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City Club of Portland

BULLETIN

Portland, Oregon Vol. 64, No. 50

Westin Benson, Mayfair Room **12:00 Noon** **Friday, April 20, 1984**

HARDY MYERS
State Representative, Dist. 15
Attorney, Stoel, Rives, Bolet et al.

"THE UNFINISHED BUSINESS OF THE LEGISLATURE"

The year 2000 is only sixteen years away — eight legislative sessions. That is not a long time in which to prepare our institutions to meet the challenges of the next century. Policy change takes time; institutional change is even slower to occur.

Hardy Myers is concerned about the present ability of the Legislature to help govern this state as we approach the pressures of the 21st century. He regards the question of how to govern well as the Legislature's major piece of "unfinished business."

Myers is retiring after five successive terms of distinguished service in the Oregon House of Representatives. Through two of those terms, and during several special sessions, Hardy served as Speaker of the House. As a result of that experience, he has arrived at some conclusions about the institutional problems of governance. He will discuss his diagnosis of the problem and his proposals to improve the Legislature as a tool of good government for the next century.

RESERVATIONS & CANCELLATIONS: Call 222-2582 by 2:00 pm on Thursday, April 19. Tickets: $7.50 for members, $9.50 for guests.

[Printed herein for discussion and vote on Friday, April 27: Reports on State Measure No. 2 (Vehicle License Fee) and Serial Levy for Zoo.]

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

PROPOSED FOR MEMBERSIP

The following individuals have applied to the Board of Governors for membership in the City Club effective April 27, 1984.

Donald M. Kilpatrick, president, Commonwealth Commercial Brokerage. Sponsored by Doug Gordon.

Ryan Lawrence, attorney, sole practitioner. Sponsored by Joyce Tsongas.

Harley Leiber, program manager, Multnomah County Corrections. Sponsored by Sid Lezak.

THANKS FOR THE HELP!

Several weeks ago a desperate appeal for meeting room space appeared in the Bulletin. Our thanks to three Club members and their firms for responding and offering space for the Club's committees to meet: *Ned Look* and the Oregon Community Foundation; *Tom Higgins* and the Business Journal; and *Ron Allen* and Pacific Northwest Bell.

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Phone 228-7231

CHRISTINE A. TOBKIN, *Editor and Executive Director*

MIMI BUSHMAN

Research Manager / Committee Coordinator

ABOUT PRESIDENTIAL CANDIDATES

Many members have asked if any of the Democrats running for president will appear at the City Club. The answer is that at this time we don't know. The Program Committee has been in contact with the Hart, Mondale and Jackson campaigns, and all are aware of the Club's desire to hear from the candidates.

NEXT FRIDAY, APRIL 27: WATER RESOURCES

Bill Young, newly-appointed director of the Oregon Water Resources Department, will discuss the controversial problems surrounding his agency, and the battle looming on the horizon over water rights in Oregon.

CLUB TO BEGIN VOTING ON MAY BALLOT MEASURES

Two of the seven City Club reports on May primary ballot issues will be presented and voted upon at the meeting *next Friday, April 27*. Those two reports are included with this issue of the *Bulletin*. They are: *State Measure No. 2 - Increases Fees for Licensing and Registration of Motor Vehicles* (page 319) and *Multnomah County No. 26-4 - Continues Serial Levy Dedicated to the Zoo* (report starts on page 331).

The meeting next Friday will begin early, at 12:15 so that both reports may be presented and discussed, leaving time for our speaker, Bill Young.

Remaining Measures Scheduled for May 4

Friday, May 4 will be devoted to City Club reports on five other May ballot measures. Debate and voting will occur on the *Port of Portland's Drydock Bond* measure; *Multnomah County's Three-Year Corrections levy, Multnomah County's Three Year Library Serial Tax Levy*, and the companion *Multnomah County Charter Amendment to establish a Library Commission* to administer the public library system. *State Measure No. 1 - State May Borrow and Lend Money for Public Works Projects* will also be discussed.

Members are reminded of the importance of voting on all City Club reports, and are urged to attend both the April 27 and May 4 meetings!

Report on "Increases Fees for Licensing and Registration of Motor Vehicles" (State Measure No. 2)

Purpose: Increases minimum registration fee by $10 per year; keeps present moped, motorcycle and "disaster unit" fees.

Increases "farm truck license" fee by 20 cents per 100 pounds and fees for trailer-fleets for hire.

Increases by $10 licensing fees for: certain trucks, tractors, buses, ambulances, trailers for hire; truck trailers; bus trailers; semi-trailers; fixed-load vehicles. Increases fees for certain other vehicles by up to $20.

Bridges are priority for state's use of increased revenues. There is no priority for local use of funds.

Effective October 1, 1984.

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

State Measure No. 2, if approved by the voters at the May 15, 1984 election, would increase vehicle registration fees in Oregon to provide additional funds for improvement of roads and highways within the state. Bridge improvements would receive priority for the state's share of additional revenues.

II. BACKGROUND

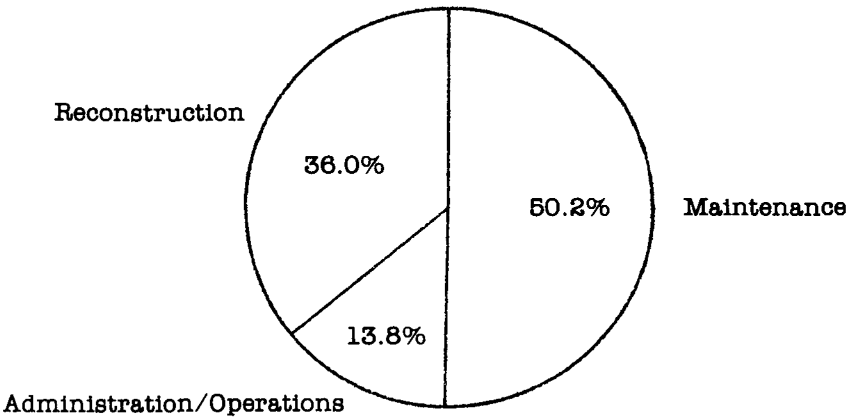
For the 1983-85 biennium, the authorized budget of the Oregon Department of Transportation (ODOT) totals $332 million, as shown in Exhibit #1. Of this amount, 86% is budgeted for maintenance and reconstruction work on the existing system. The balance is budgeted for administration and operations. Federal matching aid during the current biennium is budgeted at $538 million.

According to ODOT, budgeted funds are inadequate to maintain state roads in their present condition. More than 70 percent of the state's most heavily traveled roads are substandard by federal guidelines. About half of Oregon's 7,500 miles of state highway are classified as in "poor" or "very poor" condition, and about 1,200 miles of county roads and 1,100 miles of city streets are classified as in "poor" condition. The City of Portland, for example, has a current backlog of 300 miles of deficient streets and adds 8 miles more each year. Portland is now paying 27% of its road maintenance costs with property taxes, up from 12% ten years ago.

Of the 7,500 bridges in the state about 5,000 are under the jurisdiction of local governments and about 2,500 are under state jurisdiction. The National Bridge Inventory classifies 601 locally controlled bridges and 167 state bridges as "deficient." Bridges are rated on a 100-point sufficiency

EXHIBIT #1

OREGON DEPARTMENT OF TRANSPORTATION
LEGISLATIVELY APPROVED BUDGET (83-85)



Maintenance	$166,544,833
Reconstruction	119,240,189
Administration & Operations	45,855,370
Total 1983-85 Budget	$331,640,392

scale in which a score of 50 or below is considered "deficient." However, all bridges, including those which are deficient, will be kept in safe repair within the current budget; that is, "deficient" does not imply "unsafe." ODOT estimates that the cost of bringing all state and local bridges up to a sufficiency rating of 50 will be approximately $350 million.

A. Sources of Revenue

The sources of revenue may be divided into Federal, State and Local.

1. Federal

The state expects to receive $538 million of federal funds during the 1983-85 biennium. These funds are allocated to states using formulas involving various levels of state matching. A portion of the federal revenues are derived from a 1982 five cent increase in the tax on fuel. Proceeds from this tax are to be used for federally supported highways with an emphasis on bridges.

2. State

In addition to federal revenues, the state highway fund receives revenues from the following sources:

1) Registration fees for vehicles, including automobiles and light trucks, motorcycles, mopeds, recreational vehicles, trailers, heavy vehicles, and custom plate fees.
2) Driver's license fees.
3) Motor Vehicle Division fees for activities including replacing lost licenses, licensing dealers and wreckers, transferring ownership, and other functions.
4) Fuel taxes paid by vehicles weighing 6,000 pounds or less.
5) Weight-mile taxes and flat rate fees paid by vehicles weighing over 6,000 pounds.

3. Local

The state highway fund is allocated by statute so that 68 percent is assigned to the state, 20 percent to counties and 12 percent to cities. Cities and counties may also receive federal matching funds that may be used for eligible streets and roads. Local governments, within political, economic and legal constraints, may also obtain additional funds from local gas taxes, local improvement district (LID) assessments, systems development charges, road levies, bonds, and special and serial levies. Local governments may also choose to use discretionary general fund resources including property tax revenues for street reconstruction and maintenance.

Federal funds may be used only for designated purposes. Similarly, the Oregon Constitution, Article IX, Subsection 3 (a) limits the uses of the state highway fund as follows:

1) Fuel taxes and taxes on ownership, operation or use of motor vehicles may be used for reconstruction, maintenance,

operation and use of public highways, roads, streets and roadside rest areas; administration and refunds or credits authorized by law; and retirement of bonds for which such revenues have been pledged.

2) Taxes on campers, mobile homes, motor homes, travel trailers, snowmobiles, or light vehicles may also be used for acquisition, development, maintenance or care of parks or recreation areas.

3) Taxes on commercial vehicles may also be used for enforcement of commercial weight, size, load, confirmation and equipment regulation.

B. Efforts to Increase State Revenues

In 1981, the Legislature recognized a trend of rising costs and decreasing revenues for highway purposes. A long-term deterioration of the Oregon transportation system was projected unless further sources of revenues could be secured.

The 1981 Legislature passed a one cent increase in the fuel tax, effective January 1, 1982, and an equivalent percentage increase in the weight-mile tax on trucks. The Legislature also passed and referred to the voters a three cent additional fuel tax consisting of consecutive one cent increases on July 1 of 1982, 1983 and 1984. This measure was defeated in May 1982 by a vote of 323,268 (51.2%) to 308,574 (48.8%). Consequently, the 1983 Legislature was faced with addressing the funding need which a 3 cent fuel tax would have satisfied.

The 1983 Legislature passed a two cent fuel tax increase, not referred to voters, with one cent effective January 1, 1984, and the other on January 1, 1985. The Legislature also passed House Bill 2916, referred to voters as Ballot Measure 2, proposing increased registration fees for most vehicles by $10 per year. Automobile fees would increase from $10 to $20 per year; trucks, whose current fees range from $10 to $130 per year based on weight, would increase a flat $10 throughout the scale; and farm truck and trailer fees would increase by 20 cents per 100 pounds, or from $9 for a 4500 pound vehicle to $96 for a 48,000 pound vehicle. Sample increases are shown in Exhibit #2.

The Legislature also provided that first priority for use of the new revenues would be for work on existing state bridges. This limitation does not apply to local governments.

C. Effect of Proposed Increase

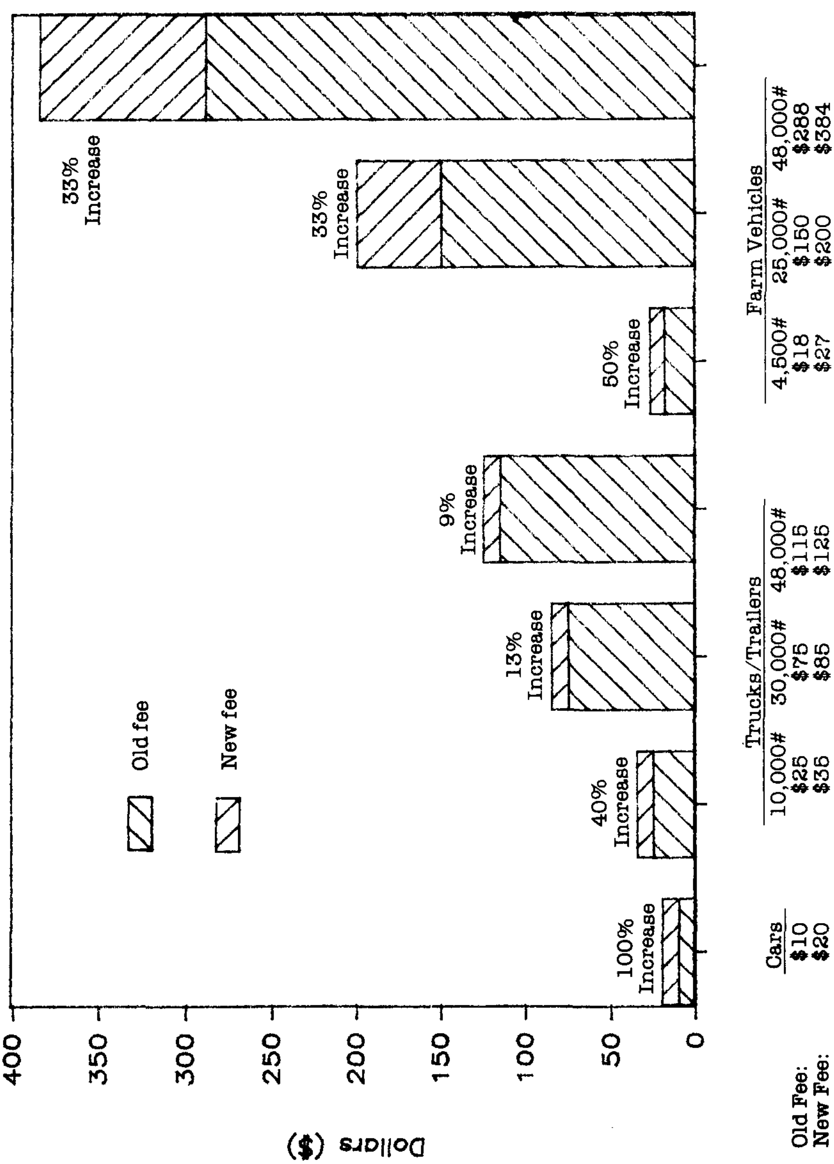
The Legislative Revenue Office estimates that Measure No. 2 would raise $17.6 million during the remainder of the 1983-85 biennium and $48.4 million during the 1985-87 biennium.

Oregon has not increased its registration fees since 1950. Oregon registration fees are low in comparison to those imposed by adjacent states, and indeed, Oregon ranks 49th among

EXHIBIT #2

SAMPLE OF ANNUAL REGISTRATION FEES

AS PROPOSED BY MEASURE NO. 2



the 50 states in total motor vehicle fees and taxes. Exhibit #3, which follows, lists annual fees and taxes on vehicles for Oregon and other states as of 1982.

Exhibit #3

ANNUAL ROAD USER AND PERSONAL PROPERTY TAXES ON VEHICLES

	Passenger-Vehicle Weights		
	Light	Medium	Heavy
Oregon*	$ 10.00	$ 10.00	$ 10.00
Washington	101.20	119.80	273.80
Idaho*	38.00	38.00	38.00
California	75.00	97.00	204.00
Average, all states	103.27	132.26	302.43

*Oregon and Idaho do not impose personal property taxes on vehicles.

III. ARGUMENTS ADVANCED IN FAVOR

1. Oregon relies on its road and bridge systems to support commerce, industry, jobs, property values, recreation and tourism. Additional funding is neccessary to restore them to good condition.

2. Highway fund revenues for state, county and city road systems are approximately 25% below the amount needed to maintain the existing level of improvements and to prevent increasing deterioration.

3. Oregon ranks 49th among the states in total fees and taxes collected for roads. Vehicle license fees in Oregon have not changed since 1950. The Oregon fee schedule is lower than that of any adjoining state.

4. Badly worn roads and bridges cost Oregon drivers an average of $233 per year in wasted fuel, excessive tire wear and extra vehicle repair bills, according to the Association of General Contractors.

5. Measure 2 is needed to meet road and bridge cost requirements anticipated by ODOT through the 1985-87 biennium. Counties and cities also need additional revenues to keep pace with their minimum road repair requirements.

6. Oregon needs to continue raising sufficient road funds to match available federal highway dollars. The state now receives $8 federal for every state $1 put up in match. Additionally, for each $1 Oregon drivers pay in federal gas taxes, $1.29 is returned to the state in matched funds. Passage of Measure No. 2 will allow the state to apply for additional federal funds.

7. Failure of Ballot Measure 2 will mean continued deterioration of bridges and roads. Repair and maintenance delayed two years increases rehabilitation costs up to five times.

8. Revenues from vehicle registration fees are more dependable than fuel tax revenues which are declining as a result of increasing fuel efficiency and the relationship between fuel expenditures and economic cycles.

IV. ARGUMENTS ADVANCED IN OPPOSITION

1. Measure No. 2 requires automobiles to pay a larger percentage increase in vehicle registration fees than trucks, and small trucks to pay a larger percent increase than large trucks.

2. Measure No. 2 will tax farm use trucks unfairly, as farm vehicles will receive a larger absolute increase than other trucks. The measure will place an increasing financial burden on farmers.

3. Contrary to the concept of cost responsibility, motor vehicle registration fees are not proportional to damages caused. This is inequitable to owners of automobiles and light trucks.

4. Historically, motor vehicle registration fees were established to support the administration and enforcement of Oregon's motor vehicle laws. The intent of such fees was not to support road, highway and bridge maintenance.

5. The bridge priority stipulation of the measure may be misleading. Measure No. 2 does not dedicate revenues to bridges; rather, it establishes bridge maintenance as a 'priority' at the state level only. While many county and city bridges are deficient according to the National Bridge Inventory, local governments may or may not choose to set bridge maintenance and repair as a priority for their share of the money.

6. Setting of priorities for state road, highway, and bridge maintenance should be left to the State Transportation Commission.

7. There is a suggestion that recent state and federal fuel tax increases have provided sufficient revenue to meet needs. Existing state and federal revenues could be used more effectively to meet maintenance needs.

V. DISCUSSION

A majority of those interviewed by your Committee agreed that current highway fund resources are inadequate to maintain Oregon's state highways and bridges, county roads and city streets at the minimum levels required for safety and economy. The 1981 Legislature attempted to meet these minimum needs by raising fuel taxes 3 cents. That solution was defeated by Oregon voters. The 1983 Legislature adopted a 2 cent fuel tax increase and referred to the voters increases in vehicle registration fees. The latter, if approved, would raise approximately the same revenue as would a 1 cent fuel tax.

Oregon depends upon the quality of roads and bridges to support the transportation needs of commerce, industry, recreation and tourism. Employment and property value levels are directly tied to the condition of roads and streets.

Maintenance and repair costs for highways, roads, streets and bridges can be held to reasonable levels providing there are sufficient funds to conduct preventive maintenance programs (PUBLIC WORKS, July 1982). Maintenance delay due to shortages of funds is very costly, and poor road and bridge conditions result in higher vehicle operating costs. Thus, an adequately funded road and bridge maintenance program will yield lower road repair costs and will reduce operating costs to vehicle owners.

Road and bridge maintenance and repair costs should be paid for by highway users, according to general policy as established in the Oregon Constitution. To that end, the highway fund is supported by vehicle registration and driver's license fees, fuel taxes, weight-mile taxes on trucks and other heavy vehicles and by various fines for violations.

Principal criticism of Measure No. 2 centers on the method of revenue generation. Registration fees are based on vehicle ownership rather than vehicle use. It is argued that assessments for highways and bridges should be directly proportional to the amount of highway deterioration resulting from miles traveled and vehicle weights. Measure No. 2 increases registration fees disproportionately. Automobiles will pay a 100% increase, farm vehicles will pay increases of 33% or 50%, and heavy trucks will pay increases as low as 8%.

Overall, however, the measure does not significantly alter the current proportions of cost responsibility between cars and trucks when considered in conjunction with other tax increases passed by the 1983 Legislature. Measure No. 2, along with weight-mile and fuel tax increases will nearly preserve the previous ratios of cost responsibility.

Although an effort was made to preserve relative shares of taxation based on use and damage, an examination of the nature of Oregon highway funding sources, however, shows that none of them achieves this ideal of payment based on actual road use:

1. Weight-mile taxes on heavy vehicles come closest to the use/pay concept, although larger trucks do not pay their fair share and are being subsidized by smaller ones. The 1980 Cost Responsibility Study shows that larger trucks pay $1 mil per mile, but should pay $4 mils.

2. Fuel taxes bear a relationship to actual road use, but differences in the fuel efficiencies of engines and the weights of various vehicles result in inequities in sharing the burden through fuel taxes.

3. Driver's license, vehicle registration, wrecking yard license and other similar fees and violation fines are only

minimally related to highway use, yet they now make up nearly 25% of Oregon's highway fund revenue.

Moreover, cities and counties have found it necessary to aid in financing road and street costs from sources which are in some cases only indirectly related to highway use, vehicle ownership or licensure. These supplemental sources include local improvement district revenues, systems development charges and property taxes. The City of Portland, for example, currently pays 27% of its street maintenance costs from the general fund, which is made up in part of property taxes. Although the benefits derived from property ownership are directly related to the availability and quality of a transportation system, property tax support of roads does not necessarily place cost responsibility with users.

It is argued that farm vehicles would be unfairly taxed by an increase in annual registration fees because there is no relationship between the fee amount and road use. This is especially true for farm vehicles used seasonally. Farm vehicle fees are substantially increased by Measure No. 2. The effect of the increase on an "average" family owned farm with several farm vehicles would range from $100 to $400, based on information supplied by the Farm Bureau. However, these apparent inequities may be offset by the allowance under Oregon law for quarter-year (seasonal) registration of farm vehicles at a pro-rated fee and the offering of 5-day and 10-day operating permits in lieu of vehicle licenses. Only vehicles which operate on public highways are required to have one or the other of these licenses or permits. The portion of fuel taxes related to on-farm, off-highway use is refundable under Oregon statutes.

There is some concern on the part of your Committee that the "bridges-first" priority imposed by the Legislature is hollow. Under the law, the Transportation Commission may continue to fund state projects of the greatest need, whether they be bridge related or highway related. Cities and counties are not subject to the bridges-first provision, even though the National Bridge Inventory indicates that some of them have substantial bridge maintenance and repair needs.

Your Committee considered that the setting of priorities for state road, highway, and bridge maintenance should be left to the State Transportation Commission because its citizen members are better able than the Legislature to determine the optimum use of available resources. Your Committee concluded that in this case the bridge priority appears to be a maneuver to help gain voter approval of the measure.

Your Committee found no evidence that existing revenues were adequate or could be allocated more effectively to achieve the needed levels of maintenance. It was concluded that more revenue is necessary.

VI. CONCLUSIONS

Support of Measure No. 2 is justified by: 1) the importance of the transportation system to the economic well-being and livability of the state, 2) the need for additional funding for economical maintenance of the road system, 3) the proportional needs for additional revenues by the state, cities and counties, and 4) the maintenance of relative cost responsibility among vehicle types when combined with other tax measures already adopted.

The Legislature's priority for state bridge funding is unnecessary but is not a serious impediment and does not compromise the needs addressed by Measure No. 2.

The Legislature should consider adjustments to eliminate tax inequities between heavier and lighter trucks so that trucking fees are commensurate with use and damage caused.

A reassessment of farm vehicle registration fees should be made to ensure that such fees accurately reflect cost responsibility.

VII. RECOMMENDATION

Your Committee unanimously recommends that the City Club of Portland go on record favoring a "Yes" vote on Measure No. 2 in the May 1984 primary election.

Respectfully submitted,

Bob Baldwin
Linda Getchell
Leonard Girard
Diane Hopper
Issac Regenstreif
Marge Abbott, Chairman

Approved by the Research Board on March 15, 1984 for transmittal to the Board of Governors. Received by the Board of Governors on March 26, 1984 and ordered published and distributed to the membership for consideration and action on May 4, 1984.

Appendix A

Persons Interviewed

George Bell, Assistant Director of Intergovernmental and Public Affairs, State of Oregon, Department of Transportation
Representative Jane Cease, Chair, House Committee on Transportation
H. Scott Coulter, State Highway Engineer, Oregon Department of Transportation
Vinita Howard, Manager, Public Affairs Section, Motor Vehicles Division, Oregon Department of Transportation
Greg Kullberg, Administrative Services Director, Finance and Administration, City of Portland, Office of Transportation
L. R. Knepper, General Manager, Automobile Club of Oregon
Fred Miller, Director, Oregon Department of Transportation
Sandra Millius, Senior Management Analyst, City of Portland, Office of Transportation
Don Schellenberg, Manager of Public Affairs, Oregon Farm Bureau Federation
Dick Townsend, League of Oregon Cities

Appendix B

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Report on
METROPOLITAN SERVICE DISTRICT ZOO SERIAL LEVY
Multnomah County Measure No. 26-4
Continues Serial Levy Dedicated to the Zoo

QUESTION: Shall the Metropolitan Service District continue to levy $5,000,000 each year for three years for the Washington Park Zoo?

PURPOSE: This property tax levy allows the District to levy $5,000,000 each year for three years. The total levy is $15,000,000. This is the same amount previously approved by the voters in 1980 and must be reapproved by the voters to continue beyond 1984. There is no increase proposed from the 1980 levies. The levy will provide $3,000,000 each year for Zoo operations and $2,000,000 each year for capital improvements. Operating funds will enable the Zoo to continue the same level of services and to operate new exhibits. Capital funds will be used to finance building of exhibits for African animals, polar bears and other animals and to improve and equip Zoo facilities. The levy is outside the six percent limitation specified in the Oregon Constitution.

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

Through Measure 26-4, the Metropolitan Service District (METRO) seeks voter approval for a three-year mixed operating and capital serial levy. If adopted, the measure would continue the three-year serial levy which expires June 1984.

II. HISTORY

In 1978, voters reorganized the Metropolitan Service District to replace the Columbia Region Association of Governments (CRAG) and to provide for an elected Chief Executive and Council. METRO began operation in January, 1979.(1) METRO is responsible for the operation of the Washington Park Zoo.

The Zoo's history(2) began with the establishment in 1952 of an advisory group (Portland Zoological Society) and a commission (Portland Zoo Commission). The Zoo was owned and operated by the City of Portland until 1976, although from 1971 to 1976, the Portland Zoological Society contracted with the City to manage the Zoo with funds provided by the City. After METRO was created, operation of the Zoo was transferred to it.

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(1) City Club of Portland Bulletin, Report on "Reorganizing Metropolitan Service District, Abolish CRAG," Vol. 58, No. 54, May 12, 1978.

(2) A history of the Zoo can be found in City Club of Portland reports of March 23, 1951, August 7, 1970 and April 1, 1976.

In May 1976, the voters approved a five-year $10 million levy for the Zoo. In May 1980, the voters approved a three-year $15 million serial levy expiring June 1984. METRO is now asking the voters to approve a new three-year $15 million levy.

III. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. The requested annual amount of the levy is the same amount which has been levied to support the Zoo for the last three years. Thus, the present tax rate of $.18 per $1,000 of assessed value is expected to decline to $.14 to $.17 for the coming three years.

2. The Zoo's operating fund would be supported in approximately equal shares by the requested levy and by enterprise revenues, e.g., admission fees.

3. The Zoo's management is good and has shown itself to be responsible in the use of property taxpayers' funds.

4. The requested serial levy would support and further the goals of both the Zoo's five-year financial plan and the Zoo Master Plan.

5. If the levy does not pass, there would be little capital improvement.

6. If the levy does not pass, private donations might decrease because it is more difficult to get private donations to support operating costs, which would then be necessary, than to get private donations to support specific capital improvement projects.

7. The levy would further the Zoo's program of phased improvement, which in turn would encourage repeat business and increase revenues because there would always be something new at the Zoo.

8. A serial levy permits the funds received to be dedicated to the Zoo.

IV. ARGUMENTS ADVANCED AGAINST THE MEASURE

1. The Zoo would not have to close if the levy were not passed.

2. The serial levy comes from property taxes, which are already too high.

3. A carry-over of surplus funds suggests that the levy requested is higher than necessary.

4. Given the economic conditions of the area, it is not an appropriate time for capital expenditures.

5. The Zoo should be totally user-supported.

6. Too much money from the Zoo's operating fund is transferred to METRO's general fund, e.g., more money is transferred than is justified by the cost of the services rendered to the Zoo.

7. A three-year serial levy is only a short-term solution to the funding of the Zoo.

V. DISCUSSION

A. Present Serial Levy

In May 1980, a $5 million per year serial levy was approved by the voters.(3) Conditions of the levy provided for $2.7 millon per year to be used for operations and $2.3 million per year for capital improvements. That levy began July 1, 1981 and expires June 30, 1984. By the end of the 1981-84 period, the Zoo will have expended from the tax fund approximately $4.4 million on major projects including the lemur and marmoset exhibits, retrofitting of the railroad's steam engine, new maintenance facilities, remodeled penguinarium, and the Alaska Tundra exhibit. Also during this time, the Cascades Stream and Pond Building and the Swigert Fountain were built from private donations.

Your Committee heard concerns expressed by some regarding the "carry-over" of $800,000 into the next levy period. Similar over-budgeting was discussed in the City Club of Portland Bulletin of May 2, 1980 reviewing the 1980 serial levy. That year, funds were carried forward for capital expenditures, primarily used to remodel the Primate Area.

The capital funds carried over from the 1980 three-year levy are reserved for Phase I of the Africa Bush exhibit. In your Committee's tour of the Zoo, we found much need for this new exhibit, which would replace now-separate, run-down sections housing the hoofed animals. Assistant Director McKay Rich said this is one example of an exhibit from the original plan sorely in need of renovation. Without improvement, this area would deter rather than attract visitors.

B. Management Philosophy

In addition to relying on the property tax for a portion of its revenues, the Zoo operates under several management policies:

1. Fund approximately 50% of Zoo operations from non-tax revenues. These "enterprise" revenues are admission fees, food and gift concession sales, and train ticket sales;

2. Review admission fees annually to assist in maintaining the 50% non-tax revenues;

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(3) A history of the Zoo's spending under the previous serial levy can be found in City Club of Portland report of May 2, 1980.

3. Give priority for capital investments to completion of the original scope of the Zoo;

4. Provide special benefits to residents of the region who pay taxes to help support the Zoo. These include free days at the Zoo, concerts and outreach programs such as the Zoo Mobile; and

5. Generate private funds from the community for select capital improvements.

According to Zoo Director Warren Iliff, the Zoo has developed a comprehensive program for the first time for generating private dollars. He said the public/private partnership concept means public tax dollars would be used to finish the Zoo as originally planned--maintaining a humane, natural habitat for the animals. The private sector's obligation is to fund projects beyond the original scope of the Zoo. For example, the Zoo has raised $200,000 for the Elephant Museum--a series of exhibits detailing the history of man and elephant. It has $200,000 left to solicit.

Zoo administrators said capital improvements encourage visitors to return to find out "what's new," thereby increasing attendance and enterprise revenue. Officials said the animals have always been kept in good condition; recently administrators have also concentrated on such physical improvements as landscaping, sculpture, and signage to make the Zoo an attractive and pleasant place to visit.

C. Goals

The goals of the Zoo's managers have been and are to:

1. Provide a unique, educational and recreational opportunity for the public to see and experience wildlife in a naturalistic setting;

2. Contribute to the perpetuation of animals in the wild by learning more about captive and wild animals and educating the public regarding conservation; and

3. Serve as a cultural institution to enhance the quality of life in the metropolitan community.

D. Five-Year Plan

METRO recently adopted a five-year financial plan for operating the Zoo through 1987-88. The operating fund budget for 1983-84 is $5.9 million. By 1987-88 it is projected to be $7.5 million. The five-year plan was based on the following assumptions:

1. Attendance

In the preparation of the financial plan, attendance records were studied for the past seven years in order to develop a forecast for the next four years. Shown below is the history of attendance at the Zoo since 1980(4) plus projected attendance through 1988, showing both paid attendance and total attendance:

Year	Paid	Total
1979-1980	540,700	675,887
1980-1981	570,225	712,766
1981-1982	555,996	694,994
1982-1983	572,566	715,707
1983-1984	576,000	720,000
1984-1985	587,200	734,000
1985-1986	596,000	745,000
1986-1987	612,000	765,000
1987-1988	624,000	780,000

2. Admission Fees

Admission fee revenue forecasts are based on the following preliminary schedule of fee increases:

Effective Date	Adults	Youth
Current Fee	$2.00	$1.00
January 1, 1985	$2.50	$1.25
January 1, 1987	$3.00	$1.50

3. Concessions

A real growth of 2.5% per year plus a projected average inflation rate of 5.5% were used to project non-admission "enterprise" revenues -- food, gifts, railroad and other services.

4. Materials and Services

For the past several years, actual expenditures for materials and services have run an average of six percent under budget. To remedy this historical under expenditure, the 1983-84 materials and services budget was reduced seven percent. This reduced 1983-84 budget was then used as a base for projections during the five-year financial plan. These costs are anticipated to increase over the next four years as new exhibits are completed and programs added. Major increases will occur in landscaping, utilities and animal foods as the Zoo adds new exhibits.

E. Zoo Master Plan

To serve as a guide in making decisions for the Zoo's capital improvements, METRO approved a Zoo Master Plan in December 1983. It contains schedules and schematics for construc-

(4) The City Club report of May 2, 1980 lists Zoo attendance from 1970 through 1979.

tion projects over the next 13 years. Major projects to be built during the 1984-87 serial levy period include:

1. Phase I of the Africa Bush exhibit to include animal exhibits, a new main food facility, improvements to the concert lawn area and a train station at the train loop near the food facility. As mentioned earlier, this project would be financed with funds carried forward from the current year capital budget;

2. Remodeling of the West Bear Grotto, including a new underwater viewing enclosure for the polar bears to be financed primarily from new tax revenues; and

3. Phase II of the Africa Bush exhibit to be financed entirely from new tax revenues.

These capital improvement projects will require about $10,860,000. Approximately half of this amount would come from tax collections over the three-year period, if the levy is approved.

F. <u>The Zoo's Relationship With METRO</u>

Operation of the Zoo was transferred to METRO on July 1, 1976. As of January 1979, METRO became a directly elected regional government with the Zoo as one of its operating departments. METRO attempts to allocate the cost of its administrative office and support services by assessing each department for its use of those services. Currently, the Zoo pays approximately seven percent, or $418,000, of its budget back to METRO for administrative costs. According to the Executive Director of METRO, that represents approximately 15% of METRO's general expenses.

METRO makes its Zoo budget decisions based on recommendations from the Zoo management. Once the overall budget is approved by METRO, the Zoo is free to spend within that budget. The Zoo is not free to purchase outside services without METRO's approval. According to the Zoo's Director, METRO's support in funding the Zoo at a consistent level through past serial levies has allowed the Zoo to make program and physical improvements, as well as initiate more educational programs, reach out to a wider portion of the community, and take better care of the existing facilities. With funding at adequate levels, the Zoo has been able to pay more attention to such improvements as landscaping, thereby creating an attractive environment for visitors.

The Zoo's relationship to METRO was also the focus of concern with respect to the levy. The Zoo itself appears to enjoy good publc support. METRO is more controversial. The argument was raised that METRO drains money for its own expenses from funds that the public has voted to support the Zoo.

The concern over the Zoo's budget because of the Zoo's ties to METRO appears to be based more on suspicion than reality. The Zoo's Director expressed satisfaction with the transfer of funds to METRO to pay for administrative services for the Zoo. This frees Zoo personnel to concentrate on enhancing the services the Zoo provides to the public. Moreover, the Zoo's Director believes there is very little interference from the METRO or its Executive Director in the policy decisions made by the Zoo staff.

On balance, it would seem that whatever concerns prevail in the community about policy decisions made by METRO in the past, operational decisions at the Zoo are made by a relatively autonomous professional staff which is free to develop new and exciting programs for the public. Although METRO is entitled to and does claim a share of its own administrative expenses from the Zoo, the amount collected appears to be minimal and is not perceived to be a burden by the Zoo staff.

G. Alternative Funding

In November 1980, the voters rejected a measure which would have established a tax base for the Zoo and METRO. Since then, arguments have been made that the Zoo should be funded on a long-term basis either as its own service district or by a general METRO tax base. It is argued that either of these solutions would remove the necessity for a series of tax levies to provide operating and capital expenditures. Most recently, the Oregonian in an editorial on February 4, 1984 restated the contention that, while a three-year serial levy for the Zoo is worthy of voter support, a long-term solution of providing METRO with a tax base is equally worthy of voter approval and should again be placed on the ballot.

Both a general METRO tax base and a Zoo service district would provide more stabilty in funding than exists at present. The Zoo staff would benefit from the opportunity to be more secure in its planning, both for animals and facilities. The image of the Zoo as a regional asset might also be promoted by providing it with a regional tax base.

Under current law (O.R.S. 294), however, a general METRO tax base would not allow funds to be dedicated to expenditures for activities of the Zoo. Dedicated funds might be possible if METRO could create a special Zoo service district and submit a tax base request as the governing body of the Zoo district. However, some legal questions exist over whether METRO has sufficient authority to create such a district. Moreover, with either alternative, there is the perception that a tax base would remove the incentive of the Zoo to be accountable to the public.

VI. CONCLUSIONS

Your Committee believes, and heard no dissenting voice during its investigation, that the Washington Park Zoo has been and is an asset to the greater metropolitan area. Thus, at issue is not the Zoo's existence, but the level and method of funding its operation.

Your Committee was further favorably impressed with the Zoo's present management philosophy. It appears to you Committee that the Zoo is administered effectively and competently, operating under a five-year financial plan and a 13-year master plan.

Your Committee believes that the level of funding sought from property taxes is appropriate on the whole. The requested levy would collect the same amount annually as has been collected through property taxes for the last three years. Both the private funding of new exhibits and the activities of the Friends of the Zoo indicate there is voluntary community support for the continuation of the Zoo at its present level of operation and under its present management. Further, although specific concerns were expressed, your Committee located no individual or group opposed to the passage of the levy.

Enough is Enough in Oregon (EIEIO) - a group that opposes METRO - expressed concern with the magnitude of the carry-over from the expiring levy. Further, while not opposing the levy, EIEIO maintains the 50-50 mix between tax support and revenue the Zoo generates on its own is not sufficient, and that the Zoo should be more fully user-supported.

Your Committee has concluded that the carry-over is not a justification for opposing the levy. A good case is made by METRO and Zoo officials that the reserves reflect prudent management. We could not identify any unjustified expenditures that are contemplated because of the carry-over.

Aside from the carry-over, the only other apparent question regarding the requested level of funding is directed at the amount of money transferred to the general fund of METRO. Your Committee is satisfied the Zoo receives services from METRO in return. However, no attempt was made, or possible in the confines of a ballot measure report, to determine if the exchange of dollars for services exactly matched. Nevertheless, your Committee believes that any excess of funds transferred to METRO over services received in return is too small to justify rejecting the serial levy request.

Finally, given present legal impediments both to dedicating funds from a general METRO tax base levy and to the creation of a special Zoo service district, your Committee believes that a serial levy is appropriate at this time.

VII. RECOMMENDATION

Your Committee recommends a "YES" vote on Measure 26-4 at May 15, 1984 election.

Respectfully submitted,

Sue Cogan
JoAnn Lippert
Daniel Skerritt
L. Ramsay Weit
Nancy M. Ganong, Chairman

Approved by the Research Board on March 27, 1984 for transmittal to the Board of Governors. Received by the Board of Governors on April 2, 1984 and ordered published and distributed to the membership for consideration and action on April 27, 1984.

APPENDIX A

Persons Interviewed

Donald E. Carlson, Deputy Executive Office, Metropolitan Service District
Bill Dawkins, Oregon Taxpayers Union
Mark Gardiner, Director of Fiscal Administration, City of Portland
Rick Gustafson, Executive Officer, Metropolitan Service District
Warren J. Iliff, Director, Washington Park Zoo
Don McIntire, Chairman of Enough is Enough in Oregon (EIEIO)
Wes Mylenbeck, Washington County Commissioner
Tom O'Connor, Friends of the Zoo Too
A. McKay Rich, Assistant Director, Washinton Park Zoo
Paul Romaine, Friends of the Zoo
Robert Schumacher, Clackamas County Commissioner
Bob Van Brocklin, Director of Intergovernmental Affairs, City of Portland

APPENDIX B

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