, those things that are going to become cash very quickly, minus the current bills. So, those things that you're going to pay quickly. So it's a very cash -- it's almost cash basis, not quite. And this tells you that you're down from the high years, 2006 through 2009, but you have hung in there -- \$79 million at the end of last year. And what's important to you is that you're meeting the best practices for the level of that fund balance. So, best practices are at least the 10% to 15% of your expenditures should be left over at the end of the year. And you're meeting that requirement. So you're doing very well.

Fish: Can you remind us what is current council policy is in terms of the general fund reserve?

Lanzarotta: You know, I don't know if I can quote it off the top of my head. I believe that you do have a policy. In fact, it's probably disclosed in one of the notes about maintaining a certain level. If I remember right, it's 10%. Jane could probably -- And then also -- a lot of people call it a rainy day fund -- but you also have a fund where you're putting money aside, and you've developed a policy about when you can tap into that, what type of conditions have to exist.

Fish: I believe some of them have to do with if there is a significant counter cyclical event, like a depression or an emergency or something. But at budget time, people often come before us and say, why do you keep this in reserve when there's unmet community needs? And could you highlight the relationship between maintaining healthy reserves and maintaining our healthy credit rating?

Lanzarotta: Yeah. Well, one of the things that you noted already was that you've issued a lot of debt primarily in your business type of activities. So you issued debt to finance operations. You also have debt that helps you with the tax increment projects. You issued debt for a number of reasons.

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And that credit rating that you obtain is critical to getting the lowest possible interest rates on that debt. So one of the main reasons that I think that you want to have a good fund balance policy and a reserve to meet requirements is to maintain that credit rating which lowers your cost of borrowing. If you didn't have good management policies in that regard and maintenance of fund balance reserves, you are going to be paying a higher interest rate, and it doesn't take much of a drop in your credit rating for that interest cost differential to add to a very significant amount of dollars.

Fish: Jim, having all of us lived through the collapse of the economy and the housing markets, I think there's a general skepticism about credit ratings these days. And tell us what -- who is doing the credit rating and why should we have confidence in the numbers that they're giving us?

Lanzarotta: Yeah. The credit ratings are done to help an investor understand the risk of buying city of Portland bonds. They are done by -- there's three primary agencies that do credit ratings. And from an investor's standpoint, it's a common source to look at to gauge whether you are going to be able to repay that. As an investor, am I going to get paid back if I invest in that bond? And that's -- and I know that if Jonas Biery was here, he could give you a better primer on the importance of your credit rating -- but in a nutshell, it's a measure of whether you are going to be repaid, and what's the risk to a bond holder of not getting the payment, interest and principal payments over the time of the bond.

Fish: Mayor Hales, this comes up in a number of guises. There's talk at the federal level of changing the rules around municipal finance. If there were caps on the amount of interest that could be deducted, that will drive up the cost of borrowing and will make it more expensive to replace streets and sewers. If there is a question about the council's general oversight of the debt portfolio and its decision-making, it could affect the way rating agencies look at us. And every decline in our rating is, in effect, a tax on Portlanders because it will cost more to borrow money.

Lanzarotta: I would like to commend you, too, you've been highly supportive of your staff getting involved on a national level. I know that Jonas Biery and his predecessor have been involved on a national level with the government finance officers association and their debt -- they have a debt committee -- I'm not sure of its exact title -- but it's a chance to get plugged in on a national level and be really well informed, and participate in best practices and development of that for governments across the U.S. So you're lucky, and I commend you for being supportive of your willingness to allow that to occur.

Fish: Thank you.

Hales: Thanks.

Lanzarotta: If you look at all the governmental funds, not just the general fund, this is what the fund balance -- again, essentially, cash -- with those current receivables and current payables. This picks up a lot of restricted -- the funds that are outside of the general fund are generally outside of there for a reason, these are restricted resources that you have to deliver specific services, grant funds, and debt service funds and that sort of thing. When you look at -- and this is what Jane showed you a bit ago -- a graph, just a bit different format, which shows that if you put all the governmental activities together, this is what the trend would be. I think Commissioner Novick, you asked a good question about whether the fair value of capital assets are reflected on here, and they're not. And perhaps we'll talk about why or what this means. The statement that drives this is the -- you could call it an income statement. We call it the statement of activities. It's on page 42 of the financial statements. It's that statement of activities. This is a one-year snapshot, and this graph shows the trend over this period of time and this picks up all of the city's assets on the governmental side, less the liabilities. One of the purposes of this statement of activities on page 42 is to give you or inform you of whether the cost of providing services -- whether you have revenues to cover that. And so one of the critical questions is, is our revenue stream sufficient to cover all of the expenses on a full accrual basis over this time? One way that you could look at this is you have incurred costs of approximately 1.4 billion more than you've had revenues over this period from 2002 to 2013.

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The next slide tries to tell you what are maybe the drivers of that, and so the capital assets is part of it, incurring some additional debt in the pension and OPEB is a big part of it. So I'm sure that we want to --

Novick: Could I? When you say incurred costs, that doesn't mean that we have spent money, necessarily, that includes depreciation.

Lanzarotta: Correct.

Novick: In fact, where we have actually spent money, for example, on the big pipe -- that reflects as a positive because that's a new asset which shows up in the balance.

Lanzarotta: I did want to address that. You know, the spending on the big pipe didn't in and of itself create an addition to your net assets. In fact, you borrowed money to finance that. So, yes, you had an increase on the assets side, you also had an increase on the debt side. The two netted out. There was no net impact on the net assets because you've got that debt you have to repay. Now, if you had accumulated revenues overtime and parked it in the bank account and then used that to go by, you would have had a spike in your net assets.

Novick: OK, but part of this -- depreciation counts as a cost in this formula.

Lanzarotta: Correct.

Novick: So, it's not a matter of just, you know, if we spend money that counts against us. It's, if we don't spend money, that counts against us because of depreciation.

Lanzarotta: Right.

Novick: So one thing I just want to clarify is if we raise taxes through this and bought a bunch of new stuff, then that would improve our net assets.

Lanzarotta: It would. Absolutely. And there is nothing really bad about -- necessarily bad -- about a reduction in net assets. The issue, I think -- what we're trying to do is increase awareness to this and to try to make sure that you have metrics built into know when this might be a problem. It's really only a problem when you start struggling with the cash flow. So, for example, I think that Commissioner Fish, you kind of hit on the business type of activities. A lot more debt has been issued to fund the big pipe, as an example. If you look at the percentage of revenue, you know, ten years ago, from sewer and water that was applied to operations versus what was applied to debt service, it was a greater percentage. So today, a greater percentage of your revenues has to go to that debt service. And there's nothing wrong with it, it's just a matter of managing that. So, this decline in capital assets of \$658 million over this period of time, it isn't bad. And you can go issue debt when it's time to replace it, there's nothing wrong -- that's a commonly used tool. I know you've used the term good and bad debt here in the past. There's nothing wrong with it. The issue you have is just making sure that when you incur that debt and you have to start paying it back, that you've got enough revenues to cover that repayment stream. And so, all we're trying to do is increase awareness that this graph is telling you -- you are incurring more costs than you have revenues, and at some point, you'll feel the pinch in the cash. So, do you have metrics built in and a plan identified so that you don't feel that pinch when the time comes?

Hales: So maybe go back to the previous graph for a second, and my sense about this now, having been through it a couple times recently and more times in the past, is that there's part of this process -- Jane's report and yours -- that's illuminating, that shows us where we are as a city. There's part of this process that because of the government accounting rules that you're all subject to is sort of unwittingly deceptive or even unwittingly alarming. And there's no villain in the piece, just that's what the rules require. I think that's the case. So, here's my question. It's a hypothetical question. For a government -- a local government with assets of varying ages, you know, over time -- to have this graph that you now have in front of us be level, I think what we would have to be doing would be budgeting cash every year to offset the depreciation schedule for each asset. So we have a community center that's worth \$10 million, and it has a 10-year appreciation schedule -- and I am

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making that up, we would have a longer one than that, obviously -- we would have to put a million dollars of cash into a bank account each year in order for that graph to not be going negative. I think.

Lanzarotta: Yes, that's a great way to do it. And in fact, you do that with some of your assets.

You've had a policy -- I think it's recently changed somewhat, but you've had a policy for certain computer equipment. You actually assess yourself. If you get -- if someone issues a computer to the mayor's office, you are getting assessed a charge which is being -- yeah, tucked away in a fund so when it comes time to replace that, the cash is there. So you have actually a policy for certain assets already where you are doing that, it's just that it's a smaller, limited set of assets that you are using that policy for. And it is true that if you use that on a broader basis, then you would have been tucking some cash aside.

Hales: So, I think most voters and citizens would not think it reasonable for us to say, charge water rates equal to what it would cost to put money in the bank every year to replace the pipes on a schedule. Or to have a parks budget that budgeted for the depreciation of the Peninsula Park community center, which is now probably fully depreciated. So, again, I'm not criticizing the work. You are bound by the rules. But that graph is, you know, sort of needlessly alarming, but the data within it is important for us to understand.

Drummond Khan, Audit Services Director, Office of the City Auditor: That's true. And one concern that we've had that Jim and his firm raised to us four or five years ago that we've seen, and the new concern that the number continues to decline, is more than just sort of an accounting artifact. I mean, it's true that it includes things like pension and other issues that, if added back, would soften the curve of the decline. Our concern is that the same standards that make the city present the data in this way are the same standards that apply to every state and local government. So, this is not unique to Portland. When we looked at six other cities, Cincinnati, Charlotte, Denver, Kansas City, Sacramento, Seattle, they didn't have this kind of decline even given the issues and concerns around depreciation. In fact, their total net assets -- just by comparison -- the city of Portland's total assets in 2012 was 2.4 billion. The average of those other cities, which have almost identical per capita services and expenses and revenues when you zoom out and look at all city services, compared to our 2.4 billion in net assets, those six other city average was 4.2 billion. So, while revenue and expenses are among those six cities are similar, they were able to essentially take in more revenues than expenses and not have that kind of decline, even given that they had to follow exactly the same rules. So, that's one of the reasons we're concerned. It's true that there are ways to dampen the curve and not trying to manage just to keep it a flat line. But there are things where -- I should say our spending level is higher than our revenue stream more so than some of those comparable --

Hales: Well, again, I think it's really important that we understand the realities behind the summary numbers.

Kahn: True.

Hales: That's what we have to manage against. I happened to have a meeting last Friday night with two members of the Cincinnati City Council. They were going home to deal with an 850 million unfunded pension liability -- which is truly unfunded.

Kahn: Sure.

Hales: We have PERS payments for our PERS employees, and we have a pay as you go police and fire system which is now transitioning over time to something closer to PERS. So we have a fund -- we have an expensive but funded pension system. They truly have \$850 million in pension responsibilities for which they have no idea how they're going to pay.

Lanzarotta: They don't have the revenue stream like we do.

Hales: They are in a different and worse place than we are. So it's really important that we know the facts behind the numbers and the situational facts.

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Fish: Well Mayor, because you raised the question, I would urge the auditor to furnish us with additional information about peer cities that you've identified. Be interested to know what activities they run that we don't, and or what are some of the differences. Does Cincinnati show a football stadium on its books that we don't have? It would just be interesting to see to make sure that we have apples to apples. And then, if you believe that there are some best practices and lessons learned from that data, would love to have your analysis on that. I was in San Diego a few years ago, and they had a little -- they had the same challenge that we had with the blip in the economy. And I remember meeting with the parks director who was directed to prepare I think it was a 30% cut in her budget, and it was a complete wipeout. So it occurred to me at the time that they had a different way of budgeting current services than we did because we actually never got to that kind of armageddon. But I would welcome a more detailed analysis based on the work you've done, Drummond. These other cities -- what do they do differently? Do they have assets on the books that are different from ours? And what lessons do you draw from it? And I think it would be helpful to us. And I would also say that there's some other cities which at least the Portland Business Alliance considers peer cities that I'd hope that you consider throwing in the mix, too, because I'm not sure all those cities are generally viewed as peer cities. But anyway, we can talk about what are the comparators. But I would love to see the analysis in writing. Goes back to this idea of good debt, bad debt. And I've always had a concern about looking at debt out of context. If you took my street in northeast Portland and wrote a report on all the mortgages on my street, you'd say my god, there is a lot of debt on Caesar Chavez between Knott and Stanton. But if you said that debt allowed a lot of people to secure the American dream of a house that has value in it, you'd say that's about right. I just -- I'm often concerned about making sure that we have the context to evaluate debt and that we not go down this rat hole of assuming debt is bad because it's debt. But that we make value judgments about what's good debt and bad debt. And we need that guidance.

Lanzarotta: Yeah, I think your challenge -- it's fortunate for your pension, OPEB, you've got a solution. First, you've got a property tax, so you've got a revenue stream. And second, you made a change a few years ago to put the new hires into PERS, which is funded on a current basis. So you've got a solution for the biggest driver to this. It's going to take a while for that to work out. You've got kind of double payments, if you will, for a period of time, but it's gonna work itself out. And you're getting a 40-year projection on that property tax, so you're already looking at risks. You know, one thing you might want to do is consider if there is -- I think the last report showed maybe a 5% chance that the property tax would run short of the requirement. So maybe you tuck money aside to cover that risk. That's something you could maybe address. But for the most part, you've got that piece covered. So, it really gets back to the capital assets. And you could make an argument there is nothing wrong with what the city has done. The thing that we want to try to do is make sure that if debt is your solution when it comes time to replace this, that the debt payments don't become so great that it puts a pinch on the ability to maintain your service level. And all we're saying is if you look out far enough in advance, I think that you can project if you are going to get to that point. So, if you are feeling pinches now -- I mean, there's a question whether you are to that point now, and could we have maybe made some different choices the last few years so we don't feel the pinch? So anyway, the point is how do you build in a longer frame look and metrics so that you can predict if you are going to have a challenge down the road and still meet the service level that you want to meet with the residents of the city of Portland.

Hales: Yeah, just a footnote, I'm going to be interested in both the auditor's and your thoughts about the pension board, about how close to the top of the graph we're going to get. So we think that we're OK, but your counsel about that will be welcome.

Novick: One point I want to reiterate is that we could improve our net asset position even by doing irresponsible things. We could have a one-year, 100% tax increase and build a billion dollars palace

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and neglect maintenance and all of our declining assets, and that would still show up as a billion dollar improvement in our net asset position.

Lanzarotta: Yeah I think that you raise a good point. I don't know that anyone can tell you what your numbers should be. You could have arguments all day long. My way of thinking, if you're meeting your service level, and you can meet your cash flow requirements, you're doing great. But let's make sure -- because this trend cannot continue. I'll tell you, you cannot sustain this. At some point your cash position will suffer, and so you've got to make -- so just like you addressed the pension, you have addressed that. That will resolve itself. But at some point, you've got to make a change -- so when do you do that so you don't run into that cash crunch.

Hales: Wait a second, pause on that because you are talking about a depreciation-driven graph here, and our cash position is continuing to improve. So, how do you square those two?

Lanzarotta: Remember that this graph on page three is full accrual. So that's all your costs compared to your revenues.

Hales: Costs and depreciation?

Lanzarotta: Exactly, which is a cost. It's a cost.

Hales: Yeah.

Lanzarotta: And the issue is that you can't maintain that. Eventually, the cash runs out.

Hales: Or the capital assets have to be replaced.

Lanzarotta: Yeah.

Hales: Or repaired.

Lanzarotta: Yeah.

Hales: OK. I get you. We know that about some of our -- that helps reinforce our understanding about the condition of some of our capital assets. The streets, in particular.

Novick: In fact, to some extent, doesn't this graph understate the problem? Because when you're just looking at the depreciation of the original cost of assets, that doesn't reflect the cost of replacing them or repairing them.

Lanzarotta: Correct.

Hales: Oh, that's right.

Lanzarotta: Sometimes, getting a capital asset -- it's an obligation. You gotta maintain it, eventually you gotta replace it. So every time you take one on, you've got to make sure that's really, you know, an important asset to have, and critical to providing services, for sure.

Griffin-Valade: This has been a great discussion, I think, and I'm really glad that it's happened here and that the public has been able to participate at home and here. Fred, actually, wanted to come up.

Hales: I think we ought to bring up Fred and Jonas. But any other questions for our first panel here?

Fish: Thank you for the discussion.

Lanzarotta: Again, just to reiterate, great news from an audit standpoint and the ability to get a clean opinion. That's been phenomenal, and you want to make sure that you understand how we appreciate the supervision you've provided and leadership that allowed that to happen.

Hales: Well, thank you. Thanks for good work. Fred Miller, our acting CAO; Jonas Biery, our debt manager, welcome.

Fred Miller, Director, Office of Management and Finance: I think the nature of my remarks may be both briefer and -- maybe just briefer than before, because your discussion was pretty good. I wanted to make sure certain things came to your mind. I speak a little bit of accounting, but I speak more management and policy. And sometimes, management and policy objectives are different than if you strictly follow the full accrual accounting. So I was concerned, given the nature of my discussions with the auditor's office and with Jim before, that a couple of things may not be explained as well as I think they might for policy purposes. And I think, actually, you did a pretty good job bringing them out. But among the statements I was wrestling with is in the past, our

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discussions have said the expenses have exceeded revenues in eight or nine of the last ten years. And I'm thinking, how do we get to that? And you already hit it, because when you count expenses it's partially the police, fire system, and the depreciation, you can get to that outcome. But I think that a lot of the public listening to that would say that you're overspending. Another one is that there have been excess expenses of 183 million this last year. Bureau directors who are putting their budgets together would love to get some of that 183 million. We're watching this system get down to \$5 million and lots of requests, and you think, how could you get to \$183 million? And the answer is, in particular, a big part of the answer is that fire, police retirement -- you have a funding source but you can't count it according to accounting rules because it's not an asset. So, \$128 million of the \$183 million that were excess expenses are from that source. And I think, OK, you need to understand that because otherwise you might be concerned 183 is too big of a number, but that's where that comes from. And there's another 72 million that's depreciation, and you dealt with that issue. So when you talk about expenses, excess expenses, that's where that comes from. So once you know that, then you can get your mind back on the budget focus and what you are trying to put together now. Since you dealt a lot with this, I thought -- I definitely wanted to mention the fire, police retirement question. I think you pointed out, I think -- I didn't know coming into this job that we would really book all the assets at original costs and then depreciate, and that you're dealing with that situation. Commissioner Novick has sort of highlighted some of that, so I think that's recognized. The one question that has come up before in our discussions with Jim is the question of intergenerational equity. And expressing a concern about that, in particular, because of our fire, police retirement that we're spending current money for benefits accrued in the past. My take on intergenerational equity is that it's a pretty complicated question. That statement is true related to the fire, police retirement. But if you have sewer bonds, which Jonas sold, 20-year bonds, people are going to pay those off in the next 20 years. But citizens will receive benefits in year 21 through maybe 100 and get off free. There's a shift in terms of intergenerational equity, and we're sitting here today with what I read is 80 and 100-year-old water sewer systems worth zero, some is already paid off, and we're benefiting. So if you are really looking at the issue of intergenerational equity, you've got to look at a lot of programs. It's a complicated study, and you can't just take one program and say, therefore, it's a problem. Frankly, I don't know how that comes out. And I think most of us like something like an interstate system where we've invested and people benefit for years, even though that's a question of intergenerational equity. You've handled the debt question. I was going to deal with that, but I think that I won't so much because there is a little undercurrent that debt maybe a problem. But, just several examples on the federal level. Ever since Herbert Hoover, I think people have recognized that if the economy is in a downturn, deficit spending is a good idea to prop it up. Accumulating debt makes some sense and we'll probably never get all the debt off the books. I mean, I know we won't. And as a percentage of GNP it frequently is declining. It's not a bigger problem, it's less of a problem. At PGE, we make conscious decisions to have 50% debt, 50% equity. And probably they're always going to have that. Very consciously want half of the financing to come from debt. It makes sense. As you pointed out, mortgages. There are lots of people around who think it's not worth saving up to buy a house. You want to take out a mortgage. That debt becomes productive. And another good reason for debt is that it does achieve some intergenerational equity. You invest in assets, and people pay those bonds off over a period of time. So I think -- and Jonas worries about this -- but there is an optimal amount of debt, and we should think in those terms rather than the negative connotation. So, I wanted to -- in this piece to say, just be careful when you think about declining net assets or unfunded pensions or overspending. There are usually answers to those. We did well in getting our AAA rating. That's benefited us. And it's no doubt, one of the conclusions of Jim's presentation and our conclusions would be we need to invest more in assets. That's a question you're going to hear more about in the budget presentation, and that's a given. But I think it's important, and I think you got it, that we need to be managing to

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outcomes, not necessarily the accounting rules. Listening to your discussion, I think that's where you're focused.

Hales: Thank you.

Fish: I have a question for Jonas. And by the way, Fred, we're going to add about \$400 million of assets on the books shortly.

Miller: Great.

Fish: Around reservoirs. We've had a discussion about credit ratings, and Jonas, you manage our debt. And I think it'd be helpful if you told us, what are the handful of most important factors that credit ratings look at when they decide, for example, to give the Water Bureau the highest rating in the country, a AAA credit rating. What do they look at as factors of credit worthiness?

Jonas Biery, Bureau of Financial Services: Very good question. First let me say, the rating agency methodologies are all publicly available on the rating agency web sites. I'm happy to provide those as well. So there is information --

Fish: I'll ask you to give us the English translation.

Biery: Correct. Thank you. It's a number of factors. Its things like financial condition. If we're talking about things like the city general fund, they want to look at things like the net asset condition and reporting that we do as part of the CAFR. They also want to look at the systems that support that, including the management systems that support that. If we look at things like water and sewer, they want to make sure we're meeting regulatory compliance, they want to make sure that we're meeting our revenue coverage targets, that we have the ability to pay the debt and some beyond that. They want to look at the ability to have strong management who understands the system, and understands the needs of maintaining the financial condition of that system. They want to look at our history, they want to look at our fund balance, a lot of things that we came up today. One point I'd make, though, is that they do a comprehensive analysis. They're aware of a discrete table, a discrete reporting, a discrete issue, but they spend a lot of time really delving into the complexities of the financial system. And I would add they do that on an ongoing basis. We mentioned the AAA rating a few times. We've been rated for over 30 years. That means that for over 30 years, Moody's investors service has been looking at the city on a regular basis, looking at the detailed nuances of the operations and our financial details, and making an independent judgment that be we do deserve that high rating. Similarly, for the water system being rated AAA.

Fish: So, this idea of active management, and the points you get for active management. So in our system, whenever we issue debt, you come before us, you explain the purpose of the debt, the terms of the debt, there's a public hearing, the public gets to come in and say is that a good or bad idea, and ultimately we have to cast a vote. So is that part of the active management for which we get credit from rating agencies?

Biery: Correct. It's the council's ability and willingness to support needs of the system as well as the staffing constructs that allow the ability to actually manage those financial systems.

Fish: So, Mayor, we are not allowed as staff to ask city employees to take positions on current matters that may be on the ballot. So I want to be very explicit. I'm not asking you to take a position on the water district and the proposal. But there is a provision that has got a lot of attention in the proposed water district. It says that they may direct us to issue debt and we shall issue debt. The word shall. And I guess I want to ask you, do we have any current arrangement where some third party can direct us to issue debt and we have no role but to rubber stamp it? That is, no role to determine whether it's in the best interest of the city, or our financial statements or whatever?

Biery: I don't know that I'm the most qualified to answer whether we have that in the city. I'm not aware of it from anything that touches the debt systems. One comment I would be able to make is, relative to my earlier comment about the role of management strength, anything that compromises that management strength is certainly going to have potential for some negative rating impact.

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Fish: And that is -- when you say potential for negative rating impact, I want to put the fine point on that. The big pipe cost 1.4 billion, and during a great stretch of that project, we got the lowest rates ever. We got rates during basically a depression and paid probably 2% for our debt. Cities across the country that are doing CSOs going forward, may be looking at 4% debt. If Congress changes the rules on municipal finance, it could be 5%. I want to make sure that people understand that if you change the rules of the game, either at the federal or local level, and if it drives up the cost of debt on things you otherwise have to do, like unfunded federal mandates, that is in effect a tax and people need to understand that under this proposal, we would have absolutely no role other than to issue debt and put our full faith in credit on the line and that is one of the concerns I have about that proposal.

Hales: Trains on auto pilot don't go to good places. Other comments or questions? Thank you both. And we have no one signed up to testify on this? OK. So then let's take first a motion on accepting the report.

Fish: So moved.

Fritz: Second.

Hales: Discussion? And roll call, please.

Item 249 Roll.

Fritz: Thank you very much both to staff and the consultants for this in-depth report. It's good to me to know that there are people both inside and outside who are watching over the city budget, and in particular Jane Kingston our City Controller has demonstrated her diligence over and over again. Thank you very much. Aye.

Fish: I want to echo that and also thank Jim and our friends from Moss Adams. This is what you come every year to talk about. And it's a very complicated and chock full of data document. I think you do an excellent job boiling it down for us and the public in terms of the big picture. And I appreciate your work, I appreciate the auditor's work, and I really appreciate our interim CAO for coming in and giving us his perspective. And Jane, thank you for your presentation. This is information. The best part of it is it says that we have a clean audit. And the policy implications are things that we should discuss and debate going forward, but today the question is, can you have confidence in the financials of our city? And Moss Adams, a reputable firm at an arm's length review, says yes. I think that is the take away for me. Congratulations to our budget team for their tremendous work. We have clean audits, national recognition, and high credit ratings because of the professionals who do the hard work keeping our finances on track. So thank you for that. Aye.

Saltzman: Thank you Moss Adams, thank you Auditor's Office and Controller's office. And appreciate the good, clean bill of health. Aye.

Novick: I want to thank Jim, and LaVonne, and Drummond, and Fred, and Jane for a very interesting and informative presentation. Thank you and my colleagues for a spirited discussion and I'm pleased to vote aye.

Hales: Well the fact that the council could have this spirited discussion and perhaps go a little longer in the calendar than we should have indicates, one, that we're all wonks up here, but more importantly, that we actually take this seriously and that this is really important work. I've just gotta say -- you can listen to this presentation and say this is just sort of administerial stuff. We think this is normal. We think it's normal for our auditor and our outside auditors to come in and give the city that manages billions of dollars in hundreds of different funds a clean bill of health. We think that's normal. Let me tell you from working around the country in the last 10 years, it's not normal. It's not guaranteed that you will have a 30-year record of the best credit rating that any government can get. It's not normal that our staff would have no corrections to make in the way they do their work in managing all of these hundreds of funds. In one of the instances that I will recount, one of the governments I worked in had the FBI sweep in and arrest 20 people because they were using funds the wrong way. So, this is not normal. And that's very good. This is the way we keep Portland weird

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in the way that even those that hate that phrase would have to love. So, thank you very much for good work, and for all of our managers and bureaus and in OMF who make sure that we do this work this well. I'm really happy that we have this affirmation of your good work and the fact that the public's money is being managed prudently, properly, and efficiently by the city of Portland. Well done. Thank you. Aye.

[gavel pounded]

Hales: And the second item is also requires a motion.

Fish: So moved.

Fritz: Second.

Hales: No it doesn't, I'm sorry, it's a resolution. Never mind. I thought it was a report. Never mind. Go ahead. We'll make a motion anyway. Roll call, please.

Item 250 Roll.

Fritz: Aye. **Fish:** Aye. **Saltzman:** Aye. **Novick:** Aye. **Hales:** Aye.

[gavel pounded]

Hales: OK, now we'll move to 251 and 252, please.

Item 251.

Hales: Kathryn and Mr. Jones, come on up, I think.

Novick: And, Karla, since 251 is a second reading, should we just vote on that first?

Moore-Love: You could if you're ready to.

Hales: Is there any reason, staff, why we shouldn't vote on 251?

Kathryn Levine, Bureau of Transportation: I believe that's the second reading of the Northrup LID. It would be fine.

Hales: Roll call on that.

Item 251 Roll.

Fritz: Aye. **Saltzman:** Aye. **Novick:** Aye. **Hales:** Aye.

Item 252.

Levine: This is a continuation of the public hearing on the Portland eastside streetcar loop LID. And with me today are two representatives from the Central Eastside Industrial Council.

Hales: Welcome back.

Debbie Kitchin: Since last week's city council meeting, we have had two meetings with PBOT staff and the Portland Streetcar. Our purpose was to explore options that might mitigate the huge increase in the LID assessment that falls on the small property owners on the central eastside. We looked at an option that would change the formula, but unfortunately -- change the formula just slightly -- but unfortunately, the results that it yielded were only, you know, a \$30,000 shift, which is .2%. And with that, would require sending back notices out and so on. We just felt that that wasn't significant enough to pursue. And part of the problem is we just feel we don't have time to really explore, fully explore the options using the data and the models. It's important to note that this data was available for almost a year. But the central eastside was -- the small property owners weren't really aware of it, and only had about a month to get the notice and respond. So, I think that is a problem with this process that we've had. We hope that in the future that this is avoided and that it is understood that when you have a change this significant, you know, on the order of -- basically we had a shift of about \$600,000 fall on the central eastside through this process -- property owners there. That doesn't even count if you took into account that OMSI had theirs reduced, and they're the largest property owner in the central eastside. The impact on others is actually greater than that, if you netted that out. But we do recognize that -- we appreciate we were given an extra week to try to explore options and answer more questions. We do recognize that already the proposal that was presented represents some adjustment. It would have been, you know, \$1 million instead of \$600,000 with the approach that was recommended. So, we think at this point that further exploration when there really aren't many opportunities to make a significant change

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would just take time and use everyone's time and not really produce the result. So, we are accepting the proposal. I know we have a lot of unhappy property owners that feel that they were not really fully included in the process except on a very short time. But given the situation and the fact that we are coming up against calendar requirements, we're just accepting the proposal at this time. Not happily, but in the spirit of recognizing that there was a compromise that was already proposed.

Hales: Thanks, Debbie. Peter, do you have anything to add to that?

Peter Stark: Only to say thank you again. Most of this was just to try to figure out what happened. And I think even Portland Streetcar, Inc., was surprised by the shift. What we realized was the irony in some of the property owners who would benefit the most from the alignment actually had adjustments that would allow them to pay less than the assessment. So that irony was what we were trying to struggle with. And I agree with Debbie that at this point, it's not the fault of the city, certainly not the fault of the property owners that request modifications through real market value. I mean, everybody has an opportunity. We just found ourselves cost in the situation where the central eastside took a pretty big hit. And trying to represent those businesses, we wanted to make sure that we understood and they understood what happened and what we could do about it. Going through the analysis, we realized that we might be able to make a slight modification, but then we risk possibly losing the current modification, which does provide some advantages. So the thought was the best approach was to say thank you for giving us time and I think we need to move on.

Novick: Thank you very much for your indulgence. I mean, I think this does send us a lesson, when there's this much lag time between the formation of the LID and when you actually do the assessment, we need to pay attention to what's happening with the government across the river that actually is making decisions on valuations that affect what people pay. And we need to be vigilant about that and when there's a situation where what happens with a few properties can affect everybody else, we need to make sure that the everybody else gets that information as quickly as possible.

Saltzman: I just want to get this on the record. I was quite sympathetic last week to the arguments -- or the positions of Portland Opera and Portland ballet that were urging us to maybe technically delay their assessment to July 1st so it would not jeopardize their eligibility for private philanthropical matching grants, I believe. So, for the record, I was informed we cannot postpone their assessments until July 1st. Is that correct?

Levine: I have talked with technical accounting and the city attorney's office and other staff to try to find a method, but the regulation on the assessment are once the assessment is made, it is made for all properties within the district. Yes. So, we are --

Saltzman: So the city council has no ability to choose two properties and say we are going to technically delay your assessment date until July 1st?

Levine: That's my understanding, yes. We are in contact with the one property owner in particular and trying to find ways to assist them, particularly in perhaps communicating with the foundation that provides funding.

Saltzman: OK. I'd like to be kept apprised of that. Thank you.

Hales: Same here. So, obviously previous presentation indicates we have good reason to follow the rules, but it was worth seeing what flexibility, if any, we do have. Thank you. Other questions for Kathryn or for our CEIC leadership? This will come back for a second reading, right? Because it was continued.

Moore-Love: Technically we had a first reading last week, so we could vote on it.

Hales: I see no reason to delay, given what we have heard.

Levine: We need to ask council to amend the ordinance package to include that Exhibit D.

Hales: We did that --

Levine: That was the exhibit that summarized -- did you?

Hales: I think we did that, Kathryn. Didn't we already amend it to --

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Levine: I know you took action for Northrup. I thought the council held off on eastside.

Moore-Love: You did.

Novick: Right, we were waiting for the conclusion of the hearing and we decided to extend the hearing.

Hales: I think we are free to take a roll call unless anyone else wants to speak. Roll call, please.

Item 252 Roll.

Fritz: Thank you to all parties for your diligence. I agree that it is interesting that properties that benefited the most from the streetcar at this time are getting a lesser assessment, and I hope that as this use continues and we look at the central eastside industrial district with the urban renewal district, that it becomes successful to all of the property owners on the eastside as it has been on the westside. Thank you to staff also to Commissioner Novick and his team in briefing me earlier this week. Aye.

Saltzman: Well, thank you for your -- giving extra time and coming back and saying what you had to say today. You know, overall, thank you for assessing yourselves to help pay for the eastside streetcar. That's the most important gesture and appreciated very much of all. Thank you. Aye.

Novick: I want to reiterate what we said last week, which was this is an effort to do some rough justice. If we had just proceeded based on real market value as we anticipated in 2007, then given the significant adjustments in real market value for some properties, that would have been an even heavier burden on a number of folks on the central eastside. We tried to come up with a formula that adjusted for that that limited the amount of discomforts on both sides. Because of course, if we had simply -- if we said we are going to go away from real market value entirely and have the same assessment in 2007, then we would have had a lot of protest on the other side. I do appreciate the fact that although you were not given all that that much time to come up with alternatives, you're willing to let us go forward. I also wanted to note we were informed by Dan Schmidt in the Auditor's Office that we need to go ahead and approve this to keep on track a bond sale, which is not just for this item, but also allows people with Parks and PBOT SDC charges to finance their debt and helps ensure that they get a reasonable interest rate. So on their behalf, we thank you as well. Aye.

Hales: Well, it's our practice as a city to try to have local improvement districts be a consensual process in which we at least get to broad support, if not total consensus among the property owners. And that's at work here and we appreciate your efforts, Debbie and Peter, as leaders of the neighborhood organization for the businesses there, to work with people and to be intermediaries between the city and property owners who have other things to do than pay attention to these arcane things that nevertheless affect their cost of doing business. So, thank you for the work that you do. This is a great project. These property owners are getting a lot of leverage from this investment, so I'm confident everyone will prosper because of this over time. But it's really important that we do it this way. Thanks for your constructive criticism about how we should remember our lessons from this particular LID when we do the next one. Thanks very much. Aye. [gavel pounded]

Hales: OK. Let's move on to regular agenda. Sorry, we have one more.

Item 253.

Hales: Commissioner Fritz.

Fritz: Let me say that again: authorize acquisition of approximately 85 acres of the Colwood Golf Course. This is something that the community has wanted for decades, and that Portland Parks and Recreation has been working on. And I need to say at the outset this day is possible because of the community organizers who vigorously defended this site against other proposed options in the past. And so here we are. And I am very happy to bring forward this ordinance that brings this parcel into public ownership for the benefit of all Portlanders, also recognizing that the work of my colleagues on the council a few weeks ago in rezoning part of it so that the northern part will be used for industrial purposes sorely needed in our city and the central part is part of the Columbia slough and

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will be protected and restored, and then the southern part will be a Portland park. So, we're thinking about what is our legacy. This is part of our legacy, this council and this community in bringing this parcel into public ownership. And so Warren Jimenez, the deputy director of Portland Parks and Recreation is here to present the proposal.

Warren Jimenez, Portland Parks and Recreation: Good morning. It's a pleasure being here in front of city council to talk about what I think is a really exciting opportunity. And the commissioner is right, we don't get to this point without a lot of partnership and it is also an opportunity to recognize that partnership here today. But I will try to be efficient with your time and move through the PowerPoint presentation as efficiently as possible. But just as a quick reminder to how we got here today, the Trust for Public Land -- thank you, Karla. The Trust for Public Land worked over a series of months to facilitate a land-use application for rezoning of the Colwood golf property and the commissioner noted that, in October, that was in front of you to in essence convert the northern third part of the property to industrial, keeping the bottom two-thirds remaining into open space which is approximately about 85 acres. And that's really the opportunity in front of you today through this acquisition process. To go into a little bit more specifics of the property breakdown, this slide shows a little bit of a map of the bottom two-thirds, and also shows a key of what will be maintained by the city natural area. The darker green will be maintained by our natural area folks. Most of that, approximately 37 acres, will be reforested and converted to natural area through this process. If you recall through the land use decision, part of that included the mitigation that would be performed on the site by the northern owner. In addition to the environmental mitigation that's happening, there's also a traffic mitigation required through that land use transaction which, by the way, would be paid for by the owner of the northern third. Why support this acquisition? As the commissioner noted, it is an opportunity to keep this in open space permanently and offer a green oasis in the midst of what we know as an intense industrial area. More than a third of the total property will be restored and enhanced and managed as a natural area, including permanent protection of habitats and water quality along the Columbia slough, which we all know -- I know I've had a chance to experience the Columbia slough on a paddle and the work that's being performed out there is amazing, but there is much more work to be done. The property also offers a unique opportunity for future folks to access nature in an area that doesn't necessarily have that kind of access. In the short term, we keep some portion of the golf facility there, which would also provide recreational opportunity that includes some numerous health benefits that goes along with that. And again, the opportunity through this acquisition to protect the waterway and surface water quality while supporting the native wildlife and habitat would be critical to the success of this acquisition. And of course, there has been a lot of work and energy going along in the community, in particular across the way and across the street from Columbia in the Cully park that we're continuing to build at. It's an opportunity to continue to work and strengthen those partnerships through this acquisition and benefit an underserved neighborhood through acquiring Colwood. The total acquisition cost in front of you is \$5 million. 4.5 million comes from a combination of SDCs, system development charges, reimbursement of golf revenues, and other partnerships that we're currently seeking. \$500,000 would come from the Bureau of Environmental Services.

Fritz: The appraised value is over \$10 million. So we're getting an absolute bargain.

Jimenez: That's correct. What's also in front of you is the request for the operations and maintenance that goes along with this acquisition. If you can recall the previous map, you saw the third of the total property will be natural area. Well, the other third will be maintained by golf operations. What we're requesting is 322,000 for the first fiscal year, beginning in --

Fritz: 32,000.

Jimenez: 32,000, excuse me.

Fish: Nice try. [laughter]

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Jimenez: My apologies for that.

Fish: You were clearly watching the CAFR earlier.

Jimenez: That's right. For fiscal year 2014-15 and then thereafter, \$85,800. I just want to note how it requires partnership to come to this point, and I think part of the invited testimony includes some of those key partners that have really worked hard to come to this point, and with that, I'm happy to answer any questions.

Hales: Any for Warren? Thank you.

Saltzman: Was the property originally industrially zoned?

Jimenez: No, open space. The land use transaction converted the northern third to industrial zone.

Saltzman: Is it safe to say this is a two-for? We're getting a park and we're also contributing to the industrial lands inventory?

Jimenez: Definitely. I think through your council vote, the land use application in October, that was definitely the case.

Saltzman: OK. Good.

Fritz: Thank you, Warren. Next we have five folks who have come in to talk with us today. Jane Bacchieri of the Bureau of Environmental Services, Kathy Furstenuau of the chair of the Cully Association of Neighbors, Alan Hipólito of Verde.

Fish: Kathy, come on up. [laughter]

Fritz: We will start with those three and we will have Don Goldberg from the Trust for Public Lands.

Jane Bacchieri, Bureau of Environmental Services: Good morning, Mayor Hales, members of the city council. My name is Jane Bacchieri, I'm the watershed services group manager for the Bureau of Environmental Services. The Bureau of Environmental Services is pleased to partner with Portland Parks and Recreation and the Trust for Public Land on the acquisition of Colwood. And as follow-up to Warren's presentation, I want to highlight a few of the benefits that are of particular interest to BES. The acquisition complements the sewer system improves that BES has made over the years in the Columbia slough watershed, as well as riparian work that we have done in partnership with the Multnomah County drainage district as well as the Columbia slough watershed council to improve water quality and protect watershed health. Significant water quality and drainage way benefits will occur as a result of this acquisition, including the stabilization of slough banks, reduction of sediment that enters the waterways, and filtering of stormwater pollutants. In addition, restoration along the riparian areas will help support state water quality standards by increasing canopy cover to shade the slough, which often exceeds target temperatures in that area. And finally, over 50% of the Columbia slough watershed is covered by impervious surface. The protection and natural areas like Colwood ensures the watershed has the ability to manage stormwater naturally while providing habitat connectivity for wildlife and nature access to residents in the area. We are pleased with the opportunity to participate in the acquisition. We think it has numerous benefits both for the environment and for residents of Portland.

Kathy Furstenuau: Hi, my name is Kathy Furstenuau and I'm the chairwoman of the Cully Association of Neighbors, and I want to thank you for giving me the opportunity to testify in the support of the purchase of the Colwood Golf Course. At the March 11th Cully Association of Neighbors meeting, we unanimously voted to support this acquisition that would secure open space property for generations to come. The combination of having a recreational area in the southern portion and a natural sitting to the north is an ideal fit for both young and old alike. The Colwood property has come a long way, thanks to efforts of Don Goldberg from the Trust for Public Lands and the city for working together to maintain a green infrastructure in the middle of an industrial area. I remember back testifying in 2008, when the zoning was to request basically an industrial zone for the whole property. And I really want to thank the city council for not supporting that position and allowing this process now to occur. I think that having this opportunity now is a

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partnership of both the city and the community to make this happen, and I appreciate that. And I hope you don't pass up on this opportunity. I've never played golf before other than put-put, so I'm looking forward to doing nine holes of golf and also walking through a natural area for some respite. So I urge you to vote yes on securing the 85 acres of the Colwood property.

Hales: Thank you.

Alan Hipólito: Hello, my name is Alan. I work for an organization named Verde. Our mission is to serve communities by building environmental wealth through social enterprise, outreach, and advocacy. We're here on behalf of our Living Cully partners, as well as our Native American Youth and Family Center, Habitat for Humanity, Hacienda CDC. We've been active throughout the zoning process and we're here to celebrate this very, very exciting day. In Living Cully, we are reinterpreting sustainability as an antipoverty strategy, where we believe every investment that comes into our neighborhood gives us a chance to educate youth, gives us a chance to create incomes for the adults, and to enhance our environment. So, it's clear why we're excited to be here to celebrate this day for Colwood, for Cully and for the city. Like Kathy, I want to celebrate in honor of the hard work of the Trust for Public Land, Don Goldberg, Diane Daggett, former staffers like Geoff Roach, who put all the time in. Celebrate in honor of community folks like Kathy and Rich and Erwin who've long dreamed of this new asset for this neighborhood. And I also want to celebrate and honor the very diverse group that came at the zoning hearing of antipoverty organizations, environmental organizations to support the zoning change, envisioning a process at Colwood in the future that will offer deep and multiple benefits for Cully residents and also allow us to continue to build a model they can take to their neighborhood for these kind of deep benefits. And I really want to celebrate that now, in park-deprived Cully, we've got almost 120 acres of open space in the pipeline to community use. Cully Park, Colwood -- we've got a lot of work ahead to design and build these things, and we understand very much that these things cost resources. Planning costs resources, construction costs money, justice costs money. But we hope together -- across the street and in Living Cully -- that we're building a body of practice that's going to allow us to access new and larger resources that previously haven't made investments in green infrastructure in neighborhoods like Cully. I want you in the last moment that I have please to celebrate also a vision of a family leaving a Hacienda CDC property, a rebuilt Clara Vista, walking along safe routes that they have helped design, down a rebuilt northeast 72nd green street into a new Cully Park, and then into Colwood and into the slough, and all the way down into the Native American Youth and Family center. We can do this. The work we're doing together gives me great hope for that outcome. I want to celebrate and thank the action that you are taking today.

Hales: Thanks, Alan.

Fish: Mayor, one question to you, Jane.

Bacchieri: Sure.

Fish: So, the Bureau of Environmental Services is contributing \$500,000 to this project. And the two questions that we have to answer when we use rate payer dollars in a project like this is we first have to establish some connection, some nexus to sewer, stormwater. I think you've done that very eloquently by talking about the natural areas, the slough, the investment we've made in sewers and things in that area. So I think you've done that very well. The second question is, we have to justify whatever amount we invest. It has to be in proportion to some public benefit. Could you just tell us very briefly how we came to the half million dollar figure, which, as I read this, our half million helps to leverage a 37 acre natural area around a very sensitive slough. So I think I know the answer. But tell us how the half million dollar figure was arrived at.

Bacchieri: We worked with Portland Parks on looking at the assessed value of the site. And because open space is valued lower than commercial industrial land, we did look at how much property we would need to acquire for the current uses and restored uses to make up that \$500,000. We looked at how much property we would need to restore within the acquisition area, and I don't

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have the assessment values in front of me. Sorry about that. But we did do the number crunching with Portland Parks to make sure that we were getting \$500,000 worth of natural area as part of that acquisition.

Fritz: Commissioner Fish, for the record, I think you're getting a bargain for rate payers. [laughter]

Fish: I didn't want to lead the witness, but I wanted to give her a chance --

Fritz: It's only \$500,000.

Bacchieri: And it doesn't include the ecosystem services that will be provided through that acquisition. We didn't value that, it's just the land itself.

Fish: I appreciate that. Thank you.

Fritz: Important to be clear about those things. Thank you very much.

Hipólito: I apologize -- I don't know if this speaks to your values, Commissioner. One of the things we also see is that as a family walks around the neighborhood, they will be able to say I learned about that street, that restoration in school, I helped design that feature, I built that. So that is also in front of us and we thank you for that opportunity.

Fritz: Thank you. We just have two final invited testifiers, and that's Don Goldberg for the Trust of Public Lands who has been the steward of this wonderful site and this great outcome, and Vicki Nakashima, the chair of the golf advisory committee. The golf advisory committee are going to be helping us be good stewards of this while we keep it in the golf use for right now.

Hales: Good morning.

Don Goldberg: Good morning, Mayor Hales, Commissioners Novick, Fritz, Saltzman, Fish. It is good to be here again. I'm the senior project manager with the Trust for Public Land. We are located at 808 SW 3rd Avenue here in our beautiful city of Portland. The Trust for Public Land conserves land for people to enjoy as parks, gardens, and other natural places, ensuring livable communities for generations to come. Our two national programs are parks for people, and our land, our water -- pretty appropriate for Colwood. Of course, we wouldn't be here if it wasn't for the support and efforts of a broad coalition of people, organizations, and agencies as we've seen on testimony. I want to personally thank everyone. I know it hasn't always been easy, and there surely have been times where there has been heated discussions. But we kept focused. We moved forward. And we got to a place that benefits the vast majority of the community that we serve and care deeply for. For the past two and a half, the Trust for Public Land has invested time, money, and expertise to orchestrate this wonderful moment. I use the word orchestrate, because as a project manager, many times my role is similar to very similar to being a conductor of a symphony. Without the talent of the orchestra, the conductor would not be able to deliver harmony. I would like to take a few moments right now, and if everybody feels comfortable, close your eyes and I would like to do a vision exercise like Alan. First, I'd like us first to look at what Colwood will look like a year from now. Families walking around the park, a place of gathering for community and friends, restoration work completed with approximately 50,000 trees planted, a community center open, a nine-hole golf course operating. Now five years. Paths are completed, children are laughing, the trees are now about the height of an adult. The five-year restoration period is over and the wetlands have been fully created and restored. Educational programs are the norm. The community is beginning to forget that only five years ago, there was no large natural areas for them to enjoy. People are paddling down the slough. The community has a place of sanctuary. And now 15 years. The park is complete and mature. The small trees now large, and we have an urban forest there. The sloughs are cleaned up and a source of pride. Celebrations occur in the community center. Children and families gather and pride themselves on how fortunate they are to have such a wonderful natural resource in their community. There's a pedestrian bridge connecting the community to the park. People have a hard time remembering what it was like not to have the park that they so cherish. So, this is why we're here today. This is why I do what I do, and this is why the Trust for Public Land exists. So, I'm very excited and proud to turn the keys over of this project that I have led, worked on, dreamed

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about for two and half years to the city of Portland. I have full confidence in you, and I believe that we will all live that vision. Thank you.

Fritz: Don, a little more than 15 years ago, the Trust for Public Land played a part in getting the Holly Farm Park property in my neighborhood, and 15 years later I go past it every day and think about -- and I watch people playing there and enjoying that, and I think about what Trust for Public Lands did in securing that legacy. Thank you so much.

Goldberg: You're welcome.

Hales: Thank you, Don.

Vicki Nakashima: Good morning, Mayor Hales and members of the city council. My name's Vicki Nakashima, and I'm the chair of the golf advisory committee for the city of Portland. I'm here on behalf of the golf advisory committee to support the city council's decision to acquire the Colwood property. We believe that the preservation of valuable open space will enhance the city's inventory of natural resources, and we're proud to be involved in one of the finest municipal parks and recreation and public golf facilities in the U.S. Our committee has placed a special focus on growing the game of golf to reach new audiences, especially people of color, juniors, and women, otherwise known as the new demographic for golf. That's according to a number of sources outside of here, the national golf foundation and others. The continuation of golf-related activities on a portion of the Colwood property, at least in the short term, will reach new audiences and grow the game of golf. It would be an ideal facility to make golf accessible to people wanting to learn the game from the local neighborhoods and from throughout the city of Portland. On a personal note, I started playing golf nine years ago by taking \$5 golf lessons sponsored by the Oregonian at Colwood Golf Course. Today, I regularly golf with a young Latina gal who is now 14. We started golfing when she was 10. She's now progressed to compete on a west coast level. I also golf with an 80-year-old African American gentleman who was one of the first entries in to the African American tournament held here in 1944. He's 80 years young. I can't beat either one of them in my dreams or on the golf course. So, rest assured. But I have a wonderful time, I enjoy the scenery and it increases my physical activity. So I know it's a recreational asset to have golf courses within the city's portfolio. And it's our hope to be able to grow it so more people feel welcome and experience the game of golf as an activity. So I thank you for the opportunity to bring Colwood to our efforts to grow the game of golf. And it may be a -- what did you call -- a two-for -- it's a three-for now. We can bring more people of color, women, and juniors to golf. Thank you.

Hales: Thank you. Questions for either? Thank you both. Others that have signed up to testify on this?

Moore-Love: We have one more. Erwin Bergmann.

Hales: Good morning.

Erwin Bergman: Good morning, Mayor Hales, Commissioners. My name is Erwin Bergman, I'm from the Cully neighborhood association, and I'm responsible for quality of life issues. I'm here today to express my and my Cully neighbors' thanks for you folks supporting and approving the purchase of Colwood as a park. It has been a long slog, starting in 2007, when Colwood was to be re-zoned for commercial and industrial use. You supported us then. And, again, you are again with us neighbors and the Cully neighborhood. You realized that we needed an open space and a refuge to escape from the surrounding 5700 acres of industrial activity. We have, of course, not forgotten that recently, our Cully park got a significant infusion of funds from you to push it towards its goal of becoming a park for active recreation. A sports park. To serve as a refuge back to nature, however, it is short of natural amenities typically associated with a park such as street cover and other flora. Colwood has those missing amenities to allow people to get away from it all for a bit of time to enjoy nature in the city. Colwood will also be an important link in the Portland trail system here along the Columbia slough. A boat, canoe launch could, at this site of Colwood, could open up more than two miles of aquatic adventure in the slough. Colwood has also been identified as an

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important wildlife corridor connector. Let's also not forget the Colwood club house and its ultimate potential to serve as a five-star community center. Last but not least, we should not forget the ungodly amount of efforts by Don Goldberg from the Trust of Public Land enabling us to get together at this joyous occasion. It seems that if I'm not correct, Don has picked up a few gray hairs since I first met him. [laughter] So, thanks to all and permit me, let's give the city council and Don a big hand. [applause] Thank you very much.

Hales: Thanks very much. Roll call, please.

Item 253 Roll.

Fritz: Well, thank you to everybody who has been involved in that. My predecessor, as commissioner-in-charge of parks, Commissioner Fish, who has been diligent on this particularly. The next steps, by the way, are that we will hold a community meeting in the evening April 29th to discuss the temporary uses of the park. At some point, we'll be doing a master planning process to look at what it might be 15, 20, 50 years into the future. We don't have the funding for that right now. We have the money for the purchase from systems development charges. So it's wonderful that construction has picked up and we are able to make this investment. Some of that money will be paid back through the golf uses. Golf is an enterprise fund. And so people are saying, why is the city of Portland purchasing a golf course so that rich people can play golf? The answer is, no, that's not why we're doing it, it's so that regular people can play golf and because golf pays for itself. Not only that, it's going to be paying back, which is why we're able to make the ongoing operation and maintenance a little less for right now because we don't need to ask for money to keep the golf course going. Some of things we're thinking of doing with it is keeping a nine-hole course, which is quicker to play and less expensive than a 18-hole course. And perhaps a driving range. I don't play, but I would love to go whack a ball occasionally, that would be really fun. It's great we're doing it in this neighborhood of Cully where we've done -- we have a community plan, and where there's such investment from Kathy Furstenau and others over many, many years. Growing from just a teeny tiny Sacajawea park to now all of those acres of public open space within their neighborhood. So, thanks very much to everyone. As Alan Hipólito said, justice costs money, and this is a great investment in a neighborhood which is so deserving. Thanks to Mike Abbaté, the director of Portland Parks and Recreation, and to Patti Howard and Tim Crail, my parks liaisons. What a joyful day. Thank you so much. Aye.

Fish: What a joyful day indeed. I want to start by thanking Commissioner Amanda Fritz. I was proud to stand with her a few weeks ago in the Gateway neighborhood, where she announced that the city was fulfilling a promise to bring parks to another underserved part of our community. And in that instance, it was 20 acres of parks. Beech and Gateway. And Amanda, I am keeping track now. Because 20 plus 85, you have exceeded the century mark of new parks in underserved areas. And while it is true that the rebound in the economy and the building fees are helping to fund this, it is equally true that you have said from the beginning that this is a cornerstone of your leadership at the helm of the Parks bureau. And so thank you for that. To Don Goldberg and the Trust for Public Land, we could spend all day talking about the good work you've done in our community acquiring a property that has then passed into public ownership, but what you do is vital to the long-term health and sustainability of our community and thank you to you and your whole team. A guy named Josh Alpert, I think, used to work with you. Give him a shout out. I have been on the council over five years. And for me, a critical event, Kathy, was the Cully Concordia plan because that plan focused our attention on an area of the city that needed our attention, and the city made a number of commitments. And slowly but surely we're fulfilling those commitments. But we cannot be successful with any plan, Mayor Hales, without a neighborhood association and leaders on the ground who help us do our work. And we have no better partner at the neighborhood level than Kathy and Erwin and all of our friends at the neighborhood association. This is a community that's rich in community partners who are helping us in Cully and throughout the city do good work. And

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do I just want to thank Verde, and NAYA, Hacienda, Latino Network -- all of our partners this that community who have stepped up and guided this process. I also want to acknowledge that through the main street program and neighborhood prosperity initiative and other things that we're doing, we are trying to spread the wealth into our neighborhoods. And let's remember, 98% of the businesses in our 50 neighborhood business districts employ five or fewer people. So this is the essence of our economy, the small business. This is a proud day and it confirms what we know best about good policy, which is when we link arms, public, private, faith, philanthropic, nonprofit, we can do great things. We can't do it alone. But together we can do great things. I'm excited to cast my vote today and will be equally excited when I join with Commissioner Fritz and my colleagues at the ribbon cutting for the new park. Congratulations to all. Aye.

Saltzman: I was just thinking, I guess there's never a time when the Trust for Public Lands shows up in city council chambers when it's not a good day. So, this -- you are keeping up a great string and it always makes me happy to see you in the chambers, Don. Thanks to Don and Trust for Public Lands for really facilitating this whole transaction to occur, the creation of more open space and also the creation of more industrial land. And I want to thank certainly the Cully association neighborhoods and Parks and Bureau of Environmental Services for really making this a reality. This is a great day. I'm very happy to add 85 acres more to our inventory of open space. To boot, it's already developed, not the way it is going to ultimately be, but it's ready to be used today. Thanks to Commissioner Fritz and her leadership. She's rapidly bringing other open space in very park-deficient areas into accessible, ready to use parks very shortly. So, a great day. Aye.

Novick: I, too, very impressed by all of the work that has gone into this project for many months by many people. And this is a park-deficient area and I'm proud that we're bringing a new park to it. I do want to note that we are spending real money here. It is not huge in the overall scheme of things, but we started off a couple of months ago thinking that we, this budget season, were going to have \$5.9 million in new, ongoing general fund and as of this morning, I think we were down to \$3.6, and after we take this action, given the \$85,000 and ongoing O&M for natural area as part of the park, we will be down to \$3.5 million. A few weeks ago we approved O&M for a new park in the south waterfront that cost about \$500,000. So, if anybody is scoring at home, I just want to take note of the fact so far in this year's budget season, competing for \$4 million in on-going general fund, the score stand new parks maintenance \$600,000, everything else zero. And with that I'm pleased to vote aye.

Hales: Well, I want to support the comments that my colleagues have made and I won't repeat them except to say this much, and that is that these happy days come because of the kind of partnerships that you describe, the kind of leadership that we are seeing on the council in working on these projects, the kind of leadership that we have seen in the neighborhood. But they also happen because somebody gets passionate about solving a difficult problem. And Don Goldberg isn't just here because he is doing his job. He's here because he got passionate on this project. I saw it in his eyes he when first talked to me about it. I don't know about the gray hairs, but I know it was not easy for you and for the other partners who made that good thing happen and I'm really happy that we're here and thank you all for the great work. Aye. [gavel pounded]

Hales: OK. Let's move on to our regular calendar. And then we will return to the pulled consent items.

Item 272.

Hales: I think we have a presentation on this? We'll wait and see. Do we have somebody here to present on this item? Yes, there you are. You are trying to fight your way through the crowd. Good morning. It's still morning, just barely. Thank you for being here.

Debra Lindsay: Good morning, Mayor Hales and Commissioners Fritz and Fish in the absence of commissioner Novick and Saltzman.

Hales: They will be back.

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Lindsay: I'm Debra Lindsay, director of workforce development for the Urban League of Portland, and I'm here this afternoon as part of a coalition, Building Equity in Construction. Building Equity in Construction is a coalition of four community-based organizations representing BOLI-certified pre-apprenticeships, community college, and community-based organization. We're comprised of Constructing Hope, Oregon Tradeswomen, Portland Community College, and the Urban League of Portland. The coalition is funded by the Northwest Health Foundation Kaiser Permanente Community Fund to build healthy communities by promoting workforce equity, and quality employment opportunities in the construction industry for women and people of color. Our vision is that through interest in the high wage, highly skilled construction trades, men of color and diverse women will move out of poverty and into middle class. This project and our partnerships are designed to engage owners, contractors, and other stakeholders in the removal of barriers to the adoptance and success of our communities in the trades. As part of this project, we work directly with owners and contractors to ensure that diverse women and men of color are working in construction. We help contractors connect with qualified, well-trained workers. We work with project owners to help them understand the importance of workforce equity and training upon upcoming workforce as well as implementing strategies to accomplish these goals. We are here today to talk with city council about the impact of the training and outreach funds received from the Community Benefits Agreement, otherwise known as the CBA, that was implemented on the city's Interstate and Kelly Butte projects. You all received copies that elaborates more on the CBA itself. And we are acting as the adult workforce subcommittee and many of us are also members of Metropolitan Alliance for Workforce Equity, otherwise known as MAWE. Outreach and training funds are an essential component of the CBA. Many women and people of color have never considered working in the construction trades, or believe that it's accessible to them. Targeted outreach efforts are effective in reducing misconceptions about industry and building a diverse pool of workers. In bringing historically underrepresented communities to the table, we are able to progress towards our vision of helping them move out of poverty and into middle class. We would like to talk with you about the training funds and how they're being used in two of our organizations. And then we would like to share two stories of newly trained skilled workers that have benefited through the pre-apprenticeship programs through the training funds of the Community Benefit Agreement. We hope that you will continue to fund city projects for future CBAs, and that you will maintain outreach and training funds as a critical component of those agreements. Thank you.

Hales: Thank you.

Mandy Kubisch: Hi, my name is Mandy Kubisch, and I work for Oregon Tradeswomen. I am here to tell you a little about how we use CBA outreach and training funds in our organization. Oregon Tradeswomen is dedicated to promoting the success for women in the trades through education, leadership, and mentorship. We do this in a variety of ways, but the way I will talk to you about and the way the CBA funds help us is through our trades and apprenticeship career class. The CBA fund helps us fund this class and has provided training for eight to nine women in each of the last three classes and will continue to provide training for the next couple of classes for eight to nine women. The class costs \$5000 per student, and we have 26 students in each class, and do four classes a year. The class is a seven-week state-certified pre-apprenticeship class that prepares women to work in the construction industry. The class is broken into three components. The classroom component, the job site day component, and field trip component. So for seven weeks, they're doing all three components. The classroom, they learn math and measurement, they learn job site etiquette and expectations, they learn construction culture, interview skills, they learn how to build a trades resume, and they learn communication skills and much more. On job site days, they work on real job sites. We partner with local nonprofits in the community like Village Gardens, REACH, and Oregon Food Bank and we do construction work for them they need done. They learn safety training

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on job sites, they learn how to use power tools, they learn how to work on ladders, and basic construction concepts like framing, and in addition to learning pace and culture of working on a job site and working in construction. The third day, they go on field trips to different construction trade apprenticeship training centers and different commercial job sites. This exposure helps them choose a trade that really connects for them and that they can see doing as a career. It also gives them a good understanding of apprenticeship and how to navigate that whole world. Additionally, they get fitness training and they must pass both a fitness test and a math and measurement test in order to graduate. All of our students get OSHA 10 certification. Once students graduate, they have the opportunity to attend an environmental track where they get additional certifications like HAZWOPER. All other certifications that our students get are done on a case-by-case basis depending on what trade they decide to enter into. We see this as an opportunity for us to handle our finances in a fiscally responsible way, and it also makes sure that we're working with our students on an individual level. We offer students ready-to-earn funds that they can request once they get that job or get into an apprenticeship to help them buy gears and tools so they're ready to go and be able to be successful. The most important piece is this class positions them to apply to an apprenticeship, making them more competitive, giving them more confidence, experience and skills, as well as a real chance of breaking into the industry and embarking on a new life-long career. So in a nutshell, that's how the CBA funds help to fund our program and keep it going and help women enter into this workforce. Thank you.

Tiffany Thompson: My name is Tiffany Thompson, I also work for Oregon Tradeswomen, and I'm here today to share the story of Angela Buckwalter. She planned to come herself but sadly she is ill today. She called me this morning and asked me to say a few words to you. Angela graduated from Linfield College in December of 2012 with a B.A. in business. However, over the course of the next year, she was unable to find employment. And it was at that point that she really started researching other opportunities for herself. She found Oregon Tradeswomen and joined our class in January of this year, and she graduated from our program on March 6th. And she said to me that she feels very lucky that she was able to be a part of this program and that she will be able to find a job now and she is going to be applying to be an inside electrician with the IBEW.

Hales: Great.

Thompson: We have two more people who are going to talk about Constructing Hope with you for a moment, and then we'll let you ask us some questions.

Hales: Thank you. All three of you. Good afternoon, and welcome.

Pat Daniels: Good afternoon. My name is Pat Daniels, and I'm the executive director for Constructing Hope, a pre-apprenticeship training program. I'm going to share with you that Constructing Hope -- we're a partner with Oregon Tradeswomen. And the difference with our program is we empower people to exceed by offering resources and opportunities for career development and construction trades. Constructing Hope is a program that serves an underserved population. When we say underserved populations, we target folks coming from incarceration and our program is 100% low income. With that being said, I would like to thank you because the funds that the CBA dollars that came to Constructing Hope not only increased the size of our program from 16 to 25 applicants per class -- and we offer three classes per year -- but it helps remove barriers, because we're working with a different population. When I say remove barriers I'm not sure -- well, I know you're familiar with Project Clean Slate. Project Clean Slate is a program that we send most of our students through. We help reinstate Oregon driver's license, we help with tools, work boots, union dues, and anything that could be a barrier to them actually entering the trade. These skills are also reinforced through life skills. I would like to tell you that we have an extensive life skills class and we partner on civic engagement with Oregon Tradeswomen. Because again, when we look at our low income population, a lot of times we encourage that they are registered to vote and understand the political process. In closing, I would like to say that so far these funds have

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helped us train 50 people. As we mentioned, this is not the end of the class year. We have two more classes to go between the two programs. I look at that as being an additional 50 people. So, we would like to just encourage you to continue to support the CBA. I feel that it is a great use of funds that actually transcend among many communities when we look at low-income populations throughout the city of Portland. With that, I would like to say also that we, too, had a hard time getting someone to come and speak today, because success is a good thing. So, I'd like to introduce to you Melina, who is a current student at Constructing Hope that is going to be graduating next week on the 27th.

Hales: Welcome.

Melina: Good morning. My name is Melina, and I am student graduating this term with Constructing Hope. I want to say that Constructing Hope states, we are in the business of rebuilding the lives of people in our community by encouraging self-sufficiency through skills training and education in the construction industry. First of all, I want to emphasize on rebuilding lives, for that is what it is helping me accomplish, rebuild my life. Through this program, not only have I gained hands-on construction experience, classroom instruction, and now certified for flagging, OSHA safety, and forklift driving. But this program has also taught me what it takes to succeed, to be passionate about my goals in life, the importance of good work ethic, utilizing and obtaining new skills, to be aggressive and do whatever it takes to achieve my goals, to be physically and mentally prepared to overcome any barriers or obstacles that may cross my path. To be able to cope and enjoy life outside of work and be aware not only of the choices I make, but the effects of the choices and impact that it has on others around me. I am a Native American woman in recovery and a survivor of domestic violence. While attending the Constructing Hope program, I worked a part-time dead end job. Because of a tarnished background, obtaining a successful career was just a dream. Constructing Hope has given me just that, hope. Upon completion of this program, I have the options of direct entry in the carpenters union, labors union, flagging or forklift driving options I never even knew were possible for a woman like me. I now have hope and a brighter future in becoming self-sufficient with new skills, hands-on training, and better education of the constructive trades. I'm now ready to pursue a career that has once had only been a dream, and soon be joining the Oregon Southern Idaho labor union after graduation. So with much thanks and appreciation that words cannot describe, I am now and will be forever grateful to Constructing Hope for giving me what my life lacked: hope for a successful career.

Hales: Wow. Thank you. Congratulations.

Fritz: Thank you so much for taking the time and staying to testify. It's very helpful.

Hales: Thank you very much.

Thompson: The last bit -- I just want to say thank you so much to city council for everything that you do, and also to Josh Alpert and Rachael Wiggins for making it possible for us to come and report to you on how successful these training funds have been so far. The construction industry is facing a shortage of skilled, well-trained, and diverse workers to complete their jobs. Training funds received from community benefits agreements are crucial to these programs that prepare people for entrance to the trades and creating an upcoming workforce. We are grateful, like I said, for what the city of Portland has already done and we ask you to continue this work. Please choose an upcoming project for the next CBA, and also maintain training and outreach funds as a part of the agreements. Whatever questions you all have.

Hales: Thank you. Any questions for this great panel?

Fritz: If somebody is interested in getting involved, how can they find out about you?

Thompson: The best way for us is to go to the web site, so constructinghope.org, and tradeswomen.net. And it has information sessions that you can attend for both of those programs. In terms of if people want more information about the CBA, the best contact is John Gardner with Worksystems. And he's at jgardner@worksystems.org.

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Fritz: Thank you.

Hales: Perfect. Thank you. Is there anyone else that wants to testify on these items? Thank you all.

Moore-Love: Yes, we have two people signed up. Come on up.

Hales: Good afternoon. Come on up.

Charles Johnson: Good afternoon, Commissioners. As you may be painfully or happily aware, my name is Charles Johnson. We're having another long meeting, but our guests from individuals for justice decided not to join us. My comments on this will be brief, because it's a very encouraging program to see you work on helping the citizens of the city find diverse, living wage jobs. Most of my remarks will be withheld for the next item, which will pertain to G4S, which kind of contradicts, I think, your effort in this regard. I do want to strongly encourage you the four of you here right now during this long meeting to continue these good efforts so that people getting living wage, productive jobs in the city will come from a very diverse background. Thank you for your efforts.

Hales: Thank you.

Barry Joe Stull: Hello there. Barry Joe Stull. I signed up because last month, Commissioner Fritz, I had a meeting regarding turning some city property into a land swap to a parking --

Hales: Barry, you need to speak on this item now.

Stull: I am. Thank you, sir. I'll start again. Last month, I had a meeting with Commissioner Fritz regarding turning some city property into a parks bureau natural area. We had that on the agenda today. One of the issues that came up was the extraordinary amount of deferred maintenance that the parks bureau has on its properties. And I see a stacked benefit would result by tying the matters these women just discussed, training for jobs, and getting that deferred maintenance done without offending the unions. I think that that would be a stacked benefit. Any questions, Mayor?

Hales: No, thanks very much.

Stull: Please do not interrupt me next time. I know what I'm talking about, OK?

Hales: Thanks. Thanks for coming.

Stull: Thank you.

Hales: Anyone else? We need a motion on this report.

Fish: So moved.

Fritz: Second.

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Fritz: These community benefit agreements which are currently being done are -- were -- done kind of retrofitting into a previously approved contract. And so that was challenging, and Oregon Tradeswomen, Inc. in particular worked very hard with the commissioners in charge to make sure that this got done and is implemented. And so I particularly appreciate you taking the time to come back, and telling us how it is working and who is working for because that is really what it's all about. It will be much better when we are able to do a prospective community benefits agreement on a project that has not yet been done. I have asked the Portland Parks and Recreation to include community benefit agreements in the construction of Gateway and Beech parks. So, we're not ready to move on that yet, but when we are, we will certainly be in touch and be looking at what kinds of benefits could be provided. Parks under Commissioner Fish's leadership already has done a modified version of the community benefits agreement with Verde and the Let Us Build Cully Park program. So, I don't think there is a one size fits all for community benefits agreements. The important thing is that there are community benefits and that we have agreements on how we're going to implement them. Thank you for your partnership on that and I look forward to working with you in the future. Aye.

Fish: I recently met with Willie Meyers from the Columbia Pacific Building Trades and he came before us -- or his predecessor came before us a few years ago and was describing 30, 40% unemployment rates in the trades because of the recession and the impact on families. I was pleased to learn that because of the economic rebound and the construction projects in the pipeline, many of

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the trades are now at 100%, which means they're looking for new people to come in and they're actually soliciting workers outside of our state. So this is a great time for people to choose a career in the trades. And it is a great time for us to double down on making sure there are no barriers for people to have those jobs. Whether they are female, or people of color, or whatever the barrier, let's make sure that we sweep them aside. I believe in the community benefit agreement model, and I will just tell you candidly, if the water district passes in May, the city council would no longer decide whether we should continue to participate at either of two of city's largest utilities. And so that is a political reality that it would no longer fall to us to make that judgment. But I thank you for this excellent presentation. Aye.

Saltzman: Thank you. Sorry I had to step out of the room for the presentation. But I did catch some of it on TV. And I want to say how much I support the community benefit agreements and diversifying our workforce. Thanks, Mayor, for bringing this report forward. Aye.

Novick: I echo my colleague's comments. I also wanted to say that the issue of barriers to employment for people coming out of prison is a very serious one that requires our attention. And I'd like to see if there's anything else that we can do to address that issue. I think that Maryland, the state of Maryland has a rule saying that employers can't ask about -- I think it's arrest records more than five years beforehand or something like that. I don't know if we'd have the authority to do something like that at the city level, but I think it's -- I mean, we can't expect people to come out and be productive citizens if there are so many barriers to them being productive citizens. So thanks for bringing up that issue. Aye.

Hales: This is a great report, thank you so much. It's validation of the community benefits agreement model. As you said, Commissioner Fritz, doesn't work the same way in every project, but clearly works and it's also validation of what great partners Oregon Tradeswomen and Constructing Hope are for us as a city. So thank you all for being here today. This is a great validation of the work that you're doing. And more problems to solve, I agree with you, Commissioner Novick, about the issue of people who have a record and how we help them move forward. We have good partners for figuring out how to solve those problems. Thank you very much. Aye. [gavel pounded]

Hales: OK, next item.

Item 273.

Hales: Traffic division is here. Good afternoon.

Todd Davis, Portland Police Bureau: Good afternoon, Mayor Hales, City Commissioners. I'm Acting Lieutenant Todd Davis from the traffic division, I'm filling in for Captain Sheffer this week. With me is Sergeant Doug Gunderson from our motorcycle detail. We're here to ask the city council to approve and accept a \$15,000 grant from ODOT, which is earmarked for enhanced traffic enforcement on that outer Powell corridor, outer Powell being SE 111th to the city line at 175th. Sergeant Gunderson is going to be the manager of the grant, so I'm going to let him explain the details.

Doug Gunderson, Portland Police Bureau: Thank you for your time, Mayor and Commissioners. Acting Lieutenant Davis spoke of where it is that the funds will be used, and that's specifically for the stretch of Powell Boulevard, 111th through 174th, and the amount of the grant, which is \$15,000. There is a match time or a match funds component to this of 20%, which equals \$3756 of straight time. That said, that's dollars that the traffic division would be spending anyway for enforcement of traffic laws and education of the public, it's just going to be specifically dedicated to that stretch of Powell, where we've already seen a number of crashes in the past. That will be addressed through not only this grant providing the added enforcement, but for the direct of patrol for on-duty resources in general. This particular grant is a short-lived grant from April 1st through July 31st of this year, and it's to address those issues that have been identified by ODOT as being problematic. That particular stretch of roadway, through 2008 to 2010, was identified as one of the -

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- contained eight of the worst spots for crashes within the state of Oregon. When they did their study, they noticed that of those crashes, 99.6 of the crashes involved human error as a causation. And of those crashes that they looked at, even 80% of the crashes were totally human error and they weren't engineered -- engineering didn't play a factor in the crashes. However, ODOT has taken a look at the engineering issues for that 20% and invested \$5.5 million into upgrading that stretch of roadway, and they did so by addressing the narrow shoulders, they made the shoulders wider and paved. They installed ADA-compliant pedestrian curve ramps, they installed three new pedestrian crossings with pedestrian activated rapid flash beacons that should aid in the safety of pedestrians crossing the road, and they also installed high visibility striping on the roadway itself. Now the construction lasted roughly a year, and it's now complete. This last education enforcement component is really to tie up the loose ends of that project. And it would be to providing the enforcement and education that the grant funds would be paying for. The focus of the enforcement for the police department is to focus on those human factors, the behavioral factors of the drivers, and provide enforcement and education to those folks. This grant does not create any new positions that need to be funded after the grant. There is no added cost to the city. And then, I talked about what the match time is.

Saltzman: What's going to be done about people texting or using cell phones? How are you going to go after those people?

Gunderson: We have to observe that going on. And then --

Saltzman: Do you ever operate on plain clothes? Can you just stand at an intersection in plain clothes with a colleague down the street and nab those people? Do you ever do that?

Gunderson: I don't know if we've ever done that. We certainly could.

Saltzman: Could you make it a part of this mission?

Gunderson: We could give it a try, yes, sir.

Hales: As somebody on the corner, just to observe.

Gunderson: Oh, I'm sorry, you're --

Saltzman: Yeah have a plain clothed officer stand on any corner, observe somebody texting while they're at a stop light or on their cell phone, which I guarantee you, you would have a 100% nab rate. And then have an officer down the street that you could then radio and say, I observed this person texting.

Gunderson: As long as there is a uniform officer component to --

Saltzman: Yeah, that could be the second officer, the uniform. You know, if you have a uniform officer standing at the intersection, people will not be texting or cell phoning, but I guarantee you they will if they think you're an ordinary civilian, like I observe every time I'm at an intersection.

Davis: It is not a coincidence that this grant comes on the hills of two recent pedestrian fatalities on the outer Powell corridor. The Multnomah County Sheriff's Office has been given an identical grant to work the same area. And our focus is actually to enhance pedestrian and bicycle safety. This is part of the ODOT slow down don't go around campaign. They've asked us to -- as the educational component, we issue a warrant or citation to also give these cards. With that being said though, any other infractions that we observe out there, whether it's cell phone use or speeding, can also be addressed with that.

Saltzman: And I don't mean to put you on the spot, Sergeant Gunderson or Lieutenant Davis, but I would be thrilled if you would actually do something like that. A plain clothes mission paired up with a uniformed officer to issue the citations. Because that's the only way people are going to get the message that this is against the law. Because it is just scoffed at. If you are going to do it, let me know.

Hales: Appreciate it. These guys are always looking for the next way to find out what's going on out there.

Davis: I wrote one on my way down here, Commissioner.

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Fritz: That's a great concept, Commissioner Saltzman, because that's how you would catch cyclists who are not having lights on at night and those kinds of things, which otherwise it's difficult to track down.

Hales: Good idea. OK. Other questions? Suggestions? Comments?

Novick: I wanted to thank you for your work. As the mayor repeatedly reminds us, we lost 16 people to homicides in the city last year, and 35 people to traffic collisions. And we really value your work to try to keep people safe.

Hales: Hear, hear. Anyone else signed up to testify on this I don't think so. OK, then let's take a roll call, please.

Moore-Love: I do not have a sign-up sheet for this one.

Hales: I just checked. There's no one.

Item 273 Roll.

Fritz: Thank you very much for your work on this. And I appreciate the state recognizing that this stretch of road is partly their responsibility too, and giving us some resources to match ours. Aye.

Fish: Thank you for your presentation. I'm hopeful that the next state transportation package has a lot of money, Commissioner Novick, for both Powell and for Barbur, because they need it. And to amplify what Commissioner Saltzman said, I wonder whether actually at the budget presentation we could have a separate sheet that just shows year-to-year citations for people on their cell phones and on their text. I actually find that when I gently call it out to people in my neighborhood, I get the middle finger salute back. So I think there is a real lack of understanding. And I don't think people fully appreciate how big the fine is. Because it's a whopping fine based on what the legislature just did. I appreciate Dan raising that. Aye.

Saltzman: I appreciate this grant and this was definitely a stretch of our city street -- or state street, Powell Boulevard, that needs more aggressive enforcement. I'm happy to hear about the improvements that ODOT has made and the crosswalks that have been added. And, as I said, I would be thrilled to hear about a plain clothes mission to go after people using cell phones or texting, especially while stopped at intersections, which everybody seems to think that is OK. Aye.

Novick: Commissioner Fish, I should tell you that I recently talked with Representative Fagan about outer Powell and she said if there is a legislative transportation package next year, she's going to be fighting hard to ensure that tens of millions -- if she has anything to say about it -- are allocated to implementing the entire outer Powell conceptual design plan. Which, of course, human error is always a factor, but engineering does have an impact on safety. Those are us who are not -- those of us who are elected officials, I would encourage to go out and knock on doors to help re-elect Representative Fagan so that she can continue her work. Aye.

Hales: Thanks for your good work and thanks for this grant. Nancy was just here. She's going to be out of town this weekend. My idea of a good time on a Saturday night when my wife's out of town is going to be doing a ride-along with the traffic division. I encourage everyone to do likewise because I'm sure I'll learn something --

Fish: Mayor, it's now on the official record --

Hales: Yeah --[laughter]

Fish: So good for you, it's on the official record.

Hales: I've got deniability. No, I'm going to spend Saturday night with these folks and their staff seeing how it works and really appreciate what you do. Thank you. [gavel pounded]

Hales: We have one more emergency item before we lose Commissioner Fish, I think, and that's 274.

Item 274.

Hales: Good afternoon.

Robert Kieta, Office of Management and Finance: Good afternoon, Mayor, Commissioners. Robert Kieta, facility services --

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Fish: We can't hear you.

Kieta: Facility services manager. Today, I'm before you to request an addition of two months to the current G4S contract. We're in the RFP process to award a new contract to security. RFPs have been received, we have seven responders, and we will begin the evaluation process. We're asking for two more months on the G4S contract to assure a smooth transition into the new contract to make sure that we are able to cover everything that we need to in the security business. In addition to that, we had anticipated significant cuts to security last year, and in anticipation of that we had reduced the contract which put us in a bit of a deficit right now. So we have two components that make up the \$706,000 -- or two main components -- which is the two month extension and deficit due to the anticipation of the reduced services. We are still reducing the services, but we phased them in and implemented them over the past nine months, and we have a couple more to get in place. At the completion of the reduction services, we will be actually approximately \$6000 less a week with all of the implemented service reductions. There is also about a \$22,000 increase that was due to extra services that were requested. We had the garage door -- the Portland building was damaged where we couldn't secure the garage. We had to have night security for approximately a month while we were dealing with those issues. We've had the power outage, the ice storms, all these other things that have required us to have additional services during those times. I'm happy to answer any questions.

Fritz: Does it include payment for the staff who were not able to work during the power outage because the buildings were closed?

Kieta: Actually, for us, in our business we had more staff because of the power outage.

Fritz: You had different staff. Like, the janitorial staff, the custodians were not able to work. I know the security staff did.

Kieta: Right.

Fritz: So for those staff who were not able to work, are they getting compensated?

Kieta: Commissioner, as far as I know, all of the security staff worked, plus. As far as the janitorial, that was handled separately, and yes, we have got that taken care of.

Fritz: That has been done, great. Thank you. My second question is, what level of funding are you expecting the next request for proposal? What annual funding would be expecting?

Kieta: Well, I don't have the total. The ordinance that came before that gave us permission to go out had about add about a million dollars a year, and so that's a significant reduction of where we are now. We're about a million six right now, I believe. And as I indicated, just in these last changes, we'll be eliminating about \$6000 per week of services.

Fritz: And what people will be eliminated? What additional cuts are being made?

Kieta: A big part of it is due to the Columbia -- the wastewater treatment plant construction finishing up and the reduction of security out there. The completion of the ECC construction and the elimination of security out there. We're going from over two positions down to one position at Columbia wastewater. It's about four or five positions down to one position in City Hall we'll be losing the evening officer at the desk. And the Portland building -- I can't remember there's a shift in the work there that will result in reduction also.

Fritz: Thank you. I've heard concerns about the fitness tests the current folks are being asked to take. Is the council going to be able to weigh in on the components of that?

Kieta: The fitness test is part of the new contract that's going to be awarded. It was presented back in July as part of this contract, but that's part of why we deferred the implementation of the fitness standard and kept some of the positions that we kept so that we could do this as a contract change rather than implement in with the existing vendor.

Fritz: So I've seen the elements of the fitness contract and it doesn't seem to be equitable in terms of requiring some activities such as lifting the same for men and women, for a start. Then some of the activities don't seem to be related to the work of a security officer. So I'm wondering when or if

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the council gets to weigh in on what should be required. After all, we do have a long history -- or recent history with the police bureau of a fitness test not being as stringent as we expected it to be. In this particular case, it's more stringent in some ways than I would like it to be.

Kieta: We haven't made an accommodation for the fitness tests to be reviewed by council. We can certainly do that. It has gone out into the RFP. The responders have responded with that information in there. The fitness test is partially related to one, having an apples to apples comparison for all vendors. The language for performance standard is not new language, that was in the current contract as well as what's in the new. That hasn't changed. What changed was we required the vendor to provide a test to meet that standard. The question that keeps coming up is, what is that test and how can we all bid on the same thing? So we created a test based on what we felt was a reasonable fitness standard for the employees. When I say that, it is more important now than it was before because when we had additional security backing themselves up, we had the ability to have somebody provide support. But as we've made these reductions, each employee, each contracted employee needs to be able to stand for themselves and for their own safety. And so we want to make sure that everybody is able to perform at this level. It's not a very difficult test, but it certainly -- I can understand where you can see there could be some inequities.

Fritz: Some of the lifting I think is -- security staff don't generally have to lift heavy weights, so.

Fish: Can I? And I appreciate that Commissioner Fritz has raised this because I asked my chief of staff to drill down, and I, too, share the concern. Let me give you an example, Mr. Kieta, of one of the standards that's in the RFP. A security guard needs to be able to, quote, horizontally transfer 68 pounds of force on a sled at a distance of 54 feet in 30 seconds. Now, I have to tell you, I don't know whether that is a reasonable physical requirement. I don't know whether that has a disparate impact on women. I don't know whether that's a best practice drawn from other cities. I don't know how that compares with the fire bureau and its training. I'm not even sure, frankly, the utility of testing 68 pounds on sled at a distance of 54 feet in 30 seconds, although I appreciate that it's a standard someone has formulated. And I do have to leave in a couple of minutes. So Mayor, on this, Mr. Kieta has said it's been baked into the RFP, but I share Commissioner Fritz's concern that we may be setting up standards that prevent people from competing for these jobs for reasons that have nothing to do with whether they can perform the essential functions of the job. And I'm not even prepared to comment because I don't have enough information or feel qualified to make that judgment. But I would hate for us to build in standards that where the bar is too high or we're setting qualifications not essential to the job that's being done and have negative impact on potentially qualified candidates. I think the issue has now been framed. I understand it's in the RFP, but I would urge that as a follow-up to today, which is simply a request for an extension, that we get a council briefing either in writing or in a subsequent hearing on the questions that have been framed. So, what does the contract require; where did these physical requirements come from; to the extent they are considered best practice, where did you find those? Is there a national security industry accreditation or did you look at another city? And then, have we considered whether any of them are absolute barriers to classes of applicants who otherwise might be qualified and secondarily, can we honestly say being able to horizontally transfer 68 pounds of force on a sled at a distance of 54 feet in 30 seconds is an essential requirement for this job. I don't know, but I would like to have that information before we ratify any action. It may be that council will want to revisit that so we're not limiting the pool of qualified applicants.

Hales: I'm fine with those requests, but let's make sure that I understand, we all understand, where we are here. That is, those were attached to a request for proposals. They are not yet attached to a contract. We can request things in proposals -- Harry standing by to correct me if I'm wrong -- we can request things in proposals that we then modify in the contract itself when we negotiate a contract. And they are not attached to the item before us today. So the item before us today is a simple extension. The questions on the table about what we will actually put in the next contract.

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Fish: And in fairness, because Mr. Kieta has previewed for us this is an extension in anticipation of something coming back, I think it's only fair we share with him concerns we had about any conditions of the RFP so that we can have a chance to weigh in. Because I'm not yet comfortable or persuaded that some of these requirements are necessary or central, and I'm open to hearing the basis for the argument. I don't believe the council has enough information to be able to make that judgment.

Kieta: I'll be happy to meet with each of you if you'd like to go over that information.

Hales: Alright, so more follow-up on those questions. Where did these standards come from, what do think -- how they are going to work out in practice.

Fish: Mayor, one other companion piece is that we've heard the Columbia wastewater treatment facility will be reduced to one security person. This council has invested a significant amount of money in a security perimeter. In fact, a lot of the additional costs of the new building there were invested in creating barriers so that billions of dollars of sensitive infrastructure was not vulnerable to someone with -- some bad actor who wanted to take out that infrastructure. I want to follow up on this to make sure we have adequate security there. Because it is -- without building a big record here -- it is a sensitive site that we maintain. And we have made investments in security around the perimeter and I want to make sure we have an adequate level of security force there to protect billions of dollars of infrastructure.

Hales: Harry, you look like you want to --

Harry Auerbach, Chief Deputy City Attorney: Yes Mayor, members of council. I'm Harry Auerbach from city attorney's office. I wanted to return to a question Commissioner Fritz raised about paying for the PHC custodians who missed time during the power outage. Make sure that you have correct information about that. We are in the process of negotiating an amendment with PHC's contract to have that payment happen because it's a qualified rehabilitative facility contract we have to get the state to sign off on it. My understanding is it's now at the state awaiting their action. If we get their approval, we will then effectuate that amendment and get those janitors paid.

Fritz: Thank you for that information and for gently reminding me that's a different contract than this one for security. Thank you.

Hales: Other questions for Rob? Thanks very much. I think we have some people signed up to testify on this.

Moore-Love: We have five. The first two, please come on up.

Hales: Go ahead, Charles.

Charles Johnson: Good morning, again, for the record my name is Charles Johnson. And this microphone is working great today. It's got a lot of reverb. I think this issue is going to be adequately covered. You see behind us to the stage that side are some people who are also concerned about security. I don't know what they're going to say, it's just nice to see them here. The main thing I want to say is unfortunately, you're not doing it right. The only good news is that the \$12 million contract with G4S is coming to an end, that you have opened that up, so you are trying to do it better. I think you know that contracts are problematic. There's this little thing going on called United States of America versus City of Portland, and the contract you have with your police department has been a problem. We can't totally get around that but my main thought is really the city needs to look at employing more people directly to do facility services security type work, whether or not they push a sled of 68 pounds in 30 seconds. Some of our fellow taxpayers would encourage you to farm out and farm out and farm out work, but actually a lot of times that doesn't work out so great. Even though you have a new contract proposal coming up where you hopefully will not use G4S, I want you to look at enhancing department budgets so the Water Bureau, which I hope is going to stay with the city, will be able to not contract out but to just have an adequate staff of security personnel who have good living wage jobs. You might also look at the PHC -- sometimes the security guard is just a glorified doorman. Other times, it's a great armed person like

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Mr. Wood over here. But over the next few budget cycles I hope you'll have a real serious discussion about less outsourcing to security and more hiring of good people like these folks here as full-time city staff providing a service that you think is important enough to transfer \$12 million to G4S, who is not really the best people to have it.

Hales: Thanks. Barry, welcome.

Barry Joe Stull: The question you're really going to have to ask yourselves is, do you feel safe? I have to ask myself that. On July 17, 2012, not so long ago that it's not subject of litigation in the federal court, 6:10 p.m., Troy Anthony Thompson approached -- I had a restraining order against him under the elderly persons and person with disabilities abuse prevention act that was issued by Judge Lloyd a couple doors down here in October 2011. I pressed the intercom. Sherry prince from G4S was on staff. I asked that she call 9-1-1 because Troy Thompson was presently violating the restraining order. The responding police officers included Officer Laura Wiley, who knew that I was a protected party under the restraining order, but she didn't know that's what the matter was because she was met at the curb out here by sherry prince, by G4S, who says I don't know what this is about, but he's over there and refuses to leave, regarding me, sitting about right downstairs from where I am now waiting for the police to respond. Now, Sergeant Georgioff, who knew I had been right about downstairs a week or so earlier when I was attacked in front of city hall, and I was being monitored by the Portland fire bureau because my pulse was accelerated, he came to me and he says, come on, you're under arrest. I said, why? I have a restraining order against him. He says, yes, but it doesn't matter when you're somewhere you're not supposed to be. Well, July 17, 2012, Troy Anthony Thompson had a warrant for his arrest. His picture was posted at sherry prince's G4S security guard security desk because he was excluded from city hall. He was present and violating a restraining order and I got arrested and he got let go. Sherry prince testified in court that when I was approached by the Portland police I sat down. Are you going to have these incompetent, hallucinatory people protecting you? You certainly don't have them protecting me.

Hales: Thank you. Anyone else?

Moore-Love: The next three.

Hales: Good afternoon, thanks for waiting.

Nicole Knudsen: Good afternoon. Mayor Hales, Commissioners, my name is Nicole Knudsen, and I'm a strategic researcher with Service Employees International Union Local 49. We represent over 10,000 members in Oregon and southwest Washington, including 600 security officers in the Portland metro area. That also includes the majority of private security officers in the Portland downtown commercial real estate market. I'm here today, along with our members, to discuss the city's current request for proposal for its private security services. We do understand that today's agenda item is to extend the contract, but we do want to take this opportunity to encourage the city to continue to use a responsible union contractor, and also we would like to share some concerns that we have about some of the components of the current RFP. So we greatly appreciate the city's prior commitment to using a union contractor for its private security services. It's particularly important, given this low-wage industry, that the city in the past has chosen a responsible contractor. One that has provided the path forward for officers and their families in terms of wages, health care, retirement and a voice on the job. In turn, the city enjoys increased stability and security in city buildings, as union contractors experience lower turnover and a more stable workforce. We hope that the city continues this investment in good jobs in our community by continuing to use a union contractor for its private security services. We are troubled, however, by the inclusion in this RFP of the essential functions performance test, as this test prescribes physical fitness requirements that we believe are unreasonable in their current form. The fitness components are unrelated to a security officer's actual job duties and we're greatly concerned that immediate implementation of this test will have a disproportionately adverse effect on aging officers, medically fragile officers, and officers that experience a disability. A security officer's job requirements in city buildings generally

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involves monitoring and observing, and providing information to public along with traffic control. The RFP states that officers should not attempt to handle dangerous physical events but rather are expected to call for police or other responders to handle such situations. Many officers threatened by the immediate implementation of the essential functions test have worked in city buildings for years, and their extensive experience and knowledge is invaluable in ensuring the safety of city workers. Given this, the essential functions test as currently designed is not substantially related to a security officer's actual job requirements. Among the long list, the essential functions test mandates officers must be able to ascend three flights of stairs, lift 30 pounds vertically to 12 inches overhead and horizontally transfer 68 pounds of force on a sled a distance of 54 feet. [beeping] May I --

Hales: Go ahead and finish your paragraph. Then we have the rest of your statement here.

Knudsen: As the officers with me today will attest the requirements bear little relationship to their duties of observing and alerting first responders in the event of an emergency.

Hales: Thank you very much. And we've got this. Thanks.

Linda Sporer: Good afternoon Portland City Council and Mayor Charlie Hales. My name is Linda Sporer. I am a cancer survivor, a grandmother, a union member and a G4S security officer. I'm proud to say I have been keeping the city of Portland buildings safe and secure for close to nine years. I'm here today to urge you to continue to use a union security company to continue to provide security services for the city of Portland. I am also here today to tell you why the physical requirements as they now stand in the proposed upcoming contract are too extreme and don't apply to the work that we do and will unduly target older and female officers, resulting in the layoff of at least half the current workforce. We're asking the city to partner with us on a solution to raising the performance standards. Why the city should use a union contractor. As many of you know, officers around the Portland area after a three-year campaign organized and won our union. We organized in an effort to raise standards in the subcontractor security industry which was plagued by low wages, low benefits, and high turnover. We won our first contract last May, and as a result are on a path of improving standards for low wage security officers. The majority of the buildings in downtown Portland are now secured by union security contractor. We ask that the city continue to commit to a union security contractor to maintain those hard-won improvements. Physical requirements. The most important skill in my job are my eyes, my ears, and my ability to deescalate situations verbally. We are often looked to as the first responders. We are there to watch, report, monitor, and call for assistance to first responders, and in some cases when necessary, verbally deescalate the situation. What we do not do in our job is get involved in physical altercations. In fact, we are trained to avoid them, and we do not sprint, tackle, or lift heavy items. In fact, that type of behavior would result in increased risk to us and tenants. Our ability to do our job relies on the knowledge of building we work in and our relationship with hundreds of city employees who enter public buildings on a daily basis, our ability to think on our feet, and knowledge for transient and homeless community. We also rely on our ability and skill to verbally deescalate situations on the few occasions they occur. As many of you know, for over a year there was an ongoing protest outside of City Hall to call attention to people who experience homelessness in our community. My coworkers and I knew each individual if not by name then by sight and could know on a daily basis if someone needed extra supervision and oftentimes could cool down hot tempers by conversation and the fact that we respected one another and knew one another. The proposed physical requirements in the new contract do not match what we do on a daily basis and do not relate to our job on the job requirements. These proposed requirements do not help us do a better job, do not make sense, and may be discriminatory. At least half of the current workforce would be laid off if the test in the current RFP were to be applied. That would mean officers with years of experience, knowledge, and know-how in these sites would lose their jobs. We want to partner with the city on finding a path to raising standards for officers that makes sense. We are some of the lowest paid city of Portland employees. We only secured health care at the beginning of this year and are just starting to build a

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pathway out of poverty. We believe in raising standards for all officers, however, to expect a workforce that is just coming out of poverty, many of whom have uninsured until this year, to be in peak physical condition is shameful. If what the city is committed to is raising performance standards, we can support that, but we cannot support the way it is being rolled out. We want to sit down with the city and make a plan to raise standards together. I hope you and fellow city council members listen to us today and hear about what skills it actually takes to secure downtown buildings and partner with us on a path to a healthy and secure future for officers. Thank you.

Hales: Thanks very much. Thank you.

Philip Chan: Good afternoon, Mayor Hales and the Portland City Council. My name is Philip Chan, I'm currently serving as a member of the United States Army Reserve. As of this June, I will be in for ten years. I'm also a customs protection officers at G4S security solutions, contracted to TriMet. I have been with them for about six years. Mayor Hales, you may remember me from when you came out to the walk a day in our shoes. Officers all around Portland came together to form our union to raise standards in the security industry. I was proud to be part of that effort. While we have made improvements, we still have a long way to go. I hope that the city council will continue to invest in a union security company so we can continue to raise standards for all security personnel. There are a lot of things that we do on TriMet contract. We patrol the alignment by walking, riding bikes, driving, riding the trains. We observe and report and we provide customer service and crowd control during large events. Sometimes we are the first responders. First ones to arrive to assess the situation if fire, medical, or police doesn't get there first. Sometimes we're even there when we aren't called, but we're there just in case. The challenges that we encounter range from as little as disputes, public disturbances, misconduct, or looking out for people that police might be looking for to the bigger things like criminal offenses, fights, and things that would require police, medical, or fire to respond to or TriMet supervisors to arrive to the scene. There are a lot of things we encounter but it's a different thing every day. Sometimes we might not even get anything at all. I was surprised to learn about the new physical requirements that the city was trying to put into this new security contract. On our contract, we don't really have any type of physical requirements, whether we are required to do physical labor, especially during large events, including the Starlight Parade and the Grand Floral. It doesn't make sense to me that the security officers contracted to the city of Portland, some of the lowest paid people, are now being asked to meet physical requirements that do not relate to the work they do on a daily basis. I would like you to reconsider these since they don't make any sense and by enforcing them, it would be a loss to the city as it could result in the losing several trained and experienced officers and the jobs of these dedicated people.

Hales: Thanks very much. Appreciate your testimony. Anyone else?

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

Hales: So, this is an emergency ordinance on the contract extension. Let's take a roll call on that.

Item 274 Roll.

Fritz: Thank you to Bob Kieta and his team and for this good discussion. Thank you to the members of SEIU Local 49 for being here and waiting throughout the morning. These are important issues, and we want to make sure that we have security officers who are able to do the job, and also that we don't unfairly put barriers in the way of people who would otherwise be qualified. I know that Bob Kieta will work on that issue with the council in the interim and I appreciate you bringing this to our attention. Aye.

Saltzman: Thank you for the testimony, it's been very illuminating. Aye.

Novick: I also want to thank those who testified and I also appreciate an opportunity to hear from Bob Kieta about the relationship of the RFP requirements to the actual duties of the officers. Thank you very much. Aye.

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Hales: Of course, I'll support the contract extension but do want to thank you SEIU, as usual, for raising important issues for your members in a very constructive way. Thoughtful testimony. So thanks for starting that dialogue and that will be continued. Thanks. Aye. [gavel pounded]

Hales: OK, we have a couple more items remaining on the regular agenda. Appreciate council's endurance here. Then we'll break. I'll take the items that were taken off consent.

Item 275.

Hales: Good afternoon.

David Shaff, Director, Water Bureau: Good afternoon. I'm David Shaff, I'm director of the Water Bureau. With me are Dave Peters, principal engineer, and Michelle Cheek. Michelle is one of our water quality engineers. I'll be as short as possible, I know you've had a long morning. We are proposing a water quality corrosion study to evaluate the impacts of water quality changes on lead corrosion in our system and to determine if operational changes or changes in the corrosion control program we currently have are needed in order to reduce lead levels and ensure continued compliance with the EPA's lead and copper rule. I have a long speech and I can cut that off right now. I think basically, we have a proposal to do a corrosion control study so that as we're making operational and infrastructure changes over the next several years, we have a sense of what are the parameters that we're looking at, what causes or what effects our ability to control the things like the pH, the alkalinity, etc., in our system so that we do not violate the lead and copper rule of the EPA. If you have any questions, I would be glad to answer them. If you have technical questions, that's why I have Dave and Michelle here.

Fritz: I just have a basic question. We've been worried about lead in water for a long time. Why do we need to do another new study?

Shaff: We actually have operational changes that are going to be facing us over the next several years. We now have the dam two towers in place and will be able to modify the temperature of the water in our system. We have the open reservoirs which we believe will change how the pH and the disinfection and by-products and chlorine stays throughout our system. We're trying to establish, what it is that causes the lead and copper corrosion? This year we actually exceeded the lead standards for the first time since 2006. Our intent is to try to study that so that we know, what are the things that affect our water distribution system as it relates to lead and copper.

Fritz: Why are we doing it now rather than waiting until we switch from using the open reservoirs?

Shaff: Because we want to know what's going on now so that if, indeed, when we do go to the -- move away from open reservoirs and the EPA wants us to do additional corrosion control, we believe we're going to be able to demonstrate to them, no, that's not necessary. We're still able to meet the current standards or the standards that are currently required under the EPA's rules. So we're working to establish a baseline that we'll be able to use to measure now and in the future.

Fritz: The conditions will be different in the future.

Shaff: Yes, absolutely they will be. That's why we're trying to establish the baseline so we can track and say, OK it was related to this, it was related to that, it was related to that.

Fritz: So you're anticipating doing another quarter million dollar study after we do the changeover?

Shaff: Not unless we have to.

Hales: Dave?

David Peters, Water Bureau: I'm David Peters with the engineering department. This study will create the baseline for the water quality that we have now but it will also do some modeling that will help us look at what future conditions might be. So we'll look at alternatives and anticipate what the water quality will look like once the towers are online, once the reservoirs are out of service, and we'll model that. So we'll have a good idea coming in --as those reservoirs come out of service, we'll have a better idea what we can expect for water quality and follow that.

Shaff: And our goal is to avoid having to add additional corrosion control treatment to our water system. Right now, we are limited with just the addition of the sodium hydroxide that we do. The

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EPA is pushing us to do additional corrosion or what they refer to as optimization of corrosion. What we want to do is avoid that if at all possible, because it means adding more chemicals to the water. We would like to avoid that.

Fritz: But we had too much lead last year.

Shaff: We had an exceedance, yes.

Fritz: Right. We got a system, it will do the study and it will show either we have too much or we don't have too much. But then we're going to change the conditions.

Shaff: No, it's not going to look at whether or not we have too much. That is a semiannual test that we do, every jurisdiction is required to do. What we're looking at is establishing what are the things that affect our water quality and in our region. We have issues of seasonal changes in our temperature. We have issues with seasonal changes in our pH, in the alkalinity of our water. What we are trying to establish is what causes that. And what can we do to control it and mitigate that so we don't have to do additional treatment in the future.

Fritz: We haven't done anything like this before?

Shaff: Not that I'm aware of. Dave?

Peters: No, we haven't.

Fritz: Thank you.

Hales: We continue to do our own testing, right?

Shaff: Yes. We have to do it every two years --

Hales: We already know where most of the lead comes from. On NPR on the last couple of weeks, I've heard the PSA being repeated about the fact that it's mostly houses built during a certain era that use lead pipes.

Shaff: 1970 and 1985.

Hales: There you go. So the question is the causality of freeing that lead from the solder and getting it into the water, right?

Shaff: Exactly.

Hales: Alright, making sense to me as a non-technical person. Thank you.

Novick: What do you hope you'll find?

Shaff: Well, as Dave said and I said, we're establishing a baseline. What we believe we're going to find is that our ability to control temperature, our ability to better control the pH in our system will enable us to reduce the parameters that cause that corrosion. We know that as water travels through the open reservoirs, for instance, some of the chlorine dissipates, pH changes, the temperature goes up. Those are three of the critical components of what causes lead to leach into the systems. Well, once we have that baseline, when we no longer have those pieces of infrastructure in our system, we think that's going to change. We think that will be a good thing so we can avoid doing additional treatment in our water.

Novick: Thank you.

Hales: Other questions? OK. Anyone signed up to testify on this?

Moore-Love: I did not have a signup sheet.

Saltzman: You waited this long to give us a solid, compelling reason why we should bury our reservoirs? That it will help decrease lead? [laughter] Where were you 12 years ago, Dave?

Shaff: Wasn't here. I was elsewhere. [laughter]

Hales: This passes to second reading. Thank you very much. Next item.

Item 276.

Hales: Good afternoon.

Andrew Aebi, Bureau of Transportation: Good afternoon, Mayor Hales. Andrew Aebi, local improvement district administrator. I'm joined here with Geraldene Moyle from the Portland Development Commission. I have a very short presentation, I'm going to try to get through it in 60 seconds. We also have Damien Crowder here from PDC as well. This is -- we had 100% petition

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support for this LID. So Geraldene is going to walk you through quickly the first couple of slides and then we'll wrap up. Here's Damian now.

Geraldene Moyle: Great. We'll just give you a quick summary of the Burnside bridgehead. You might recall that in 2009, we kind of reinvented the project with the establishment of the framework plan which set the intent for the bridgehead to, one, be a catalyst for other development in the area, to have complimentary uses, and to support the entrepreneurial focus of the district. We started that with the Eastside Exchange building which opened in October last year with Beam Development, and we issued an RFP in 2010 for the remainder of the four acre four block property. One thing that's come out of our framework plan is that we currently have active projects on all four parcels, all four blocks of the Burnside bridgehead. With that project or with those projects, we need some immediate direct access from Couch into the development. Without Couch Court you have to wind your way through the north end of the central to eastside to actually get in to the Burnside bridgehead project. Another project that was identified for the site was northeast Davis extension. That has proven to be very costly and not appropriate at this time, so the Couch Court provides that direct access into the site. Finally, I would say as part of our agreement with our development partners on all four blocks, we have an agreement in those development agreements and purchase and sale agreements that they would participate in the local improvement district. And you'll see that in Andrew's summary report as well.

Aebi: Yesterday, Portland Monthly came out, and one of the hot new neighborhoods they're predicting is Burnside bridgehead. Very interesting to read that yesterday. As Geraldene mentioned, not only do we have development agreements but I went ahead and send out petitions. So in addition to the development agreement, all the property owners petitioned in favor. This is the aerial view of where we plan to put in the new connection. I have some maps that will illustrate it in more detail. The whole reason this came about is before we did the Burnside Couch couplet, we had a grid here, but we had to close off Couch Court because we didn't want a three-way intersection there at Couch Court where -- excuse me, Couch Street. Where Couch Street now comes on to the Burnside Bridge. We didn't want to have a lot of different turning movement at that intersection. Now, when you look out here you can see Couch Street wraps on to the Burnside Bridge. There's a stub of Couch Street that doesn't really do anything. What we're proposing now is essentially to have picked up where the old intersection was a few years ago and slide it a little bit to the east and make a one-way westbound -- excuse me, a little bit to the west and have a one-way westbound connection. Then just to wrap up this discussion here, this is a map of where we did a traffic study to see who would use the new connection. The assessment methodology is on a traffic volume basis. We looked at all the parcels in both blue and green, and in the end we decided to just go ahead and only petition the properties that were immediately developing. Didn't seem to be good use of our time to go to a property owner that had one trip and ask them to chip in 900 bucks and explain the whole LID process. It's more efficient to narrow the conversation to those who are immediately developing. And then last but not least, this is the last slide. You can see that little purple serpentine connection in the top part of the page. That is the NE 2nd Place connection that we evaluated. \$1.9 million project cost, over four times as expensive as NE Couch Court with a third fewer trips per day using it. A lot of project drift. We just really weren't comfortable making that big ask of the property owner. I'm happy to answer any questions you might have.

Hales: Questions for Andrew or his team?

Novick: Thank you very much.

Hales: OK. We're easy today. Thank you. Anyone else signed up to testify on this?

Moore-Love: No one signed up.

Hales: Thank you all. This, then, passes to second reading.

Aebi: Mayor, this is a resolution.

Item 276 Roll.

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Fritz: Thank you very much for your work and for this concise presentation. Aye.

Saltzman: Thank you. This is a very important piece of real estate in Portland's future according to Portland Monthly, and I think according to what we all sort of sense. Thank you for making this even more easy to develop and do great housing and retail and everything else. Aye.

Novick: Aye.

Hales: Yeah, this is about to become an interesting part of town. Thank you for making that happen. Aye. [gavel pounded]

Hales: OK, we have one more item on regular calendar, then items pulled for consent.

Item 277.

Hales: And we have a proposed amendment here, is that right?

Andrew Aebi, Bureau of Transportation: Mayor, we just wanted to true up the third and final page of Exhibit D, with some numbers for the SDC funding on the project. There's no change to the overall cost as stated in the main body of the ordinance, there's no change to the assessment for the property owner, just minor true up of four sets of numbers.

Fritz: Adding the emergency clause, right?

Aebi: Yes. That's in the Tuesday memo that went to you.

Hales: OK, is there a motion?

Novick: So moved.

Fritz: Second.

Hales: Unless anyone wants to testify, roll call on the amendment.

Roll on motion to add emergency clause and accept amended Exhibit D.

Fritz: Aye. **Saltzman:** Aye. **Novick:** Aye. **Hales:** Aye.

Hales: And on the ordinance as amended.

Item 277 Roll.

Fritz: Another good job by Mr. Aebi. Aye.

Saltzman: Aye.

Novick: Aye.

Hales: Thank you, Andrew. Aye. [gavel pounded]

Novick: mayor, may I make an observation on the items pulled from consent?

Hales: Yes.

Novick: I think they are all mine. I also think we have been here for a very long time, and I think that we could actually postpone consideration of those items, which I think commissioner Fritz wanted to have some discussion of, for a couple of weeks. The world would not end.

Fritz: That is most gracious.

Hales: Unless there's an objection 267, 268 and 269. All three.

Moore-Love: All three?

Hales: All three continued until next week. Good enough?

Moore-Love: One was pulled by Commissioner Fritz, is that alright?

Fritz: Yes.

Novick: We may not have a quorum for ordinances next week

Moore-Love: I don't show anybody absent next week.

Novick: Oh, really? OK.

Hales: OK, so they're continued until next week. And we're recessed until 6:30 p.m. at the Parkrose High School. See y'all there.

At 1:14 p.m., Council adjourned.