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# School District No. 1 Special Tax Levy Measure; Municipal Transit Charter Amendment and Related Mass Transit Problems

City Club of Portland (Portland, Or.)

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**PORTLAND**  
*City Club*  
**BULLETIN**

Crystal Room • Benson Hotel  
Friday . . . 12:10 P. M.

PORTLAND, OREGON — Vol. 38, No. 48 — May 2, 1958

*Printed in this issue for presentation, discussion and action on  
Friday, May 2nd:*

**REPORT  
ON  
SCHOOL DISTRICT NO. 1 SPECIAL TAX  
LEVY MEASURE**

The Committee: K. E. RICHARDSON, WILFRED ROBINSON, K. H. SIECKE,  
and RALPH DEARDORFF, *Chairman*.

AND

**REPORT  
ON  
MUNICIPAL TRANSIT CHARTER AMENDMENT  
and  
RELATED MASS TRANSIT PROBLEMS**

The Committee: WILLIAM L. BREWSTER, JR., WALTER A. DURHAM, JR.,  
RICHARD E. RITZ, JAMES STEWART, THOMAS H. TONGUE, III, and  
JOHN A. CARLSON, *Chairman*.

☆ ☆ ☆

*"To inform its members and the community in public matters and to  
arouse in them a realization of the obligations of citizenship."*

**REPORT**  
**ON**  
**SCHOOL DISTRICT NO. 1**  
**SPECIAL TAX LEVY MEASURE**

"SHALL School District No. 1, Multnomah County, Oregon, in order to provide funds for the purpose of financing the cost of property and equipment which said District has lawful power to construct or to acquire, and of repairs and improvements thereto, and of maintenance and replacement thereof, so as to accommodate the increased and increasing school population of said District, make special levies, which levies shall be outside the limitation imposed by Article XI, Section 11, of the Oregon Constitution, in each of the following fiscal years, in the amount set opposite each of the said fiscal years: Fiscal year beginning July 1, 1958, \$1,650,000; Fiscal year beginning July 1, 1959, \$1,650,000; Fiscal year beginning July 1, 1960, \$1,650,000?"

- (    ) Yes. I vote in favor of the proposed levy.  
(    ) No. I vote against the proposed levy."

TO THE BOARD OF GOVERNORS,  
THE CITY CLUB OF PORTLAND:

This committee has been requested to analyze the factors involved and submit a report on the above measure which will appear on the May primary ballot proposing a levy of \$1,650,000 outside the six per cent limitation, for each of the three fiscal years 1958-1959, 1959-1960, and 1960-1961.

**SCOPE OF RESEARCH**

Your committee has interviewed the following people and wishes to express its appreciation for their co-operation and contribution of important information: J. W. Edwards, Superintendent, Portland Public Schools; William Bade, Manager, Oregon Business and Tax Research; Walter Smith, Executive Secretary, Multnomah County Tax Supervising and Conservation Commission. The committee also had available a report prepared jointly by the School Administration and the City Planning Commission, as well as material supplied by Dr. Amo deBernardis, Assistant Superintendent over budget, buildings, sites, equipment and supplies, Portland Public Schools; Dr. Victor W. Daugherty, Director of the Department of Research and Measurements, Portland Public Schools; and Deloss Williams, director, Schoolhouse Planning, State Board of Education.

No organized opposition to this measure has come to the attention of your committee.

**PURPOSE**

At the present time there are two levies outside the 6% limitation to provide for capital expenditures for School District No. 1. A ten year levy of \$2,500,000 per year was passed in 1948 and expires this year. Another ten year levy of \$2,780,000 per year was passed in 1951 and expires in 1961. The levy proposed in the above measure is planned for three years, expiring at the same time as the \$2,780,000 levy in 1961. If this measure passes, the total levy outside the 6% limitation will be \$850,000 per year less than presently existing levies.

The money from this new levy, together with that from the existing ten year \$2,780,000 levy will be used to provide new buildings and additions to existing buildings to take care of the increased number of students that the schools will be expected to accommodate in School District No. 1 during the next three years. This construction includes complete plants for the Southeast High School and three elementary schools, major additions to six other high schools, and additions and modernization to nearly two dozen other elementary schools.

Although the exact use of the funds cannot be stated in detail at this time, from information received by your committee from the school administration it is expected that the use will follow approximately as set forth on the following table:

ITEM	1958-59	1959-60	1960-61
High School	\$4,733,000	\$4,170,000	\$1,525,000
Elementary School	765,000	300,000	2,100,000
Elementary School Additions	410,000	200,000	665,000
<b>TOTAL EXPENDITURE</b>	<b>\$5,908,000</b>	<b>\$4,670,000</b>	<b>\$4,290,000</b>

There will be sufficient carry-over funds from the 1957-58 fiscal year to take care of the high requirement shown in the 1958-59 fiscal year.

**GROWTH**

In forecasting school entering class enrollments on both the primary and high school levels, the School Administration uses information concerning the number of births in the Portland area, such as is shown in the graphs of Figure 1. These curves reveal that the number of children born to parents residing within the city limits of Portland are quite different from the number of births occurring in the Portland hospitals. However, satisfactory predictions are made from these and survival factor data.

The total class membership in School District No. 1 from 1948 to the present and estimated for the next three years (the latter based upon the information of Figure 1) is shown in Figure 2.

**BIRTHS OCCURRING IN PORTLAND AREA**

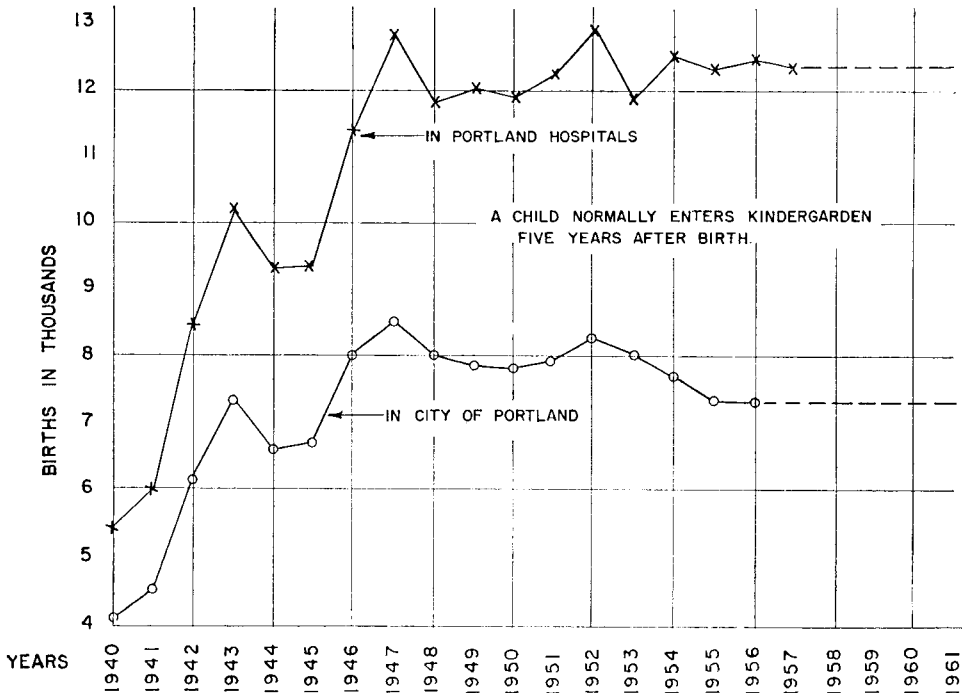


FIGURE 1

### BASIC CONSIDERATIONS IN PLANNING

The State Department of Education has established certain minimum standards which it recommends the school districts adopt. In this regard it should be noted that the state can withhold certain funds from the allocation of the state basic school support funds, if certain of the standards are not adhered to. Your committee has examined these standards and is of the opinion that they are reasonable and desirable. Many of them are necessary to protect public health and safety.

The Portland Planning Commission with the co-operation of the School Administration has been working for some time on a long-range plan for the acquisition of land for schools. This is a very commendable endeavor and one which will save many dollars and provide better school location than would otherwise be the case. It is thought that the co-operative effort of the School Administration and the Planning Commission may be unique in the nation.

The following policies in regard to long-range planning of site acquisition have been established by the Commission:

1. Public schools should be located and dimensioned to serve multiple community purposes.
2. Elementary schools should be located next to and developed jointly with neighborhood parks.
3. Elementary schools should be located in the centers of school neighborhoods (proposed future attendance districts) which are bounded by traffic arterials or other hazardous or natural barriers.
4. Pupil capacity should be scaled to the size of the school neighborhood and no school should exceed three classrooms per grade.
5. Sites should be of sufficient size to accommodate all school activities without encroaching upon rightful space and quiet of bordering homes.

### REPRESENTATIVE CONSTRUCTION COSTS

Since 1949 general building costs throughout the country have risen at least thirty per cent. Costs of Portland schools have been in line with the general price level except in special situations, and in some cases, particularly in the high school category, schools have been built for considerably less.

#### Representative Elementary Schools Built in 1949

Name of School	No. of Classrooms	Cost Per Square Foot
Binnsmead	19	\$10.69
Lents	19	10.89
Glenhaven	19	10.73
Harvey Scott	18	9.40
Average Cost Per Square Foot		\$10.42

These prices include cost of the building ready to operate, all site grading (except actual landscape materials), all paving, parking, and all fixed furniture and equipment within the school. The same quality schools today would cost approximately \$13.56 a square foot because of inflation.

During 1956 and 1957 the Portland District at the elementary grade level spent most of its new building construction money in additions to existing buildings. Therefore, there are no strictly comparable figures, but available data show that the District was able to keep expenditures in line with rising costs.

#### Representative Elementary Schools Built and Added To, 1956-1957

Name of School	No. of Classrooms	Cost Per Square Foot
Lewis, addition	10	\$13.45
Woodmere, addition	10	12.88
Chief Joseph, addition	8	14.94
Bridlemile	22	15.44

Because of a restricted site, the Chief Joseph school had to be built in two stories and therefore of reinforced concrete, a more expensive type of construction. At Bridlemile, the only site available in the district was on a steep hillside which required extensive excavation, site preparation and footings, the cost of which was charged to the cost of the school itself.

**High School Construction Costs**

In 1950 Lincoln High School was built for an average square foot cost of \$15.94. The same quality school today would cost \$20.07. In 1954 Woodrow Wilson was built for an average cost of \$16.01, and in 1955 James Madison was built for an average cost of \$15.08.

**General Comments**

Factors which cost figures by themselves do not reveal are the changes of the position of the average school in today's community, particularly in the elementary field, where gymnasiums, separate cafeterias and auditoriums have been added to meet the demands of the community for use outside of regular school hours.

In addition to holding the price line in school construction, School District No. 1 has improved the quality of building finishes, which will be advantageous to the community through lower maintenance costs. It is also building in more equipment than formerly.

The Portland School District, because of its size, is able to maintain a property department which closely follows the record of all materials put into their buildings, and which works with architects and manufacturers to keep abreast with new materials as they come along.

**AVERAGE DAILY MEMBERSHIP  
ALL PORTLAND PUBLIC SCHOOLS**

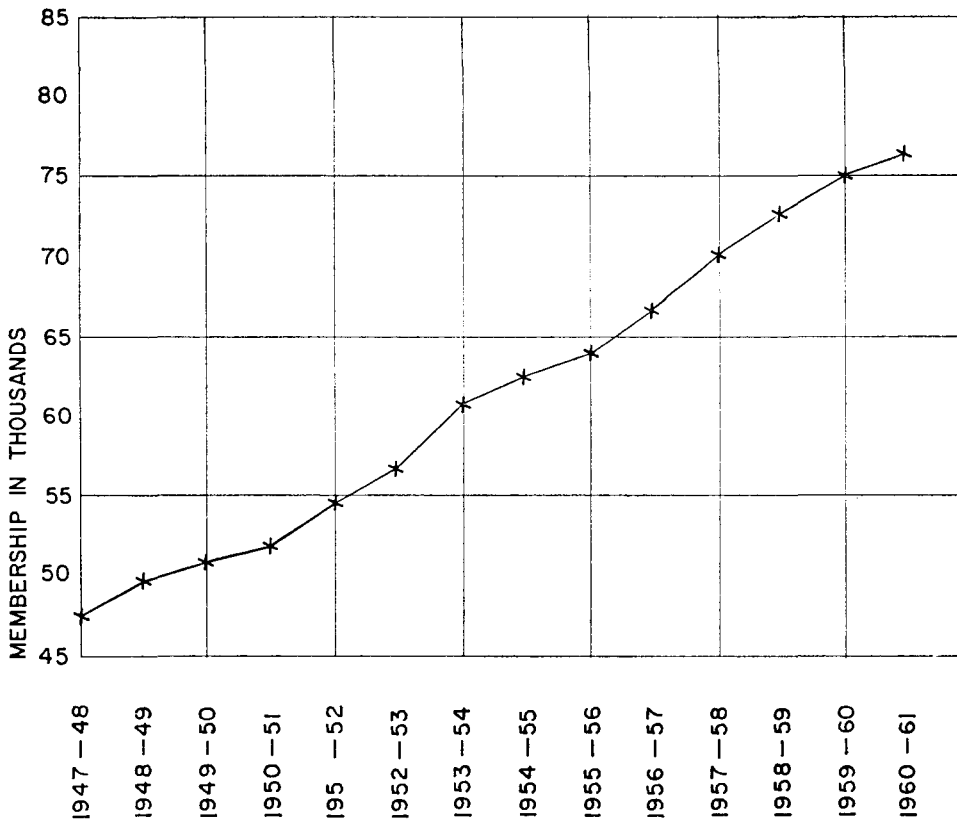


FIGURE 2

### REASON FOR ADDITIONAL FUNDS

The money received from the special levies in the past has been used mainly for the construction of new buildings, \$57,800,000 having been voted in special levies for this purpose since 1944. Funds received through the regular property tax for schools and those received from the state basic school support fund could be used for construction purposes if there were a sufficient amount to operate the schools and in addition construct new ones. However, it has been impossible to accomplish this on a pay-as-you-go basis with the funds that were available. This is due mainly to the increased enrollments and increases in salaries which were necessary to maintain the quality of education.

This becomes clear if the increased cost of operation of School District No. 1 is separated into two parts:

1. That part in which the increased cost of operation is caused mainly by higher salaries; and
2. That part in which the increased cost of operation is due to increased enrollment.

The approximate percentage of increased cost of operation may be obtained by considering the average salary of the teacher in School District No. 1 over the previous nine years, as shown in the following table:

#### Annual Increases in Teacher Salaries 1948-49 through 1957-58

Years	Average Salaries of Teachers	% Increase
1948-49	3,349	
1949-50	3,437	2.6
1950-51	3,700	7.7
1951-52	3,953	6.8
1952-53	4,114	4.1
1953-54	4,235	2.9
1954-55	4,502	6.3
1955-56	4,655	3.4
1956-57	5,368*	15.3
1957-58	5,444	1.4

\* Large increase due to placing teacher on proper step of salary schedule for years of teaching experience. For years the schedule had been defective in this respect.

If the percentage of increase over these years were made uniform, the equivalent percent increase per year resulting is 5.6%.

In other words, the increased cost of operation is due to inflation which is about equal to the increase in total revenue, the main portion of which is provided by the six percent increase in the tax base each year. It is evident from this that if classrooms, auxiliary space and equipment are to be provided for the increased enrollment indicated in Figure 2, one of two alternative actions must be followed:

1. The operational budget must be drastically curtailed and space-saving expedients resorted to, or
2. Additional capital funds provided as requested in this measure.

## DISCUSSION

In 1948, the newest school existing was sixteen years old. During the last ten years, the school plant has been increased as follows:

- 34 Elementary and Primary Schools
- 28 Additions to Elementary and Primary Schools
- 9 Classroom Buildings
- 3 High Schools
- 10 Additions to High Schools
- 5 Gyms for High Schools
- 1 Athletic Field
- 4 Cafeterias
- 1 Cafetorium
- 1 Cafetorium-Gymnasium

plus other counselling rooms, libraries, science rooms, heating plants, and other miscellaneous alterations and remodeling of offices. The total expenditures for this building program were \$39,295,000.

The school administration has considered expediciencies to decrease the space demand, such as yearly study of school boundaries, looking toward shifting students from the crowded schools to the less crowded, and placing in operation the "extended day" plan (staggering class usage of buildings over a greater part of the day than is normally done, but less severe than a double shift). This latter plan will be studied further and applied to the extent practicable. These expediciencies, even if considered desirable, could not save enough to reduce the levy to any appreciable extent.

One sometimes hears the statement that public school curricula contain subjects which are not essential to an educational program, and whose elimination might develop some savings. This Committee understands that the curricula are under continual scrutiny by members of the school board and their staff. Furthermore the magnitude of the subject is far beyond the scope of this committee's assignment.

The present pay-as-you-go policy of the Board of Education (which has been in effect for many years) as compared with a policy of bonding, was not studied by your committee, since such a study would be outside of its assigned jurisdiction.

If the measure should fail to carry, the School administration would be hard pressed to accommodate the expected enrollment for the years 1959-1960, and 1960-1961. They would be forced to adopt rather severe "extended day" operating plans, plus other expediciencies and curtailment of expenses if they adhere to the pay-as-you-go plan. This would result in the lowering of the quality of education in some degree in certain subjects to be determined by the administration.

## CONCLUSIONS

A complete analysis of requests for funds outside the 6% limitation could not be accomplished by your committee with the limited amount of time at its disposal. This would entail going into the details of the operational budget. However, from an inspection of information presented to the committee, and from opinions of those whom the committee has contacted, very little critical opinion of the way the schools have been operated could be found. The committee therefore feels that a good job is being done by the school administration, and appreciable transfers from the operational budget to the capital expenditures fund could not be made without lowering the educational standards or decreasing the instructional offerings below what the citizens desire.



If no transfers from the operational fund can be made, it is necessary to ask the voters for funds outside the 6% limitation for the capital expenditures fund. The 6% increase in tax base each year will not keep abreast of the inflationary increase in costs and cannot meet the capital fund requirements needed to house the increased enrollment.

If this measure passes, the tax levies outside the 6% limitation for School District No. 1 will be *less* than last year by about \$850,000.

### RECOMMENDATION

Your committee recommends that the City Club of Portland approve the measure providing a levy of \$1,650,000 for each of the years 1958-59, 1959-60, 1960-61.

Respectfully submitted,

K. E. RICHARDSON,

WILFRED ROBINSON,

K. H. SIECKE,

RALPH DEARDORFF, *Chairman*

Approved April 23, 1958, by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 25, 1958, and ordered printed and submitted to the membership for discussion and action.

**REPORT**  
**ON**  
**MUNICIPAL TRANSIT CHARTER AMENDMENT**  
**and**  
**RELATED MASS TRANSIT PROBLEMS**

TO THE BOARD OF GOVERNORS  
THE CITY CLUB OF PORTLAND:

**GENERAL BACKGROUND**

For nearly twelve years the Club, through a series of committees, has explored the many problems directly and indirectly related to the maintenance of a sound public transportation system for the Portland metropolitan area. In pursuing the studies for preparation of this report, your committee has examined transit company reports, city franchises, and permits under which the transit companies have operated, official council reports, and other documentary files concerning transportation, and other pertinent literature on mass transit. It has interviewed city officials and others who have information bearing on the study. In addition, several members of the committee have served on prior transit committees and have had the benefit of the data and information accumulated during their prior service to the City Club.

In 1954 a report of the then City Club's committee on transportation discussed essential steps in the formulation of such a plan, pointing out that intelligent decisions on transit services ". . . must begin with a soundly conceived rapid transit plan for this area." In March, 1957, the City Club Committee report on mass transportation discussed objectives of a mass transit system, and set forth guideposts through which the transit problems, including planning and regulation, could be dealt with in an intelligent, orderly fashion. The discussion and specific recommendations of the 1957 committee, a number of whose members serve on the present committee, were presented with the hope that a plan for a co-ordinated transit system might be drawn by the co-operative effort of the several public officials who have responsibilities in this area.

The committee emphasizes that to this date there has been no development of a master transit plan which would help the community solve this basic problem. Your committee was continuing the process of studying the transit problem and the specific issue of the transit franchise renewal or replacement, when the proposed measure to embark into municipal ownership of the transit utility was placed on the ballot.(1) If the proposed Charter Amendment is approved, a transit franchise would obviously become moot. The main body of this report will deal principally with the proposed Charter amendment; however, we will set out a number of broader and—in the long run—more important considerations that must be studied if the Portland metropolitan area is to have the flexible mass transit system that its growth demands.

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(1) See Appendix "A" for a review of transit company operations, containing background information your committee considers essential to give the reader a broad perspective against which the Charter amendment may be evaluated.

### EXPLANATION OF THE MEASURE

The title of the proposed Charter amendment as it appears on the ballot reads as follows:

#### MUNICIPAL MASS TRANSIT OPERATION

Charter amendment creating Transit Department; authorizing Council to operate mass transportation and order 100 new busses immediately; fixing powers, procedures; authorizing \$7,000,000 general obligation bonds, and ten year special annual tax levy of two mills or \$1,500,000, whichever is lesser, for operating deficits; fixing fares for two years.

The proposed amendment would amend the Charter of the City of Portland, and would add a new chapter XVI setting forth the provisions and powers summarized in the ballot title. Generally the measure makes mandatory city ownership and operation of a mass transportation system under City Council direction with personnel under civil service.

Section 16-101 would create the Transit Department within the city government.

Section 16-102 would vest authority "in the Council" for and on behalf of the City to own, operate, and regulate a mass transit system; and to ". . . sell, convey, lease, or exchange . . ." a portion but not the whole of any transit system to be owned by the City.

Section 16-103—(1) would direct the Council to acquire 100 new vehicles and such used vehicles as are required and available; (2) would give the Council permission to lease the whole or a part of any existing transit system for a period of not to exceed 24 months; (3) would fix a fare schedule for an initial period of two years, based on the fare structure existing as of January 1, 1958.

Section 16-104 provides (1) that the Council shall have authority to make orders, rules, and regulations regarding mass transportation operations and facilities, and (2) that a permanent manager and an immediate staff may be employed, plus professional assistants to the Council, apart from the Civil Service provisions; but all permanent officers other than the manager and his staff shall be under Civil Service along with the regular Transit Department employees. Provision is made to "blanket" experienced personnel into the Civil Service system without examinations. The remaining sub-sections would provide authority for the Council (3) to acquire necessary real property; (4) to establish offices outside of regular City buildings; (5) to incur expenses for operations; (6) to borrow money and to execute notes; and also provide for (7) a special fund to be known as a "Transit Fund" with special reserve funds; (8) to require an independent audit; and (9) to provide for a funded depreciation account.

Section 16-105 provides for the issuance of general obligation bonds in an amount not exceeding \$7,000,000 for the initial establishment of the transit facilities.

Section 16-106 provides for a two mill levy or a sum of \$1,500,000 annually, whichever is the lesser, for use as a deficit subsidy for 10 years.

Section 16-107 is the customary "saving clause" to continue all portions of the new Section XVI except those which may be adjudged invalid by a court of competent jurisdiction.

### ARGUMENTS IN FAVOR OF THE AMENDMENT

Major arguments advanced in support of the proposed Charter amendment are as follows:

1. Fares would be reduced and fixed for two years.
2. Controversies over franchise renewals and fare structures would end.
3. Municipal ownership would assure continuous operation of the transit services .
4. Control over the transit department through the City Council would be more direct under municipal operation, since the transit manager would be serving at the pleasure of the Council.
5. Transition from private to public ownership of the transit utility could be made on an orderly basis.
6. Authority would be granted for operations both within and outside the city.

### ARGUMENTS IN OPPOSITION TO THE AMENDMENT

Major arguments advanced against the proposed Charter amendment are as follows:

1. Expenditure of the \$7,000,000 bond issue for equipment and facilities is not fully justified.
2. Acceptance of the principal of annual operating deficits is not a sound basis for any proprietary function, governmental or private.
3. The fare structure would be arbitrarily frozen for two years.
4. The measure prohibits the Transit Department from utilizing rail facilities that may be needed.
5. Employees of the private system would not retain present collective bargaining rights, accrued benefits and pensions for retired employees could not, under State law, be continued under municipal ownership.
6. Civil Service regulations would make it difficult for the transit manager to exercise the disciplines necessary to the operation of a proprietary function.

### DISCUSSION OF THE MEASURE

The Transit Department is given powers adequate to the transition from private to public authority. The provision for operations outside the city limits is essential but the proposal is inadequate in expressly excluding railroad operations. Transportation experts agree that rail transportation is a necessary part of transit facilities for metropolitan areas exceeding 500,000 population. This is especially true in Portland, the center of a metropolitan area already in excess of 800,000, where existing downtown street space is so limited as to prevent much increase in use of the private automobile.

Broad discretionary powers are given for the acquisition and disposal of transit properties and equipment as the City Council may find "convenient or reasonable." It seems unwise to prohibit a lease of the entire utility by the city, should a favorable proposal be submitted by a responsible private operator. While it would be possible to amend the Charter to provide for such lease, the time required would handicap the City Council in its negotiations.

The provisions for acquisition of properties are loosely drawn, with no indication of the scope or type of service the city intends to furnish. Service standards and details of property to be acquired are essential to a satisfactory metropolitan transit system and should at least be outlined in the proposal in order to give the taxpayers some measure of values for the monies to be expended. In contrast to these loose provisions governing property acquisition, fares are set forth in considerable detail and fixed for a two-year period in the face of expected deficit operations. The lowering of fares appears to be largely a political "come-on" to attract votes for the passage of the charter amendment.

Provisions setting forth administrative powers and procedures do not provide for the appointment by the general manager of his key administrative employees. The amendment provides for the appointment of these key administrative employees by the Council, rather than the manager. Since the manager should be responsible for efficient operations under policies determined by the Council, this deprives him of direct supervision of those of his immediate staff upon whom he must rely for the direction of operations.

The permanent, non-administrative employees of the Department would be covered by the City Civil Service system with its inherent inflexibility, which would tend to make them somewhat independent of the Council-appointed manager. However, some, but not all, of the seniority rights of present employees would be protected.

The requirement for setting aside funds equivalent to the depreciation charges against buildings and equipment would maintain intact the investment in original capital assets. However, this would require today's taxpayers to pay simultaneously both for the retirement of the original bonded debt and the accumulation of a fund for eventual replacement of capital equipment without future borrowing.

The issuance of up to \$7,000,000 in general obligation bonds, and for a special tax levy of up to 2 mills but not over \$1,500,000 annually are also provided for. Your committee has examined a copy of the Willard study (2) of February 4, 1958. The framers of the Charter amendment have obviously leaned heavily on the opinions expressed in this study with respect to initial financing and operating deficits. Your committee feels, therefore, that it is appropriate to comment on the report directly. This study analyzes the following factors under municipal operation:

1. Required size of the bond issues.
2. Schedule of fares.
3. Annual operating deficits.

The study recommends an initial bond issue not to exceed \$7,000,000 for equipment and facilities, to be acquired over a six-year period. The study assumes acquisition of 300 busses by the sixth year. (3) To quote from the text: ". . . and at the end of the sixth year, there will be 300 busses in operation *with which to take care of additional service.*" (emphasis supplied)

The "schedule of fares" used in the study is the schedule in effect prior to the latest increase. The assumption is that the former rate structure will prevail for the first five years of municipal operation.

Based on the foregoing factors, the deficits during the first five years of municipal ownership are estimated. These estimates assume a 16 percent increase in total expenses, and a 10 percent loss in revenues over the first four years. This projection results in an estimated average annual deficit for the five years of \$1,360,000 with the fifth year estimated at \$2,082,116. The report concludes, "If all factors remain the same following the first five years, there would be an increasing deficit thereafter; but I do not feel that a forecast further than five years is practical on account of the probability that some factors will change."

Your committee would like to point out that the Council in framing the measure contemplates the possibility of:

1. A one-third increase in vehicular equipment over that presently in operation.
2. All vehicular equipment at the end of six years being newer than any presently in service.
3. Extended service and mileage ("certain economies or relief from obligations which may result from municipal operation will be offset by the cost of *increased mileage, service and maintenance.*" . . . emphasis added).
4. No increase in fare structure for five years.

All of these possibilities might take place during a period in which there is anticipated a loss in "revenue passengers" from the present level of over 29 million to an estimated 25 million per year. Your committee is alarmed at the prospect of accepting such built-in deficits, particularly since the City Council has already been advised that the increasing annual deficits will exceed \$2 millions by the fifth year of projected municipal operation—or a *third higher than the funds which would be raised by the special two mill tax levy.*

The proposal to purchase a great amount of equipment for which no specific use is now planned, in addition to the prospect of constantly increasing deficits, reinforces our doubts as to the financial wisdom of the transit Charter amendment. Finally, the measure contains no provision whereby suburban taxpayers would be privileged to share in the annual deficit subsidies along with their city cousins, except through a possible zoned fare structure.

(2) Ernest C. Willard, consulting engineer engaged by the City Council in 1957.

(3) Based on the immediate purchase of 100 new busses and 150 used busses; the 150 used busses to be replaced with 50 new busses in each of the succeeding three years; and 25 additional new busses in each of the fifth and sixth years.

### ALTERNATIVE CONSIDERATIONS

Your committee joins with its predecessor committees in pointing out that economical, feasible, and desirable mass transit services must begin with a soundly conceived, long-range, transit and transportation plan for the metropolitan area. Such a master plan must take into consideration all facets of metropolitan life and growth affected by mass transit, including a means for continued operation of the plan through appropriate and co-ordinated efforts of all planning and regulatory agencies involved: city, county, state, and private. Your committee finds evidence of gross neglect in long-range planning by these governmental agencies, and a lack of understanding of the economic factors which demand consideration if a balanced mass transit system is eventually to be achieved. The private automobile, the least efficient passenger carrier, has been favored and actually subsidized by these governmental efforts.<sup>(4)</sup>

Your committee finds that the Council has given insufficient consideration to the intermediate possibilities available to it, such as providing financing to implement existing condemnation powers or enabling legislation to permit temporary seizure of transit facilities during any emergency period when service might not otherwise be continued. An approach by these means would strengthen the hand of the Council in franchise negotiations, and should be supplemented by action designed to co-ordinate City and State regulation of bus, trolley, and rail transportation facilities.

An alternate proposal, urged on the City Council, whereby the City might acquire a transit system and lease the equipment to a non-profit operating corporation headed by local businessmen should be studied carefully. This company would employ trained executives, could negotiate with organized operating personnel, and would assume to a reasonable extent the moral obligations of the present retirement plan. Net operating profit, if any, would revert to the City as rental. This plan could be designed to combine the advantages of private operation and control of policy by the City Council, and would avoid many of the pitfalls of municipal transit ownership and operation.

Your committee feels a high sense of responsibility in reviewing the proposed charter amendment as against the possibility that these alternatives might be faced after May 16. At the same time your committee cannot help but feel that this proposed mandatory municipal transit operation is no more than a frantic effort by officials grown hysterical over the results of their own procrastination.

### CONCLUSIONS

A brief summary of the considerations developed by your committee and its conclusions are:

1. The City Council has not met its responsibilities in aiding the development of a long-range plan for metropolitan area transit operations, whether public or private.
2. The present operating companies are and have been for some time in the process of at least a partial liquidation, and in the case of the interurban lines, the record is clear that the company involved has had a negative attitude toward the passenger phases of its business. Plans for development and expansion of their passenger business are not apparent to your committee.
3. The Council, in proposing municipal ownership and operation, has taken an "easy way out" of its dilemma; but the Charter amendment is defective, even to those who may consider municipal subsidy essential, in the following respects:
  - a. Financing is needlessly expensive to the taxpayers.
  - b. Acquisition provisions are loose, while fares are rigidly prescribed.
  - c. Steadily rising operating deficits forecast under municipal operation will require higher future tax levies.

<sup>(4)</sup> In Appendix "B" your committee has presented some of these factors in more detail under "Economics of and Planning for Mass Transit."

- d. Proposals for additional service are vaguely contemplated, and no concrete plans have been developed by the City Council.
- e. Administrative defects are apparent in the proposed appointment by the Council of both the transit manager and his assistant; and in the extension of the rigidities of the Civil Service system to a proprietary function.
4. The proposal for municipal ownership does not recognize or provide for meeting problems of long-range growth necessary for an expanded, more effective mass transit system in the broad metropolitan area.
5. The City Council has not prepared other alternative action which will be required in the event the proposed Charter amendment fails of passage: Improvement of its bargaining position in negotiating a new franchise, considerations for improvement in City-State regulations governing mass transit facilities, and preparation of less drastic measures for municipal subsidies or ownership.

### RECOMMENDATION

In view of the foregoing considerations, your committee recommends as follows:

1. That the City Club record its opposition to the proposed Charter amendment creating a municipal Transit Department, and urge a "No" vote on Measure No. 53.
2. That the City Council attempt to negotiate a franchise with the present or prospective private transit operators for a sufficient period of time to enable the city to develop a comprehensive transit plan.
3. That the City Council and the County Commissioners immediately adopt policies which would give preference to public vehicles; adopt policies which would, in traffic planning for efficient use of streets and bridges, give preference to public vehicles over private automobiles where necessary.
4. That the City Council, in co-operation with appropriate county, state, and private interests, develop a long-range plan for an integrated mass or rapid transit program. (The use of the staffs of existing municipal and county planning agencies, plus outside private and professional assistance, is suggested.)
5. That the City Council take the lead in preparing such enabling legislation as may be needed to integrate into one agency the regulation of bus, trolley, and rail transit facilities—present and future—within the broad metropolitan area.
6. That to strengthen its bargaining power with private operators, the Council should submit to the voters in November a carefully considered municipal ownership measure based on conferences with all public and private interests involved and leaving the Council enough flexibility to assure the metropolitan area of service on a long-term basis.

Respectfully submitted,

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Approved April 23, 1958, by the Research Board for transmittal to the Board of Governors.

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**APPENDIX A**  
**HISTORY OF PORTLAND'S MASS TRANSIT**

In a 23 year period from 1882 to 1905, 21 companies were organized to provide public transportation in Portland. In the latter year the then existing companies were consolidated to form the Portland Railway Company. Through a series of mergers and name changes the transportation utility became part of the holdings of the Portland Electric Power Company. This company in 1930 organized the Portland Traction Company as a wholly-owned subsidiary.

On January 1, 1932, the Portland Traction Company began operations of the city lines. The interurban properties remained an asset of Portland Electric Power Company until 1947 when they became an asset of the Portland Traction Company.

Portland Electric Power Company emerged from the depression years into bankruptcy proceedings in which the stock of the Portland Traction Company and the interurban lines were sold in 1946 to the Portland Transit Company for \$5,616,750. The following table summarizes the purchase by and the financing of the Portland Transit Company:

Properties acquired from Trustee in Bankruptcy—Portland Electric Power Co., August 29, 1946:

Portland Traction Co. Stock .....	\$4,616,750 (a)
Interurban properties and Center Street Shops .....	1,000,000 (b)
	\$5,616,750
Organization expenses, expense of property acquisition, other expenses and working capital .....	183,250
	\$5,800,000

Financing Provided by Portland Transit Company:

Ten-year Bank of America 3½% note .....	\$3,500,000 (c)
Proceeds from sale of 60,000 shares of 5% Preferred stock (Cumulative convertible, \$25.00 par value) .....	1,500,000 (d)
Proceeds sale of 300,000 Common shares Par value \$1.00 .....	1,800,000
	\$5,800,000

While the purchase of the operating properties was made by the Portland Transit Company, this company was in turn financed in part and controlled by a holding company. The present holding company structure is as follows:

1. A closed group, which controls
2. Pacific Associates Inc., which controls
3. Portland Transit Company, which wholly owns
  - a. Portland Traction Company, and
  - b. Rose City Transit Co.

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(a) Included in the assets of the Portland Traction Company were U. S. securities in excess of \$2,500,000 specifically earmarked for modernization. In 1946, 100 new motor coaches and 50 trolley coaches were ordered.

(b) After acquiring the interurban lines the Portland Transit Company sold the lines to the Portland Traction Company for \$1,000,000, receiving a 3% installment note. This note has been paid by the Portland Traction Company.

(c) The loan from the Bank of America has been repaid from dividends received from the Portland Traction Company.

(d) Preferred shares are callable by the company at \$27.50. As of December 31, 1957 there were outstanding 41,949 shares.



The Portland Traction Company and the Rose City Transit Company operate the interurban lines and city lines respectively. The latter company was organized January 13, 1956, to acquire the city lines from the Portland Traction Company, upon the expiration of the Portland Traction Company's franchise in January, 1956. At the present time the Rose City Transit Company is operating on a franchise permit granted by the Portland City Council. This permit expires July 5, 1958; however, the 1957 annual report of the Portland Transit Company states that the company "is negotiating for a long term permit, and has agreed to continue service until January 1, 1959, under mutual agreements between that company (Rose City Transit Company) and the City."

The financing of the city and interurban lines, therefore, required repayments of notes within a ten-year period of \$3,500,000, plus interest and dividends on at least the preferred shares. These requirements have been met from the earnings of the operating companies. During the period from September 1, 1946 through December 31, 1956, dividends paid to the parent Portland Transit Company by the Portland Traction Company (city and interurban lines) were \$4,010,000, but during the same period, operating net income was only \$3,246,000 (including net gains and losses on sale and abandonment of property of \$47,607). The effect of a dividend policy (created principally by the original financing requirements) of the parent holding company has been an erosion of the assets of the Portland Traction Company. These shrinking assets are those which the city relies upon to furnish its transit service.

The annual income and the percentage of return based upon the purchase price of the transit system by the Portland Transit Company are given in the following table:

Year	CITY LINES		INTERURBAN LINES		COMBINED	
	Income, (Loss)	% Return	Income	% Return	Income	% Return
1946..... (4 Months)	\$274,178	17.28%	\$ 62,710	21.93%	\$336,888	17.99%
1947.....	259,799	5.46	209,955	24.48	469,754	8.36
1948.....	17,828	.37	296,361	34.55	314,189	5.59
1949.....	(119,032)	(2.50)	239,689	27.94	120,657	2.15
1950.....	61,415	1.30	272,499	31.76	333,914	5.94
1951.....	(3,217)	(.07)	192,412	22.43	189,195	3.37
1952.....	207,378	4.36	182,933	21.33	390,311	6.95
1953.....	65,255	1.37	187,358	21.84	252,613	4.50
1954.....	(17,093)	(.36)	147,531	17.20	130,438	2.32
1955.....	234,779	4.93	332,060	38.71	566,829	10.09
1956 (*).....	78,401	1.65	15,996	1.86	94,397	1.68

NOTE 1: Income does not include gains or losses on sales, retirement, or abandonment of property.

NOTE 2: Percentage of return computed on the purchase price of the system by Portland Transit Company of \$5,616,750.

NOTE 3: The years 1946 through 1949 are after provision for income taxes. The years thereafter carry no provision for income taxes, since the net income for tax purposes has been reduced by increased depreciation charges resulting from amortization of certain classes of road and equipment over the remaining life of Portland Traction Company's franchise which expired February 10, 1956.

The significance of the interurban lines is readily apparent from these analyses. The reason for the substantial earnings of these lines prior to 1956 is the profitable freight revenues. Since 1952 the Portland Traction Company has attempted to secure authorization from the Public Utilities Commissioner to reduce and then abandon the passenger traffic on these lines. While the Company has been unable to prove to the commissioner's satisfaction that sufficient losses were incurred on its passenger traffic to warrant abandonment, it ceased this service January 25, 1958. The evidence produced in the Public Utilities Commission hearings indicates that the company has deliberately set out to destroy its own passenger traffic. Press statements by company officials reveal that railroads are interested in acquiring the lines, presumably at a price which would enable the company to realize a substantial capital gain on a sale of these lines.

\* 1956 income of city lines covers eleven months under Rose City Transit; income of the Interurban lines includes twelve months of interurban operations plus one month of city lines.

City line service and patronage have shown marked declines, as indicated in the following table:

PASSENGER SERVICE—CITY LINES ONLY

Year	Trolley		Miles of Routes		Vehicles Miles	Miles % 1946	Passengers† Carried	% 1946
	Coaches Owned	Motor Busses Owned	Trolley Coaches	Motor Busses				
1946	141	220	56.87	144.36	18,154,785	100.0	125,281,195	100.0
	124*		32.53*					
1950	191	297	56.94	172.20	14,719,530	81.1	76,586,160	61.1
1951	191	303	56.94	172.20	13,864,897	76.4	68,523,662	54.7
1952	188	250	52.49	176.07	12,729,950	70.1	59,988,150	47.9
1953	161	215	41.82	162.25	11,796,915	65.0	54,600,825	43.6
1954	99	207	41.82	162.25	10,552,239	58.1	49,532,861	39.5
1955	50	206	14.42	185.37	9,512,907	52.4	42,893,418	34.2
1956	50	206	14.42	185.14	8,675,832	47.9	36,626,997	29.3

The city lines now operated by the Rose City Transit Company reflect the depressed state of the industry as a whole. Because these lines are no longer in effect subsidized by the freight traffic of Portland Traction Company (as it was prior to 1956), the financial position of Rose City Transit Company depends solely on profits from city operations. Obviously losses cannot in the long run be forced on private transit operators, nor can the mass transit operators be permitted to perform only those services which provide the maximum revenues. A compromise is essential and this demands constant surveillance by regulatory officials, both City and State.

Note: The financial data included above have been obtained from financial reports of the Portland Traction Company and Rose City Transit Company on file with the City of Portland and Oregon Public Utilities Commissioner, records of the trustees of the Portland Electric Power Company on file in the U. S. Federal Court, and various financial surveys.

APPENDIX B

ECONOMICS OF AND PLANNING FOR MASS TRANSIT

In its March 1, 1957, report adopted by the City Club, your Mass Transportation Committee set forth certain "guideposts" for dealing with the mass transportation problem of the Portland area. The conclusions of this section of that report are repeated here:

"Our public officials are remiss in discharging a truly major responsibility if they fail to take the steps necessary to assure adequate mass transportation facilities. They cannot approach this task unless they recognize that mass transit and private vehicular traffic are all part of a single problem, equip themselves with sufficient technical assistance to enable them to understand what they are doing, and *co-ordinate efforts of all interested governmental units and public bodies.*"  
(underscoring supplied)

Your present committee reaffirms these views, and calls attention to the failure of city, county, and state authorities in developing a comprehensive policy towards traffic and transportation in the Portland metropolitan area. These shortcomings need no elaboration here, as they have been the subject of editorial agreement on the part of both daily newspapers in connection not only with the city transit franchise negotiations, but also in the negligent way in which the public administrative bodies and the courts have handled the inter-urban fiasco.

\* Streetcars. In February, 1950, the company discontinued use of its electric railway system except on its interurban lines.

† Includes transfers.

Transportation economists and city planners, while agreeing that the private vehicle must be given consideration along with the public vehicle in metropolitan area traffic planning, are nearly unanimous in strongly recommending that the public vehicle be given preference in traffic planning because it is vastly more efficient in its use of street space:

70 sq. ft. required per bus rider.  
500 sq. ft. required per automobile.

When it comes to rail rapid transit, a 2-track line is capable of moving as many people as 20 highways of 4-lanes each. The significance of these statistics and their importance to Portland can readily be ascertained from data available in the files of the Portland City Planning Commission.

Off-street parking in the Portland downtown area is equal to 63 square city blocks, representing more than one-fifth of the total land space in the area. It is obvious that no more street space can be made available in the downtown area; as a matter of fact, new freeways and cloverleaf approaches will lessen the available street space while spewing more vehicles into the decreasing parking and street areas of downtown Portland.

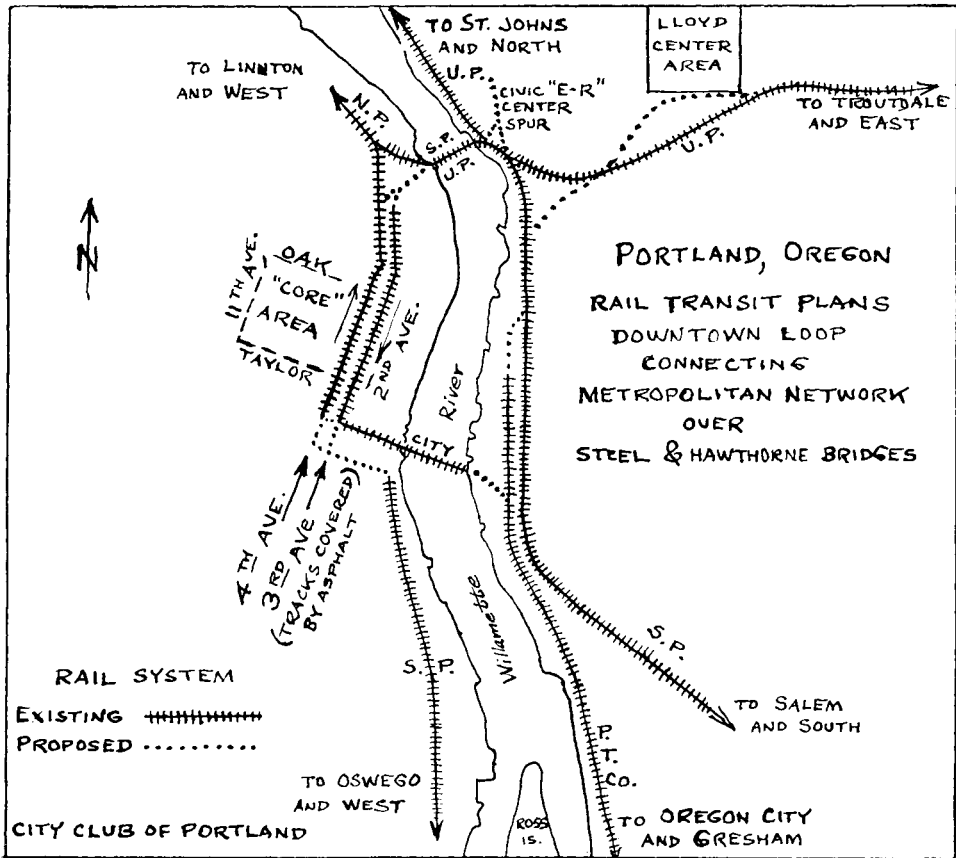
During the years 1950 through 1955, the mass transportation lines serving Portland saw the city line patronage drop nearly half, whereas the interurban passenger traffic declined only 10 percent. A major part of the blame for the declines in the use of mass transit in Portland must be ascribed to the failure of public officials to give preference in the use of city streets to the more efficient public vehicles. But your committee also finds much evidence that the Rose City Transit Company has failed to press this matter, and the Portland Traction Company has even done all it could to discourage passenger patronage on its interurban lines in spite of public protests.

Other large cities in the west, and particularly Los Angeles and San Francisco, are becoming more progressive in their future transportation planning than is yet shown in the Portland metropolitan area. The City Council of Portland, however, is on record as pointing to the need for rail rapid transit when the Portland area reached 500,000 persons—yet we now have a metropolitan area population of over 800,000. Some development work in this field has been done, but it is buried under city-county lethargy borne of a state-federal insistence on subsidizing the private vehicle.

With its Willamette and Columbia River obstacles, plus the diagonal mountain ridge lying close to the west bank of the Willamette River, the Portland metropolitan area presents unique obstacles to the development of automobile traffic. On the other hand, Portland possesses a rail network that fans out in all directions from the edges of the city "core" area, a metropolitan network that is not even remotely rivaled by the Seattle area. It is suggested by your committee that civic and engineering talent could readily be brought to bear on the possibilities of closing the center links required to integrate this metropolitan rail network in a way which would make it possible for Portland to resume its long-term growth possibilities by breaking through the traffic congestion which cannot be solved by expressways and off-street parking, due to the limited street space available within the city center.

The accompanying chart suggests a way in which the "loose ends" of the existing metropolitan area rail network could be knit together in a downtown loop running on both sides of the Willamette River. This rail loop traffic would readily lend itself to reverse direction flow, morning and evening, to make it compatible with the Hawthorne Bridge vehicular traffic pattern—a problem on which the city and county planners gave up too easily in the planning for the new Hawthorne Bridge approaches in a desire to give preference to the private automobile.

Your committee recommends that planning for the proposed east shore Willamette River expressway should protect the rail connections shown on the accompanying chart and in co-operation with planning groups, the City should take the steps necessary to preserve these present and prospective routes and to initiate the studies and plans required to submit to the voters the initial phase of planning required to determine how and by what stages such transit plan should be developed.



Potential traffic for modernized, integrated rapid or mass transit in the Portland metropolitan area is tremendous. It is estimated that not one in four commuters to the "downtown" area come by public transit, and the extent of the decline in mass transit in just the last eight years is indicated by the following table of total passengers carried (revenue and non-revenue combined):

Year	PASSENGERS CARRIED	
	City Lines	Interurban
1950	60,567,217	1,476,660
1951	54,723,294	1,504,232
1952	48,419,874	1,551,694
1953	44,066,461	1,439,105
1954	39,993,043	1,249,391
1955	34,638,779	1,309,934
1956	32,377,963	*
1957	29,138,635	*

Your committee estimates that the 1955 cost of transporting persons in Multnomah County alone is over \$90,000,000, of which only \$5,000,000 is represented in travel on Portland city and interurban lines. The private automobile alone is costing riders an estimated \$75,000,000, not counting the time wasted by each motorist trying to be his own transit engineer. Certainly a better balanced system of passenger transportation can be achieved with a little imagination, planning, and business-like development of such facilities for our metropolitan community.

\* Figures for 1956-1957 not shown; comparability is destroyed by the increasing tempo of the interurban railway management's attempt to discontinue passenger service (records of the Oregon Public Utilities' Commission).