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# Report on Metropolitan Service District Measure 26-12: Replaces Zoo/Metro Levies with Tax Base

City Club of Portland (Portland, Or.)

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## REPORT ON

## METROPOLITAN SERVICE DISTRICT MEASURE 26-12

## REPLACES ZOO/METRO LEVIES WITH TAX BASE

Purpose: "This measure establishes a tax base of \$5,247,000, pursuant to Article XI, Oregon Constitution. A tax base of \$5,247,000 would replace approved Zoo serial levies and existing assessments levied by METRO upon cities and counties, and would provide continuing funding for Metro activities authorized by law beginning with FY 1981-82. The amount eligible for State tax relief would be increased by \$3.8 million."

To the Board of Governors,  
City Club of Portland:

## I. INTRODUCTION

Through Measure 26-12, the Metropolitan Service District (METRO) seeks voter approval to obtain a permanent funding source.

If adopted, the Measure will convert to a tax base the \$15 million provided by the three-year serial levies for the Zoo approved by the voters in May 1980. The Measure will also replace \$550,000 per year in operating funds now provided METRO from local government assessments and will increase this amount to \$700,000. This amount will be included in the tax base.

At this time, METRO is authorized to provide services in planning, transportation, land use, housing, economic development, drainage, air quality, sewage disposal and solid waste. Subject to specific voter approval, METRO could now serve as the boundary commission and take responsibility for control of cultural and sports facilities.

Under METRO's enabling legislation, the approval of a tax base would give METRO authority to act in the following additional areas: water supply, human services, parks, correctional facilities, and libraries.

## 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.<sup>1</sup> METRO began operation in January 1979.

METRO currently administers for the urbanized areas of Clackamas, Multnomah, and Washington counties, certain regional aspects of each of the following: solid waste management, surface water control and drainage, public transportation, and land use planning. METRO is also responsible for the entire operation of the Washington Park Zoo.

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

METRO's present financing sources for its \$26 million budget include the Zoo serial levies, solid and liquid waste disposal fees, governmental and private grants, and service charges assessed on local jurisdictions. The current Zoo levy and the assessment powers expire on June 30, 1981. In May 1980, METRO voters approved three-year levies for the Zoo beginning July 1, 1981 in an annual amount of \$5,000,000 to finance the costs of operations and capital expansion of the Zoo. There has been no change in the expiration of assessment authority.

Measure 26-12 is the first attempt by METRO to obtain a permanent tax base from the voters.

### III. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. Approval of the tax base will enhance METRO's stature as an independent government and will increase its ability to serve the metropolitan region.

2. METRO has performed well as a regional government, shows considerable promise for the future, and deserves a vote of confidence.

3. This tax base will provide the permanent and reliable source of income which is essential for effective government.

4. A tax base which appears on property tax bills will make METRO more visible and thus more accountable to the voters.

5. The Measure will reduce property taxes for several years by converting the Zoo levies to a tax base.

6. Regional aspects of water supply, human services, parks, correctional facilities and libraries should be regionally administered and funded. Passage of the Measure would allow METRO to assume these responsibilities.

7. The region's Zoo deserves permanent funding. Passage of the Measure would provide this.

### IV. ARGUMENTS ADVANCED AGAINST THE MEASURE

1. METRO's short track record and inconsistent performance do not yet justify a permanent funding base or an expansion of its powers.

2. METRO should be accountable to the local governments it serves; having its own tax base defeats this purpose.

3. The property tax saving claimed by the proponents of the Measure is only short-term. An annual increase of six percent will eventually negate the initial savings and continue to increase the tax burden.

4. Inclusion of the Zoo capital budget in the tax base deprives the voters of the power to reappraise capital investment in the Zoo.

5. Passage of the Measure will not ensure funding for the Zoo. The METRO Council can shift tax base revenues to other purposes at will.

## V. DISCUSSION

A. METRO's Performance Record

The reorganized METRO was charged with resolving such chronic and publicly sensitive problems as siting of future sanitary landfills, coordination of land use planning, and control of Johnson Creek flooding. In addition, METRO has taken responsibility in such noncontroversial areas as Zoo operations, local government grant compliance reviews, and distribution of Law Enforcement Assistance Administration (LEAA) funds to local jurisdictions.

After 21 months in its present form, METRO has been tested to some degree on its ability to act as a regional coordinator and problem-solver. Local government officials interviewed by your Committee generally gave METRO high marks in this regard. METRO's staff was praised for the manner in which it interacted with local government jurisdictions. Particular praise was heard with respect to METRO's involvement in transportation system planning, and in facilitating Washington County's dealings with the Land Conservation and Development Commission (LCDC). While your Committee heard praise of METRO's accomplishments, your Committee also heard criticism of METRO's lack of political acumen when it came to dealing directly with the public on sensitive issues. The Johnson Creek issue is an example of this.

The flooding of Johnson Creek has long been a regional problem because Johnson Creek runs through six local government jurisdictions. In 1972, Johnson Creek caused more than \$8 million in flood damage. METRO attempted to solve the problem by establishing a Local Improvement District (LID). Many local residents complained that METRO was not responsive to citizen input and that the LID would tax people who would not benefit from flood control. As the drive to stop the LID gained momentum, Clackamas County commissioners voted not to collect Clackamas County's portion of the taxes required to finance the LID. Faced with this resistance, METRO Council tabled the proposed assessment, and Johnson Creek flood control remains unresolved. Your Committee believes METRO should have been more sensitive to the taxpayers affected by this issue. If the matter had been pursued in a different administrative and political manner, METRO might have succeeded in finding a solution to the perennial Johnson Creek flooding.

Criticism was also expressed about METRO's difficulty in dealing with the public on other sensitive issues, such as the siting of sanitary landfills, and the location of recycling centers. In your Committee's judgment, these problems result from the difficulty of the issues and METRO's inexperience and not from a lack of effort or good will.

However, METRO has demonstrated success in two other areas. METRO successfully completed negotiations with Publishers Paper Company for a facility to burn garbage for thermal generation of energy. METRO and Publishers Paper Company have entered into a contract whereby Publishers will purchase the energy from the completed facility. On November 1, 1980 five firms will bid for construction of the project.

METRO assumed ownership and operational responsibility for the Washington Park Zoo in January 1979. Since that time substantial

improvements have been made in the Zoo's facilities, physical appearance, programs, attendance and public support.

## B. Future Plans

METRO's plans for the future were an important consideration to your Committee in its study of the Measure. Your Committee was favorably impressed with what it found. On September 25, 1980, the METRO Council adopted a five-year plan detailing METRO's present and anticipated future involvement in the metropolitan region.<sup>2</sup> In the plan METRO assigns top priority to its involvement in the following substantive areas: land use, drainage, sanitary sewers, energy, economic development, housing, public transportation and the possible absorption of Tri-Met, and boundary review. (See Appendix C for a summary of the plan.)

On the planning front, METRO's top priorities include plan review and development of regional goals and objectives. In pursuing these objectives, METRO will be guided by the need for a regional approach and by criteria which include METRO's fiscal capacity, the availability of funding, the ability of other jurisdictions to address the problem, METRO's ability to take on the activity and determination of whether METRO's involvement will improve accountability or increase opportunities for public involvement.

## C. The Tax Base and its Ramifications

### 1. Source of Funds

The 1977 enabling act for METRO provided that METRO must obtain either a tax base or an income tax before it may act in the following additional areas: water supply, human services, parks, correctional facilities, and libraries. The legislature placed pressure on METRO to obtain a permanent form of funding by allowing METRO's assessment power to expire June 30, 1981. This tax base Measure thus fulfills the legislature's intent.

A major feature of the Measure is the transfer of a portion of METRO'S funding sources from local government assessments (50 cents per capita) and serial levies to a property tax base. If the Measure fails, METRO likely will ask the legislature to continue this assessment authority. While this may produce operating funds for two more years, your Committee believes it is undesirable for a local government to be so dependent upon the whim of the legislature and to have to devote its energies to lobbying for funds.

Your Committee believes a tax which appears on voters' property tax statements will make voters more aware of METRO and METRO more accountable to the voters. This is preferable to local government assessments which are buried within local government budgets and are not readily evident to taxpayers.

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2. METRO Summary of The Next Five Years, Operational Plan. Draft. August, 1980.

## 2. Property Tax Savings

Some proponents of the Measure claim that a tax base would save the property taxpayers approximately \$389,000 in the first year following its adoption. This would occur because the entire tax base would be eligible for state property tax relief. Presently only \$1.5 million of the Zoo's recently approved serial levies would be eligible for relief. While technically correct, it is more accurate to state that the "savings" is a redistribution from local property taxes to statewide income taxes.

Additionally, METRO property taxes may increase by 6 percent annually, and while the Zoo's serial levies would expire after three years, the tax base will have continuing impact.

## 3. Finances

The proposed tax base would provide METRO with \$5,247,000 annually, plus the authority to increase this amount by 6 percent per year. METRO by ordinance has designated \$4,547,000 of these funds, plus annual increases, to replace the two Zoo serial levies approved by the voters in May. The \$700,000 balance would be used by METRO for general operations and planning, replacing local government assessments which expire in June 1981.

Your Committee heard arguments opposing inclusion of the capital monies for the Zoo in the tax base. It was argued that inclusion of the Zoo capital budget in the tax base takes from the voters the ability to reconsider from time to time capital investment in the Zoo. METRO believes, however, that capital construction beyond that approved by the voters in May will be constrained by inflation, by increased repair and maintenance needs, and by increased operating costs that eventually will require infusion of funds from those revenues currently designated for capital improvements.

It was also argued that passage of the Measure will not ensure funding for the Zoo because the METRO ordinance dedicating funds to the Zoo can be changed by vote of the METRO Council. Your Committee is convinced, however, that if such changes were adopted without due cause, those changes would be subjected to immediate voter referendum.

Testimony before your Committee regarding METRO's budget for 1981-82 and subsequent fiscal years shows that the operating portion of the tax base is not excessive. Of the \$700,000 operations portion of the tax base (approximately 2.3 percent of total revenues), \$550,000 replaces current local government assessments. METRO would use the remaining \$150,000 per year to study the feasibility of assuming new responsibilities as outlined in the Five Year Plan, to fund the cost of elections and to seek grants. In addition, METRO's funding may be supplemented by special user charges and fees for locally contracted services. After discussions with both the Executive Officer and METRO Council representatives, it remained unclear to your Committee the extent to which METRO would attempt to impose such special charges in the future.

## VI. CONCLUSIONS

Your Committee unanimously, and with conviction, believes that there is a need for an effective regional government in the Portland metropolitan area.

Although some members of the Committee found merit in some of the arguments advanced against the Measure, the Committee is convinced that these problems are not serious enough to warrant opposition to a tax base for METRO.

Your Committee concludes that METRO has, subject to the reservations discussed above, done a reasonably good job in the 21 months it has existed in its current form. Your Committee believes that METRO shows promise of being able to improve that performance, and that it is the appropriate body to meet current and future regional needs.

Given these preliminary conclusions, your Committee unanimously agrees that the tax base measure should be supported, for several principal reasons. First, passage of the Measure will constitute a vote of confidence in METRO, giving it enhanced stature as a permanent government, and thereby increasing its ability to deal effectively with regional problems, with the legislature, with local jurisdictions, and with the citizens.

Second, METRO deserves a reliable permanent source of revenue for its general fund. The Measure provides a source of income which is a reasonable amount for both Zoo financing and METRO's overhead and planning needs.

Finally, by substituting a tax base for the local government dues assessments, METRO becomes both more visible and more accountable to the citizens.

## VII. RECOMMENDATION

Your Committee recommends a YES vote on METRO Measure 26-12 at the November 4, 1980 election.

Respectfully submitted,

W. William Day  
Robert G. Holdridge  
Mark A. Jensen  
E. Kimbark MacColl, Jr.  
Ian McKechnie  
Ruthann Mogen  
Fred R. Neal  
Richard S. Wilhelmi  
Gregory E. Niedermeyer, Chairman

Approved by the Research Board on October 2, 1980 and authorized by the Board of Governors for distribution to the membership for discussion and action on Wednesday, October 22, 1980.

# APPENDIX A PERSONS INTERVIEWED

The following persons were either interviewed by the full committee or by individual committee members:

Ernie Bonner, Council Member, METRO  
 Donald E. Clark, Multnomah County Executive  
 Thomas Dennehy, concerned citizen  
 John B. Dougall, CPA, concerned citizen  
 Miller Duris, Washington County Commissioner  
 Rick Gustafson, Executive Officer, METRO  
 Warren J. Iliff, Director, Washington Park Zoo  
 Andrew Jordan, General Counsel, METRO  
 Denton Kent, Chief Administrative Officer, METRO  
 Marjorie Kafoury, Chairman of the Board, METRO  
 William R. Lesh, Director of Public Relations, Publishers Paper Company  
 Donald McIntire, Chairman and founder, Up the Creek Association  
 Eldon Mills, City Manager, Hillsboro  
 Jack E. Nelson, Mayor, Beaverton  
 Glen E. Otto, State Representative, District 23  
 Charles Schell, Director of Management Services, METRO

# APPENDIX B BIBLIOGRAPHY

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 "Report on Metropolitan Service District Zoo Serial Levies," May 2, 1980.



## APPENDIX C

METROPOLITAN SERVICE DISTRICT  
DRAFT OPERATIONAL PLAN SUMMARY OF METRO'S EXISTING AND POTENTIAL AREAS OF INVOLVEMENT

	NOW DOING		PROPOSED NEW ACTIVITIES	
	<u>Required by Statute</u>	<u>FY 81 Budget and Work Program</u>	<u>Now Authorized By Statutes</u>	<u>Legislative Change Required</u>
Air Quality	Plan	Planning, adopt control measures	Develop program, Technical assist.	
Transportation	Plan	Program & project, planning, distribute funding, technical assistance, adopt plan	Fund projects, Study Tri-Met merger	
Goals & Objectives	Adopt	Develop approach	Monitor compliance	
Plan Review/Coord.	Review/coordination	Review/coordination		
Land Use	Urban Growth Boundary	Planning, monitoring		
Sewers (Water Qual.)	Plan	Planning, capital improvements program	Fund projects	
Public Involvement	Program	Program		
Economic Development		Planning	Develop projects, Tech. assistance	
Housing		Planning, adopt goals & policies	Develop projects Tech. assistance	Finance program
Criminal Justice		Planning, distribute funding		Review Plans
Drainage		Establish funding mechanism, planning, construction, operations, capital improvements program	Fund projects	
Water Supply		Planning, capital improvements program		
Energy		Planning	Tech. assistance	
Solid Waste		Planning, construction operations, regulation		
Zoo		Planning, operations, construction		
Parks & Recreation			Plan	
Boundaries			Regulate	
Cultural/Entertainment Facilities			Study Involvement	
911 System		Coordination		Coordinate and review plans
Disaster Preparedness				Coordinate and review plans

Source: METRO, Summary of The Next Five Years. Operational Plan. Draft. August, 1980. p. 11.