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May 15, 1984 Primary Ballot Measures Report

City Club of Portland (Portland, Or.)

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City Club of Portland

BULLETIN

Portland, Oregon

Vol. 64, No. 52

April 30, 1984

MAY PRIMARY BALLOT MEASURE REPORTS

One of the Club's most important services to its members and the public is its analysis of nonpartisan ballot issues. At this Friday's meeting, the following ballot measure reports will be presented and voted upon. The reports listed below are printed herein. In addition, the Club's Standing Committee on Government and Taxation has prepared an information report on the tax impact of several of these measures (see p. 347).

FOR DISCUSSION & VOTE THIS FRIDAY, MAY 4:

REPORT ON

State Measure No. 1 (State May Borrow or Lend Money for Public Works Projects).

Helen Goodwin, chairman.

REPORTS ON

Multnomah County Measure No. 3 (Three-Year Serial Tax Levy for Library Public Services).

Dr. Paul Wright, chairman.

AND

Multnomah County Measure No. 4 (Charter Amendment Establishing a Library Commission).

*Dr. Paul Wright, for the Majority
James A. Larpenteur, Jr., for the Minority*

REPORT ON

Multnomah County Measure No. 5 (Three-Year Serial Tax Levy for County Justice Services).

Peter Heuser, chairman.

REPORT ON

Tri-County Measure 26-3 (Bonds to Rebuild and Expand Port Docks).

*Paula Bentley, for the Majority
Olive Barton, chairman, for the Minority*

SPECIAL NOTE: The program will begin with presentation of State Measure No. 1, at 12:15 pm. Reports will be presented in the order listed above.

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

The City Club of Portland Bulletin

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MAY 15, 1984

PRIMARY ELECTION BALLOT MEASURES

(The following reports will be presented for discussion and vote on Friday, May 4, 1984.)

TABLE OF CONTENTS

	Page
Information Report on Tax Effects of May, 1984 Ballot Measures	347
Report on State Measure No. 1 (State May Borrow and Lend Money for Public Works Projects)	351
The Committee: Patrick Clancy, Jean Frost, Thomas Kemper, Darleane Lemley, Karen McMahill, Ron Moxness, Morton A. Winkel, Helen A. Goodwin, Chairman	
Reports on Multnomah County Measures	
No. 3 (Three-Year Serial Levy for Library Public Services)	363
No. 4 (Charter Amendment Establishing a Library Commission)	369
Majority Recommendation	372
Minority Recommendation	374
The Committee: Carl Abbott, Jeannie Burt, Peter Fry, James A. Larpenteur, Jr., Ernest R. Munch, Barbara Zeller, Dr. Paul S. Wright, Chairman	
Report on Multnomah County Measure No. 5 (Three-Year Serial Levy for County Justice Services)	377
The Committee: Ellen Bachman, Kristi Halvorson, Catherine Holland, Susan Issacs, David Olson, Douglas Seymour, Milan Stoyanov, Peter Heuser, Chairman.	
Report on Tri-County Measure 26-3 (Bonds to Rebuild and Expand Port Docks)	393
The Committee: John Bakkensen, Al Benkendorf, Paula Bentley, Audrey Booth, Conrad Hutterli, For the Majority.	
Olive Barton, Chairman; Paulette Peynet, Robert G. Yingling, Jr., For the Minority.	

Information Report
on
Property Tax Effects of May, 1984 Ballot Measures

City Club Ballot Measure Committees have been appointed to examine four major tax proposals that will appear in the Portland area on the May, 1984 ballot. While the reports of these Committees are issued, the City Club wished to prepare an additional report on the property tax effects of these measures. In preparing this report, no examination has been made of other property tax measures of lesser magnitude that will appear on the May ballot, including proposed tax levies for certain Portland area school districts and special districts.

Description of Ballot Measures

The four Portland area ballot measures under consideration, as well as the annual tax to be levied during the years indicated, are as follows:

<u>Measure</u>	<u>Annual Tax to be Levied</u>	<u>Period of Years</u>
Multnomah County Library Public Services Serial Levy	\$3,000,000	3
Multnomah County Justice Services Serial Levy	\$5,150,399	3
Metropolitan Service District Zoo Serial Levy	\$5,000,000	3
Tax Levy to Service Port of Portland General Obligation Bond for refurbishing Terminal No. 2	*	20

*The ballot measure actually authorizes the issuance of bonds having an aggregate principal amount of \$40,000,000 and maturing over a period of 20 years. While the payment of debt service would be derived in part from user fees, the Port intends to pay a portion of the debt service from a property tax levy, which is authorized if this bonded debt ballot measure is approved.

The tax effects of these measures will vary, of course, with the location of the property to be taxed. The taxing districts have overlapping boundaries, and except for the Port of Portland levy, these taxes will not affect all property in the Tri-County area. If each of the measures is approved by the voters of the applicable districts, however, property located within all of the taxing districts (that is, in Multnomah County, the Metropolitan Service District and the Port

of Portland) will bear the following taxes in 1984-85 for each \$1,000 of assessed valuation:

<u>Ballot Measure</u>	1984-85 Tax Per \$1,000 of Assessed <u>Valuation (1)</u>
Multnomah County Library Public Services Serial Levy	\$.17
Multnomah County Justice Services Serial Levy	\$.29
Metropolitan Service District Zoo Serial Levy	\$.17 (2)
Tax Levy to Service Port of Portland General Obligation Bond for refurbishing Terminal No. 1	\$.18 (3)
	\$.81

(1) Source: Multnomah County Tax Supervising and Conservation Commission

(2) Extension of existing levy

(3) For the 1984-85 fiscal year; over the life of the bonds, the Port predicts the tax per \$1,000 of assessed valuation to equal \$.13.

A Note on "Assessed Valuation" of Property

Any report describing the tax effects of proposed tax measures must describe the means by which these tax effects are judged. Although one form of measurement is the total taxes to be levied, that number does not give any indication of the additional burden individual taxpayers may be assuming if the measure is approved. Most commentators, therefore, rely on the measurement of additional taxes to be paid per \$1,000 of assessed valuation of property.

This latter measurement, however, is flawed, in that "assessed valuation" is an elusive factor that changes with overall economic trends within the Portland Metropolitan area, and, more importantly, with changes in the ratio of the assessed valuation to the true cash value of the property.

Oregon county assessors determine the true cash value of property within the county's boundaries, and then, in accordance with ratios determined annually by the Oregon Department of Revenue pursuant to Oregon State Law, multiply the true cash value by a percentage to determine the "assessed valuation," on which basis property taxes have been levied. In 1982-83, for example, the ratio of assessed valuation to true cash value for homestead property in Multnomah County was 83.8% and for non-homestead property, 85.1%. In 1983-84, however, the respective ratios were 90.3% and 90.9%. The change in these percentages was a major cause of the 8.3% in-

crease in assessed valuation of property in Multnomah County from \$15.8 billion in 1982-83 to \$17.2 billion in 1983-84; as a result, even though property taxes for all areas of Multnomah County increased during the time period, property taxes per \$1,000 of assessed valuation actually declined.

The information provided in this report regarding the taxes per \$1,000 of assessed valuation should be used carefully. The numbers provided in this report are based on estimates of expected assessed valuations for the 1984-85 tax year; these estimates have generally been prepared by increasing the 1983-84 assessed valuations by 5%. If the assessed valuations change in later years, the taxes per \$1,000 of assessed valuation resulting from these ballot measures will also fluctuate, even if the actual tax burden remains fixed.

Respectfully submitted,

Allan R. Abravanel
for the Government & Taxation Standing Committee

NOTES

Report on
STATE MAY BORROW AND LEND MONEY FOR PUBLIC WORKS PROJECTS
(State Measure No. 1)

Purpose: Measure No. 1 amends Article XI-H of the State Constitution by expanding the types of public works projects for which the State could lend funds to local government entities. The major intent of Measure No. 1 is to help communities foster economic development. Under Article XI-H, the state may now lend its credit and incur debt to municipal corporations, cities and counties for air, water and land waste treatment facilities (pollution control public works projects).

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

This Committee was assigned to study and report on State Ballot Measure No. 1. Measure No. 1 would amend Article XI-H of the Oregon State Constitution by authorizing the state to incur obligations for public works projects for community development. As part of the Joint Legislative Committee on Trade and Economic Development's five-part economic development strategy, Measure No. 1 would help the state focus on a comprehensive set of workable, effective economic development programs. In addition to its work on Measure No. 1, your Committee reviewed House Bill 2002 (HB 2002), the implementing legislation. HB 2002 would only take effect if Measure No. 1 is approved by the voters at the May 15, 1984 primary election.

II. BACKGROUND

A. Legislative History

In order to understand the possible impact of Measure No. 1, it is necessary to begin with a brief explanation of the present law, Article XI-H of the Oregon State Constitution. The legislature declared as policy, when it created Article XI-H in 1969, that the purpose of the constitutional amendment was to:

"Provide funds by contract, grant, loan or otherwise to any municipal corporation, city, county or agency of the State of Oregon, . . . , for the purpose of planning, acquisition, construction, alteration or improvement of facilities for the collection, treatment, dilution and disposal of all forms of waste in or upon the air, water and lands of this State."

Passage of Ballot Measure No. 1 and the subsequent implementation of HB 2002 would expand the types of public works projects for which the state could lend funds to municipal corporations. Whereas Article XI-H presently limits projects to waste treatment facilities, Ballot Measure No. 1 and HB

2002 would add projects such as public transportation, roads, water supply works and "other basic facilities necessary for the industrial or commercial development of a community."

HB 2002 would establish the Community Development Finance Corporation (CDFC). The CDFC, a non-profit corporation, would be governed by a twelve-member Board of Directors, including the Chairpersons of the Economic Development Commission, the Environmental Quality Commission and the Oregon Transportation Commission, or their designees, and nine members to be appointed by the governor in accordance with the Act. The CDFC, an agency of state government, would be charged with establishing policy and direction for the Public Works Fund.

B. Use of Bond Funds

Bond funds for the expanded category of public works projects would be administered by the Economic Development Department. The Economic Development Department would review applications from local jurisdictions to fund public works projects. Policies and procedures under which the Department would act would be established by the CDFC's Board of Directors. Cities, counties and other units of local government would apply to the Department for bond financing. HB 2002 instructs the Department to give preference to low income areas, communities with economic emergencies or economically lagging areas and projects which have a high ratio of employment to capital invested. In addition, priority would be given to municipal corporations unable to secure alternative financing as favorable as that offered by the CDFC.

The Board of the CDFC would either approve the purchase of general obligation bonds or other obligations from a local jurisdiction authorized by its charter, statute and/or voter authorization or a loan of State bond proceeds to finance a local project. In addition, the CDFC is authorized to grant funds not to exceed 30% of total project costs for eligible projects. The remaining 70% of project costs would be borne by the municipality. Grants made under the Public Works Bond Fund would go toward servicing debts on loans made by the Economic Development Department or paying interest, principal and any premium on bonds purchased for an eligible project.

Any grant authorized under the Fund must be approved by the Joint Committee on Ways and Means, or when the Legislature is not in session, the Emergency Board. The CDFC may accept gifts, grants from the federal government or other assistance in the form of money, land or any other thing of value for the grant program.

C. Award Criteria

Criteria for awarding a loan or grant or the purchase of bonds would be based upon priorities established by the CDFC's Board of Directors. HB 2002 says the criteria would have to include, as a minimum, the public need for the proposed public

works project(s), project feasibility and risk involved, potential impact on business development and expansion of business opportunities in a community.

Other criteria established under HB 2002 include: a local jurisdiction must demonstrate that the project is integrated with existing, planned and needed public works facilities consistent with sound industrial and commercial activity; the project must be consistent with the community's comprehensive plan, acknowledged by the Land Conservation and Development Commission, approved urban renewal plan and economic development plan, if applicable; a local jurisdiction must demonstrate security for repayment of the loan or other obligation and the availability of sufficient capital to insure completion of the project.

HB 2002 instructs the CDFC to approve applications for bond financing in accordance with criteria established in the Act. Contracts for approved projects between the Department of Economic Development and a municipal corporation must include, but would not be limited to, an estimate of project cost, a plan for repayment, and an agreement by the municipal corporation to proceed with the project in accordance with plans approved by the Department. The amount of bond funds loaned or purchased by the CDFC would not exceed 100% of total project costs.

D. Fiscal Impact

The Pollution Control Bond Fund currently provides that local governments are responsible for paying the principal and interest on the bonds from user fees and local taxes. This provision is not changed by Ballot Measure No. 1. Also unchanged would be the extent of the State's exposure; that is, the principal amount of outstanding bonds could not exceed one-half of one percent (\$426,822,820) of the true cash value of all taxable property in the state.

Bond funds for pollution control projects would remain with the Department of Environmental Quality. Senate Bill 5570 authorizes general obligation bonds for pollution control projects to \$60,000,000 during the 1983-85 biennium. This provision would remain unchanged if Measure No. 1 were to pass. If Measure No. 1 were approved by the voters bonded indebtedness, authorized for remainder of the 1983-85 biennium for public works projects, would be set at \$30,000,000. Bonded indebtedness, authorized under Article XI-H of the Oregon State Constitution, for both pollution control and public works projects would then total \$90,000,000 for the 1983-85 biennium.

An analysis provided by the Legislative Fiscal Office indicates that operation of the Public Works Fund would cost approximately \$166,000 for 18 months during the remainder of the 1983-85 biennium and \$264,000 in the 1985-87 biennium. The analysis also indicates that long term funding for the program would be from "other funds;" that is, it is intended that costs would be covered from loan and bond fees paid by par-

ticipating local governments. The estimate further assumes that General Fund money (legislative appropriation or Emergency Board allocation) or a loan from surplus State Treasurer Funds would be required to support start-up costs. Depending on the amount of program use and bonds sold, all or part of the "start-up funding" could be repaid during 1983-85.

III. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. Measure No. 1 would encourage economic development and, as such, is the fourth part of a five-part plan designed by the Joint Legislative Committee on Trade and Economic Development.
2. Passage of the measure would encourage economic growth by assuring prospective developers that communities would have the resources necessary to support new industry. It also would lessen the pressure on local taxing districts to charge expensive front-end fees which drive up costs and discourage development.
3. A coordinating agency for economic development, such as the CDFC, is needed at the state level because regional, state and local jurisdictions frequently have conflicting special interests in economic development issues.
4. After the initial appropriation, the CDFC would be self-supporting.
5. Passage of the measure would reduce the necessity for time consuming and expensive special levy and increased tax base elections. As a result, local government resources would be more productively utilized delivering needed public works projects.
6. Passage of the measure would allow local jurisdictions with a bond rating less favorable than the state's to borrow funds for public works projects.
7. The implementing legislation gives priority to projects located in low income areas, communities experiencing economic emergencies and economically lagging areas.
8. The program would create additional jobs both during and after completion of the public works projects.
9. The Department of Environmental Quality has administered the Pollution Control Bond Fund effectively and its expertise would help to ensure the success of the public works bonding process.
10. Passage of the measure should prove to interested observers that Oregon is working to improve its business climate.

IV. ARGUMENTS ADVANCED AGAINST THE MEASURE

1. The measure would encourage additional government spending and indebtedness without local voter approval. A corresponding reduction of public participation in the decision-making process would occur.
2. There is no clear evidence that passage of the measure would significantly encourage economic development.
3. The state's credit rating and overall ability to sell bonds may be impaired by this measure through increasing the number of state bonds available and extending the state's debt.
4. The measure would increase the state's involvement in the banking business.
5. Because the measure amends an amendment to the state constitution it could not be changed without voter approval.
6. HB 2002, the implementing legislation, could be amended at a future legislative session without voter approval.
7. The measure would allow local governments to seek additional funding for public works projects at the state level. If funding were available, it likely would come with strings attached, further limiting local control.
8. If a local jurisdiction defaults on its bond payments to the state, the state would be legally obligated to pay the bondholders through General Fund revenues.
9. HB 2002 does not sufficiently specify the procedures to be used for the grant portion of the program. This leaves unclear the manner in which the legislature would fund and operate this portion of the implementing legislation.
10. Since voter approval is not required on revenue bonds, decision-making on local site development would be left to local officials who may act from biases and personal political motives.
11. The implementing legislation creates a twelve-member, non-profit corporation without any sunset or oversight provisions attached.
12. Delays and uncertainties resulting from packaging bond sales and adding yet another administrative layer to site development might make this program unattractive to developers thereby hindering further economic growth in the state.

13. The program would be a subsidy to builders, developers and industrial site property owners by providing state-financed service to site development.
14. Economic development should be market-driven. Companies will not base their decision to relocate or develop in a community because of a lack of service to site development.

V. DISCUSSION

As the 1980's began, Oregon experienced a severe economic recession. One result is that local governments have come under increasing pressure to maintain current service levels. Proponents of Ballot Measure No. 1 believe local governments need incentives to build, maintain and upgrade the infrastructure (public works services) necessary for site development.

Under Oregon's current system, capital improvements for site development may impose costs on a community without proportionately increasing tax revenues through user fees. Consequently, a community may be compelled to deny or delay public works projects, or to charge expensive front-end fees to developers for service to site development. In either case, it is likely private investment would be discouraged. Supporters of Measure No. 1 believe its passage would encourage local communities to prepare and implement plans for public works projects in a coordinated manner and in support of local development efforts. In so doing, it is hoped that bottlenecks in the development of service to sites, which discourage private development, may be prevented.

Opponents contend that passage of the measure would place at risk the resources of all property owners in the state. If a community were to default on its bond payments to the state, General Fund revenues or other sources of state income would need to absorb the shortfall. Measure supporters stated, however, that this situation would be unlikely. In most cases, a decision to invest in service to site development would be market-driven. That is, a developer would have committed to invest in a specific site once service to site development had been accomplished. However, a community could be at risk for bond financing if a developer defaults on his agreement with a local jurisdiction or user fees from site development do not meet anticipated cash flow requirements. In that situation, individual taxpayers would be responsible for meeting locally authorized debt service obligations.

Opponents argue that if Measure No. 1 passes, local control would be eroded through the sale of non-voter approved revenue bonds. Opponents believe government accountability is encouraged by requiring officials to "sell" their program through voter-approved general obligation or local improvement district (bankroft) bonds at regular intervals. Despite election-related expenses, measure opponents stated that voter-approved general obligation bonds or local improvement district bonds provide better control over government spending than the process outlined under Ballot Measure No. 1.

The arguments of the opponents that Measure No. 1 might erode local control or increase taxes to an unacceptable level were unconvincing to your Committee. Passage of Measure No. 1 would not substantially reduce the number of special levy or tax base elections. The majority of the bonds issued under the Pollution Control Fund have historically been general obligation bonds which require voter approval. In addition, voters would retain local control through the election of those who would initiate and direct the application of the bond money at the local level.

The City Club's January 6, 1984 report on Economic Development Coordination, stated: "[The] temptation to create a formal coordinating entity with plenary powers over economic development should be avoided. It is not needed." Your Committee explored this issue. Measure supporters were encouraged by the concept of the CDFC and its potential ability to leverage economic development projects. Proponents state that the scope of the CDFC is narrowly defined, relating only to public works projects, and would not create such a formal coordinating entity.

Opponents argued that establishing another non-profit corporation with its own charter would encourage special interests and harm any attempt at coordination or the design of a unified economic development strategy for the State of Oregon. Your Committee determined that the CDFC, by exercising its limited function, would have the ability to coordinate the plans and actions of competing governmental jurisdictions through application of its public works bonding authority. Potentially, this action could complement rather than hinder other state-wide economic development activities.

Your Committee sought to determine the impact of the measure on the state's bond rating and overall bonding capacity. Measure opponents stated that Oregon is one of the most highly bonded states, per capita, in the nation. Nonetheless, your Committee believes that the state's bond rating and overall bonding capacity would not be adversely affected if Measure No. 1 were to pass. The Pollution Control Bond Fund has not been widely utilized. Traditionally, cities such as Portland have not been interested in the Pollution Control Bond Fund because their bond rating currently meets or exceeds that available at the state level. If Measure No. 1 were to pass this situation would remain in effect for approximately 30 percent of Oregon's municipalities.

The implementing legislation instructs the CDFC to give preference to smaller municipalities, and your Committee believes that the priority given to projects located in low income areas, communities experiencing economic emergencies and economically lagging areas is reasonable. Furthermore, smaller cities and towns are less likely to be able to sell bonds at the same low interest rates as the state or a larger municipality. Without the preference given to small municipalities, it is conceivable that large cities could tie up a large portion of the Fund with one or two large-scale projects.

VI. CONCLUSIONS

As with the existing Pollution Control Bond Fund, Measure No. 1 would not impose a direct cost to Oregon's taxpayers. If passed, the legislation would provide eligible communities with an incentive to support new investment for economic development. These communities would be encouraged to invest in public works projects which could potentially provide the prospect of a financial payback. In addition, passage of Measure No. 1 would provide communities with the fiscal wherewithal to support economic development through service to sites as the need arises. Over the long-term, new revenue generated through user fees from site development would be available for reinvestment in a community to create jobs and a more attractive climate for business development.

The problems which some local governments face in trying to stretch a fixed amount of revenue to pay for services to new or potential industrial or commercial sites would be partially alleviated by this measure. Measure No. 1 is an effective way to offset the additional costs of service necessary for site development without directly increasing the existing local property tax burden. Moreover, the tax rate for existing taxpayers could ultimately be reduced through the collection of user fees. If sufficient new growth were stimulated, the increase in revenues could exceed the cost to construct the public works.

Although your Committee recommends a "yes" vote on Measure No. 1, it is concerned that the language of the implementing legislation, HB 2002, is too vague. Procedures for applying for bond financing are undefined in the implementing legislation. As a result, your Committee recommends that HB 2002 be reviewed at the next regular session of the Oregon Legislature. Included in that review should be the further definition of public works and public works projects, the role and scope of the CDFC, and the role of the Joint Committee on Ways and Means or Legislative Emergency Board in approving any grant authorized under the fund.

Having the Public Works Bond Fund in place may help some communities prepare for economic growth through service to site development. Passage of Measure No. 1 would provide incentives to local municipalities to obtain the necessary financing for public works projects that might not otherwise be available to support that growth. Further, Measure No. 1 would help some local jurisdictions package public works projects into a single unified program.

VII. RECOMMENDATIONS

Based upon the discussion outlined above, your Committee unanimously recommends a "yes" vote on Measure No. 1 in the May 15, 1984 primary election.

Respectfully submitted,

Patrick Clancy
 Jean Frost
 Thomas Kemper
 Darleane Lemley
 Karen McMahill
 Ron Moxness
 Morton A. Winkel
 Helen A. Goodwin, Chairman

Approved by the Research Board on March 22, 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 May 4, 1984.

APPENDIX A

Persons Interviewed

Elaine Cogan, Cogan and Associates
 Joe Cortright, Executive Officer, Joint Legislative Committee on Trade and Economic Development
 Mark Davis, Director, Bureau of Community Development, City of Portland
 Jim Gardner, Member Oregon State Senate; Co-chairman, Joint Legislative Committee on Trade and Economic Development
 John Wiley Gould, Chairman, City Club Committee on Economic Development Coordination
 Peter L. Graff, Assistant Administrator, CCD Business Development Corporation, Roseburg, Oregon
 Clifford Hudsick, Director of Economic Services, Port of Portland
 Jim Kufner, Office of the Mayor, City of Portland
 Ed Leek, Member, Oregon House of Representatives, District 18
 Mike Lindberg, Commissioner, Portland City Council
 Rebecca Marshall, Vice-President, Foster and Marshall
 Steve Peterson, Director of Economic Development, Portland Development Commission
 Howard Rankin, Attorney, Rankin McMurry VavRosky and Doherty
 Burke Raymond, Director of Sewer Development, Multnomah County
 John Rees, President, Sunset Corridor Association; Vice-President, Quadrant Corporation
 Jim Simmons, Member Oregon State Senate, District 4
 Rodney Stubbs, Siting/Facility Planner, PlanTek, Salem, Oregon
 Sandra Suran, Partner, Suran and Company, CPA

APPENDIX B

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- "On the Brink", Robert L. Hill, Oregon Business, February 1984
- "Senate's Duty to Avoid Tampering", The Oregonian, May 18, 1983
- "Will Industry Keep Coming", Mark Garber, Valley Times, March 22, 1983

NOTES

Report on
Multnomah County Library
Three-Year Serial Tax Levy for Library Public Services
(Multnomah County Measure No. 3)
and
Charter Amendment Establishing a Library Commission
(Multnomah County Measure No. 4)

Measure No. 3,

Purpose: A County resolution, adopted February 9, 1984, placed before the county voters a three-year serial levy to be voted on at the primary election May 15, 1984. The purpose of the measure is to fund the services of the Multnomah County Library. If the measure passes, Multnomah County will be authorized to levy taxes outside the limitation imposed by Article XI, Section 11 of the Oregon Constitution in the aggregate amount of \$9,000,000 of which \$3,000,000 will be levied in each of the fiscal years 1984-85, 1985-86, 1986-87.

Measure No. 4,

Purpose: County Ordinance No. 410, adopted January 26, 1984, places before the county voters a Charter amendment to be voted on at the primary election on May 15, 1984. The purpose of the amendment is the creation of a nine-member Multnomah County Library Commission to operate the County Library system starting July 1, 1984 in place of the present Library Association of Portland. Each member of the Commission would be appointed by the County Executive and approved by the Board of County Commissioners for a four-year term. No member of the Commission would be able to serve more than eight consecutive years.

To the Board of Governors,
City Club of Portland:

I. BACKGROUND

A. Introduction

The Library Association of Portland is a non-profit corporation formed in 1863 by private citizens committed to establishing a library system to serve the entire community. In 1911, when the Central Library was built, the Multnomah County Commission entered into a contract with the Library Association in which were defined the responsibilities of each: the County to fund the public library system, and the Library Association to administer the program. This arrangement has continued until the present time.

In recent years, inflation and increasing demands upon County funds have necessitated reductions in the County's contribution to the library system. For fiscal year 1983-84, the library budget was reduced ten percent from the previous year's budget. In light of these reductions, the Library Association closed the entire library system for two weeks; permanently closed the Montavilla and Lombard Branches; sidelined

three of four bookmobiles; reduced service hours for all facilities; limited four branches to half-time service; cut staff by eighteen percent; and closed the bindery.

The strong public reaction to these measures prompted the County Board of Commissioners to appoint a commission to study the fiscal and administrative status of the Multnomah County Library and to report recommendations for change and improvements.

B. Library Study Commission

The Multnomah County Commission on Library Policy and Administration was composed of local elected officials, the local education community, the Library Association of Portland, Friends of the Library (a citizens support group), library employees, and six citizens-at-large. Six areas of study were established:

1. Financial stability.
2. Management and governance of the library.
3. Services and programs of the library.
4. Inter-library cooperation.
5. Community support and development.
6. New technology applications.

The Library Study Commission, after considerable study, published its report in December, 1983.

The Library Study Commission generally found that the Library Association of Portland, through its board of directors, "has served the people of Multnomah County well since 1911 . . . successfully met its contractual obligations for the administration of the library . . . produced a rich collection of materials . . . and contributed to growth and excellence in the community." However, the Library Study Commission also found that if the library system is to fulfill its mission of delivering library services to the citizens of this community at publicly acceptable levels, there is a need to change approaches to financing and administering the public library program. Those changes should include:

1. Broadening the base of revenues available to the library, especially from private contributions;
2. Increasing the visibility of the library in the community and expanding its constituency of active supporters;
3. Increasing public understanding and participation in the decision-making process of a library program primarily funded by public tax resources;
4. Taking advantage of new technology;
5. Extending the library's involvement in a cooperative program of resource sharing among public and private libraries in the region.

Accordingly, the Study Commission recommended that the County Charter be amended to establish an independent Multnomah County Library Commission charged with the responsibility of administering, operating and maintaining the Multnomah County Library in place of the Library Association of Portland. It also recommended a three-year, \$9 million serial levy to augment funding of the library system. This levy would increase Multnomah County's annual contribution to the library's budget from \$4.65 million to \$7.2 million or to about 90% of the library's total budget. The Multnomah County Commissioners adopted these recommendations of the Study Commission and submitted the proposed County Charter Amendment and serial levy ballot measures for vote of the people.

C. Funding

Since 1970, more than 90% of the Multnomah County Library budget, has been financed with funds derived from the County's General Fund (see Appendix B). Under terms of a 1911 contract, the County provides funding to the Library Association, which has responsibility for library administration. The remainder of the library budget comes from user fees, gifts and interest earnings on the endowment fund.

Prior to 1979 there was a gradual decrease in General Fund contributions from 7.19% to 5.85% in 1979. Since 1979 the amount the General Fund has contributed to the library has remained basically constant through 1982-83 (see Table 1, Appendix B). However, these contributions have not kept pace with inflation or increases in county population and user demand. The General Fund contribution for 1983-84 actually dropped 10% from the previous year. In an effort to address the budget constraints of the last few years, the Library has cut staff from 301 in 1970-71 to 276 in 1977-78 and again to 210 in 1983-84. Outreach services such as the bookmobile, film service program and special children's programs have been severely curtailed. Lack of funding has precluded allocations to a long-term library management plan, establishment of new services, expansion of user hours, employment of new technology and enhancement of inter-library programs.

There is no generally accepted standard for library funding levels within the industry. However, the 1982-83 total budget for the Multnomah County Library amounted to \$9.37 per capita funding for county residents. This is the lowest per capita funding among ten comparable urban library systems for which the Library Study Commission compiled data. Per capita funding for these systems ranged from \$9.37 to \$22.84 resulting in an average of \$13.18 in 1982. Passage of the \$3 million levy plus expected funds from the County General Fund (\$4.6 million) and miscellaneous revenue (\$.5 million) would provide a budget of approximately \$14.50 per capita.

The Multnomah County Library's salaries are "notoriously low" among professional librarians. Your Committee was told that the low salary scale reduces the potential employee pool, fosters low morale and creates problems in staff development and retention. The library administration points out that

salaries are low for support positions as well as professional staff, with clerical workers receiving 15-25 percent less than their counterparts in city and county government. The serial levy would bring Multnomah County salary levels in line with comparable major public library systems.

The serial levy is exclusively dedicated to Multnomah County Library expenditures. Total funding from all sources amounting to approximately \$8 million per year would allow the library to meet the three goals stated in the Library Study Commission's recommendations: (1) expanding hours of public access, (2) enhancing and expanding existing services and programs, and (3) bringing staff compensation more closely in line with that in similar major public library systems in similarly sized communities. The specific initial priorities of the current library administration for use of levy funds would be to restore a sixth day of service downtown, to expand branch hours, and to restore bookmobile service from its current limited level.

D. Cost

Under the 1981 library levy, which expires in June 1984, property owners pay 12 cents per \$1,000 assessed value. Passage of the proposed new serial levy would require property owners to pay 17 cents per \$1,000 assessed value for improved library services, an increase of 5 cents per \$1,000 assessed value. This means the owner of an average house assessed at \$59,520 would pay \$10.12 per year.

E. Governance

The library is administered by the Library Association of Portland. The Association is governed by a board of directors consisting of 10 members (see Appendix A), appointed to five-year terms by the Board itself. In addition, three Multnomah County Commissioners are ex-officio members. There are approximately 35 members of the Library Association. Association dues are \$200 for a lifetime membership, and \$250 for a membership in perpetuity. The Association was founded in 1863, and many of its perpetuity memberships have been handed down within Portland families.

In 1911 the County and the Library Association established a contractual relationship for the ownership of facilities, financing and administration of the library system. The County owns the Central Library. The Association owns the other branches, and other assets, including the books, special collections and approximately \$2 million in endowments from gifts and bequests.

A change in governance would require agreement between the County and the Association for transfer to the County of ownership and control of branch buildings and the main collection, although not necessarily of special collections and the endowment. No program of transition has yet been established.

Under the contract, library funding responsibility lies with the County. Currently 85%-90% of the library's annual budget comes from county funds and the remainder is derived from user fees and fines, endowment fund distributions and other sources (see Table 1, Appendix B). Under the terms of the original contract and its amendments of 1920, and 1941, the Library Association is responsible for all aspects of governance of the library system and the County is responsible for levying taxes in order to provide the Association with funds "such as may be necessary to meet the requirements of the public library system of the County of Multnomah."

In addition, another non-profit organization, Friends of the Library, has been active in supporting the Multnomah County Library. It was formed in the 1970's and currently has a membership of 830. Its annual dues range from \$2.50 for senior citizens to \$15.00 for a family membership. It was originally formed to assist the library in obtaining increased funding from the County, and has recently begun to raise funds from private sources which are then turned over to the Library Association.

III. SERIAL LEVY BALLOT MEASURE (Measure No. 3)

A. Arguments in Favor

1. The Multnomah County Library budget is woefully inadequate.
2. The citizens of Multnomah County are entitled to enjoy a library program at least comparable to those offered in other major metropolitan communities.
3. Library funding should avoid heavy reliance on user fees.
4. Library funding must rely heavily upon public funds so that a free library is maintained and made accessible to all sectors of the community.
5. The proposed serial levy would permit restoration of deleted and curtailed programs.
6. The serial levy would allow a start on the incorporation of modern information technologies into library services.

B. Arguments Against the Measure

1. The property tax system in Oregon is overburdened and is driving businesses and residents from the state. Passage of the levy would only aggravate this problem. Increases in the library budget should be funded through user fees, state appropriations, foundation grants, and private charitable fund raising drives.
2. County funding for the library should remain a general fund budget item. It is a questionable approach to hold highly visible and attractive services hostage for special additional tax imposition.

3. The Library should make more efficient use of current tax revenues.
4. Every other county service is underfunded. The library should bear its share of the budget tightening.
5. The passage of a three-year serial levy does not provide a stable and long-term funding base for the library. The basic problem of inadequate funding would remain after expiration of the levy.

C. Discussion and Conclusions

Your Committee found general agreement that Multnomah County's public library system faces a chronic problem of inadequate funding, whether judged against comparable systems or against funding levels of previous years. Not only has the library budget failed to keep pace with inflation; total dollars allocated to library operations have actually been reduced.

The library is and will continue to be dependent on tax funding. We are concerned about singling out library services for special treatment through a three-year serial levy dedicated to the library. However, the library will face a financial crisis in July with the expiration of the current levy, and the proposed serial levy offers the only immediate means to sustain or improve library service. However, the proposed measure is a stop-gap solution at best; a permanent funding solution must be addressed.

Your Committee firmly believes that an adequate library system is essential to both the cultural and the economic well being of the citizens of this community.

We have found no evidence of excesses in current operations -- only curtailments of needed services. The existing curtailed level of desired library services is unacceptable. We advocate a return of library services to previous operating levels. The proposed levy appears sufficient to provide this community with a library system comparable to that maintained in 1979.

Without the serial levy, the library would continue to suffer from low salaries, limited hours, and curtailed services. This community cannot afford to lose such a valued resource as a quality library system and we are faced with that threat should the levy measure fail.

Reliance on user fees as a substitute income source to public tax funds would foreclose access to library programs by a large sector of our population who simply couldn't afford it. A free and open library is essential to the educational, social and cultural welfare of all citizens in our community. Therefore, we reject adoption of a user fee system and recommend acceptance of the burden of paying higher taxes in order

to save our library. Given the current needs of the library system, the proposed serial levy is necessary to support adequate service levels.

D. Recommendation

Your Committee therefore unanimously recommends a vote of "Yes" on the Three-Year Serial Levy for Library Public Services.

Respectfully submitted,

Carl Abbott
Jeannie Burt
Peter Fry
James A. Larpenteur, Jr.
Ernest R. Munch
Barbara Zeller
Dr. Paul S. Wright, Chairman

IV. CHARTER AMENDMENT CREATING
MULTNOMAH COUNTY LIBRARY COMMISSION
(Measure No. 4)

In addition to the serial levy, the Multnomah County Library Study Commission recommended creation of a new County Library Commission to administer the library, and a County Charter Amendment is proposed to create such an agency. This Commission would assume the functions currently being performed by the Library Association.

A. Arguments in Favor

1. The growing magnitude, complexity and importance of the development opportunities and issues that now face and would continue to face the Multnomah County Library system argue for a change in governance.
2. While the fiscal integrity of the Library Association is not in question, the library's governance system needs to be accountable to the people. The people are the principal financial supporters of the library and could speak most directly through the Multnomah County Commissioners.
3. The Library Association is not subject to Oregon's open meetings law, despite the fact that the Library Association owns and operates a valuable public resource. Administration of the library should be open to the press and to public participation, in order to broaden its base of support within the community. The proposed Library Commission would operate in such an open manner.
4. Combining responsibility for library funding and administration under one public body would better define ownership of the library's assets. The present system lacks clarity as to the actual ownership of public assets. Contributions to the present library system are now held in private ownership by the Library Association. The same is true of collections bought with tax money.

5. Creation of a Library Commission would facilitate more aggressive fund raising approaches for the library. Under the present system, the responsibility for initiating creative methods of fund raising and management is not clear. The Library Association has not demonstrated leadership in seeking creative operational changes, in developing new financial resources, or in broadening popular support.
6. The County Library Commission would be appointed by the County Executive and approved by the County Commission, with members serving four-year terms. Since it would not be a direct operating department of the County, the Library Commission would be adequately insulated from day-to-day politics.

B. Arguments in Opposition

1. The Multnomah County Library system has been well run by the Library Association of Portland. Existing problems relate solely to lack of adequate funding. There is no need to change the system of governance.
2. Leadership of library governance is presently vested in dedicated private citizens whose sole interest in participating on the library board is in operating an efficient and responsive library system for Multnomah County, and who have demonstrated their capability of accomplishing that objective.
3. The original basic concept of separating political leadership from library governance is well founded and ought be continued to preserve independence and impartiality.
4. Operation of our public library by a commission appointed by politicians may lead to censorship through imposition of political pressure.
5. Under county governance, the cost of operating the library system would be higher than a system of governance maintained in large part by private business persons.

C. Majority Discussion

The issue to be decided by the voters in the May election is whether future operation of the Multnomah County Library system can best be managed through governance by the existing Library Association of Portland or through governance by the new proposed Library Commission chosen by the Multnomah County Executive and County Commissioners.

The Majority of your Committee finds several major flaws built into the current system of governance. The capacity for long-range planning and development is weakened by separation of the responsibility for raising library funds from the responsibility for administering those funds. In fact, public funds are now used to purchase privately held assets and have been so used for more than seventy years.

We also question the wisdom of allowing what is clearly a public, educational service to be administered by a closed, private organization. The Library Association is not subject to the Oregon open meetings law. In addition, it has chosen to remain deliberately inaccessible to the press and public by choosing not to open its meetings voluntarily. This self-conscious inaccessibility limits the opportunity to hear new ideas and public concerns. Because of its small size, the Library Association has a limited base from which to draw its leadership and creativity.

The Library Association is perceived to be unresponsive to the needs of some segments of the community, both in terms of the geographical distribution of services and the openness to suggestions and ideas from concerned citizens. Because of its isolation and unresponsiveness, the Association is in a poor position to broaden the base of support for the library system. Broader community support will be necessary if the library system is to achieve a stable, long-range funding base.

As a public agency, the proposed Multnomah County Library Commission would be accessible to members of the public with concerns about library policy and administration. Membership in the proposed Library Commission would be drawn from a wider social and geographic range than the Board of the Library Association, allowing the library system to tap new sources of leadership and to develop a wider base of public interest and support.

The Library Commission, as a public agency, would have the responsibility to assure the equitable distribution of library services. Because of its greater accessibility and representative character, it would be in a better position to recognize and respond to new needs in the community.

The Majority shares a concern about the possibility of censorship by a Library Commission subject to political pressures. However, we are not persuaded that a small, private organization like the Library Association is inherently immune from a similar impulse to censor library materials at some future date.

The Majority agrees that money is an essential issue for the library, in addition to governance. However, the passage or failure of the serial levy measure should not affect the decision to support or reject the proposed new Library Commission because either governing body would face the same financial issues and long-term questions.

Neither should the question of transition of assets and responsibility from the Library Association of Portland to the new Library Commission affect a judgment of the merits of the ballot measure. Although no plan for transfer of assets has yet been developed, discussions with the parties involved lead us to the conclusion that a suitable plan satisfactory to the participants would eventually be worked out to ensure uninterrupted library service should the charter amendment pass.

D. Majority Conclusions and Recommendation

A Majority of your Committee conclude that the present system of governance for the library raises serious problems of accessibility, responsiveness, and accountability. The Majority finds that a Multnomah County Library Commission is likely to be more accessible, responsive, and accountable to the public who provide the bulk of the library's funding and who utilize its services.

Additionally, your Committee concludes that the County's ability to fund the library system adequately is directly linked to its ability to broaden its support within the community and offer a more progressive range of services. We believe that the proposed Library Commission would provide the County with the opportunity to achieve its goals for the library system.

This Majority therefore recommends a vote of "Yes" on the charter amendment establishing a Library Commission.

Respectfully submitted,

Carl Abbott
Ernest R. Munch
Barbara Zeller
Dr. Paul S. Wright, Chairman

V. MINORITY REPORT

A. Minority Discussion and Conclusions

The citizens of Multnomah County have been well served by the Library Association of Portland since 1911. The Association has a long tradition of membership by dedicated community leaders from the private sector whose contributions to community service are well documented. The composition of the current Board of Directors of the Association is consistent with that tradition. So long as dedicated, capable citizens such as those who comprise the Board are willing to devote the time and energy necessary to manage the library system, the Minority sees no advantage in change.

We disagree with the allegations that the Library Association has not planned well. The Association's planning has been frustrated by a lack of funds necessary even to maintain existing programs much less to establish new programs. A change of management would not solve the problems. Money would solve problems. The Library Association's contract with the County requires the County to provide the Association with the necessary funds to run the library. The County has failed to meet its responsibility. We would prefer to see the Association take a more aggressive stance in generating additional funds and alternative funding sources for library operations. But the problem is inadequate funding, not incompetent governance.

This Minority is unwilling to accept the concept that the library would be more efficiently operated by Multnomah County than by the present system of private citizen governance. This Minority believes that organizations directed by experienced business managers generally have track records of greater fiscal efficiency than those directed by public officials. We conclude that the operation of the Multnomah County Library system is no exception to that premise. Passage of the measure may lead to a loss of the kind of leadership that the library system now enjoys.

Founders of our County Library system believed it desirable to separate the library from the political pressures which are inherent in holding elective office. The public accountability which the proponents of the measure seek to achieve is in fact the reason this Minority advocates rejection. We believe that political pressures resulting from public accessibility may lead to censorship. The library is no place for censorship. Book inventory decisions should be guided by the application of good judgment by professional librarians.

It was not until the library funding cuts of the last three years occurred that accountability ever became an issue. The Majority suggests that by subjecting the library management system to the will of the people who pay for the services, the library would be better managed. This Minority believes that a public library should be insulated from public pressures. We prefer that management decisions continue to be made on the basis of professional judgment by the library staff rather than on the basis of political pressure. We are afraid that, with a commission appointed by elected officials managing the library, decisions may be made on the basis of what would get the officials elected rather than on the basis of what is good for the library.

Public input is adequately provided for under the present system of governance. The Library Association Board provides three ex-officio positions for members of the Multnomah County Commission. However, the Commissioners seldom attend meetings; they send representatives who have provided little input to resolution of issues, and have provided none of the creativity which the Majority maintains would occur if the Library Commission concept is implemented. Proponents of the charter amendment complain that Library Association Board meetings are not open to the public. It is our understanding that the Board has not been asked to hold open meetings. We agree with the Majority that the Library Association meetings should be open to the press and the public. But we think it would be simpler to ask the Association to make their meetings open rather than creating a new commission.

The fiscal practices of the Library Association are sound. The Association operates the library pursuant to a line-item budget prepared in large part by its professional staff, each item of which has been approved by the County Commissioners. The Association does not deviate from the approved budget and all spending is done in accordance with the budget.

If the Charter Amendment fails, this Minority would like to see the Library Association review its bylaws and update them where necessary, particularly in the area of Board succession and openness of meetings. We believe that present complaints about library governance can be solved within the Association itself.

Our present library system, properly supported by its governing board, managed by a competent professional staff, and adequately funded, would operate in accordance with the desires of the majority of citizens of Multnomah County.

VI. MINORITY RECOMMENDATION

This Minority of your Committee therefore recommends that the City Club of Portland go on record as opposing the proposed Charter Amendment and urges a "no" vote on Multnomah County Ballot Measure No. 4.

Respectfully submitted,

Peter Fry
Jeannie Burt
James A. Larpenteur, Jr.

Approved by the Research Board on April 5, 1984 for transmittal to the Board of Governors. Received by the Board of Governors on April 9, 1984 and ordered published and distributed to the membership for consideration and action on May 4, 1984.

APPENDIX A

Library Association of Portland Library Board Members - January, 1983

Eleanor McKinnon, President
Eric Hoffman, Vice President
Warren Braley
Jefferson J. Davis
Richard Keller
Frank Nash
Dr. John Raaf
Bruce Ward
Frank Warren
Peter Voorhies

APPENDIX B

Library Budget DataTable 1: Library General Operating Revenues
(\$ in 1000's)

<u>Year</u>	<u>County Contribution</u>	<u>User Fees</u>	<u>Other</u>	<u>Total</u>
1970-71	2709.4	106.1	40.6	2856.1
1971-72	2871.6	82.6	38.0	2992.2
1972-73	2801.6	82.3	33.4	2917.3
1976-77	3967.5	129.5	62.3	4159.3
1977-78	4128.4	134.9	88.4	4351.7
1978-79	4202.7	146.9	134.0	4483.6
1979-80	4967.7	168.2	213.7	5349.6
1980-81	5056.2	166.5	378.8	5601.5
1981-82	5150.0	169.0	364.6	5683.6
1982-83	5179.1	NA	NA	NA
1983-84 (Budget)	4649.0	NA	NA	NA

Table 2: County Contribution to Library
as % of County General Fund

<u>Year</u>	<u>% of County General Fund</u>	<u>% of all County Funds</u>
1970-71	7.19	5.71
1971-72	6.72	5.23
1972-73	6.22	4.54
1976-77	6.40	4.48
1977-78	5.88	4.22
1978-79	5.49	3.67
1979-80	5.85	3.96
1980-81	5.54	3.76
1981-82	5.54	3.62
1982-83 (Budget)	5.42	3.17
1983-84 (Budget)	5.73	3.25

Sources: Final Report, Multnomah County Commission on Library Policy and Administration.

APPENDIX C

Persons Interviewed

The Committee interviewed the following individuals:

Arnold Biskar, Multnomah County Commissioner
 James Burghardt, Head Librarian, Multnomah County Library
 Henry Kane, Attorney and member of the City Club of Portland
 Richard Keller, Board Member, Library Association of Portland
 John Leahy, Multnomah County Counsel
 Eleanor McKinnon, President, Library Association Portland
 Frank Nash, Board Member, Library Association of Portland
 Jolinda Osborne, President, Friends of the Library
 Dana Peck, Office of Multnomah County Executive

Thomas Pfingsten, Director of the PSU Library
 Ray Phillips, Oregon Taxpayers Union
 Lisa Shara, Multnomah County Commission liaison to Commission
 on Library Policy and Administration

APPENDIX D

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Oregonian, Nov. 8, Nov. 14, Dec. 7, Dec. 21, 1983, Jan. 27, Feb. 21, 1984

Report on
 Three-Year Serial Levy for County Justice Services
 (Multnomah County Measure #5)

Question: Shall Multnomah County be authorized to levy \$5,150,399 outside constitutional limits each year for 3 years commencing in 84/85?

Explanation: The measure authorizes Multnomah County to levy \$5,150,399 each year for fiscal years 1984/1985 through 1986/1987, totaling \$15,451,197. The serial levy would be outside the limitation of Article XI, Section 11 of the Oregon Constitution. The money would be deposited in a county special revenue fund to be used to supplement other county resources for corrections, juvenile services and the district attorney expense budget.

To the Board of Governors,
 City Club of Portland:

I. INTRODUCTION

This measure was assembled as a compromise by the Justice Coordinating Council, a body appointed by the Multnomah County Commissioners to deal with corrections issues. It provides a balanced approach, with substantial amounts being devoted to both jail beds and alternatives to incarceration. As proposed, it is anticipated that the money would be spent as follows:

Program	No. Persons Per Year	No. Beds	Start- Up Cost	3-year Operating Cost	% of Total
1. Claire Argow Center	240	60	\$79,000	\$2,999,000	20%
2. Courthouse Jail	1260	70	33,000	1,459,000	10%
3. Work Release / Restitution Center	240	60	10,000	1,868,000	12%
4. Mental Health Center	1100	28	1,000	2,406,000	16%
5. Alcoholism Treatment Facility	180	60	1,000	2,578,000	17%
6. Pre-Trial Release Supervision	400			544,000	3%
7. Close Street Supervision	240			273,000	2%
8. Sentencing Sanction	180			544,000	3%
9. Day Labor / Community	180			408,000	3%
10. Diversion & Prevention Services for Juveniles				446,000	3%
11. Youth Sobering Program	625	10		540,000	3%
12. District Attorney Funding				462,000	3%
13. Non-Collectible Property Taxes				800,197	5%
	4,645	288	\$124,000	\$15,327,197	100%

If the levy passes, the annual cost to the taxpayer would be 28.5 cents per thousand dollars of assessed value. An average-priced Multnomah County home having an assessed value of \$59,520 would pay an additional \$17 per year in property taxes.

The serial levy covers operating costs, remodeling costs of existing facilities and the hiring of new personnel. It does not include any new construction.

This report deals with the County ballot measure and discusses only briefly the need for action and leadership on the state level. The direction and form of future state-directed initiatives are beyond the scope of the committee's assignment.

II. HISTORY AND BACKGROUND

In 1972 the Portland City Jail was closed and the Multnomah County Courthouse Jail was refurbished to serve as a centralized booking and pre-arraignment holding facility. At the same time, renovations at Rocky Butte Jail increased capacity at that facility to 425 beds. Additions to the Multnomah County Correctional Institute at Troutdale (MCCI) and the opening of the Claire Argow Women's Detention Center (Claire Argow) in 1973 increased total jail capacity to 673 beds. Court orders in 1979 and in 1981 reduced total jail capacity to 525. In November of 1983 the Multnomah County Detention Center (Justice Center) was opened and Rocky Butte, the Courthouse Jail and Claire Argow were closed. The present system, including the Justice Center and MCCI, has a capacity of 664 jail beds.

MCCI is a minimum security facility and at present houses 186 offenders serving sentences of one year or less(1). For those who qualify there is a work release program during the day, with participants returning to MCCI at night. Others are placed on furlough or intensive supervision, and reside at home in lieu of jail.

The Justice Center is Multnomah County's primary corrections facility and can house 478 offenders, most of whom are awaiting arraignment, trial or sentencing(2). In addition to general purpose cell modules, the Justice Center includes a psychiatric ward, medical ward, maximum security ward, and cells for those with discipline problems. One and one half modules, totaling 48 beds, house female offenders.

While the precise figures are not available, it is clear that over the past 10 years the number of offenders convicted of misdemeanors and felonies in the county has substantially increased(3). There has been no corresponding increase in jail beds. The available number of beds in Multnomah County has actually declined as a result of overcrowding at the state level. This is because when a local judge is faced with sentencing a convicted felon, he has the option of sending the individual to a state prison or a county facility. Because of a shortage of bed space in state institutions, judges know

that the offender would most likely receive more jail time if he is sentenced to a county facility even though the term of the sentence must be no more than one year. In this way, the judges can avoid the state-established matrix system which matches the jail term with the crime which has been committed. MCCI is therefore holding a substantial number of inmates who actually belong in state facilities.

Because of the court ordered population cap in effect at the Justice Center and MCCI, a furlough program has been initiated to maintain jail population below the cap. The furlough program is one in which sentenced offenders are released without any supervision except for required periodic appearances at the Sheriff's Office. It is possible that the furloughed inmate may have to go back to jail, but only if the temporary overcrowding is alleviated and jail population drops below the cap.

The need for additional jail beds is also affected by recently passed laws requiring mandatory jail terms. Specifically, a Portland city ordinance recently took effect which requires jail sentences for convicted prostitutes. State legislation, effective July 1, 1984, requires that those convicted of Driving Under the Influence of Intoxicants (DUII) must choose between a 48 hour jail term or 80 hours of community service.

In October of 1975, Governor Straub appointed a task force to study Oregon's corrections problems, with specific emphasis on the overcrowding of state facilities and the inadequacy of local jails. The result was the Community Corrections Act, passed by the Oregon legislature in 1977. The stated purposes of the Act were to provide appropriate sentencing alternatives and improvement of local rehabilitation services for offenders. The Act made funds available from the state's General Fund and Correction Division's field services budget to counties desiring a local program of alternatives to incarceration. Numerous corrections experts have accused Multnomah County of spending community corrections funds on jail beds. Such experts contend that counties such as Washington, Marion and Clackamas have developed successful alternative programs.

The 1983-1985 proposed Multnomah County Community Corrections budget is \$4.2 million. Out of that, \$1.6 million is paid back to the state for incarceration costs of Class C felons in state institutions(4); \$1 million is reimbursed to Multnomah County for housing felons in the county jails; \$700,000 is paid to the Sheriff's Department for its mental health program and probation operations; and \$900,000 is left for community corrections administration, contract services and county programs. Contract services include pre- and post-sentencing custodial and employment services, a halfway house, and mental health and alcohol counseling. Multnomah County's programs include post-trial intensive supervision, mental health services, a community services program and work release.

Testimony indicated that the types of programs funded by community corrections funds are far less costly than incarceration. Justice Services' records show that probation or non-residential services cost approximately \$2-\$5 per day for each individual and that residential centers cost approximately \$15-\$30 per day for each individual, while incarceration costs approximately \$40-\$55 per day.

In September of 1983 the Multnomah County Commissioners requested that the Justice Coordinating Council make recommendations regarding jail overcrowding. The plan developed by the Council added 278 jail beds to the system and a proposed reduction of bed need by 120 as a result of enhanced alternatives to incarceration for as many as 4,000 offenders each year. The Council's report was a compromise between various factions of the corrections community, and was the basis for the levy. After the report was submitted to the Multnomah County Commissioners, two juvenile programs and additional funding for the District Attorney were added to the plan, as the Council had not been directed to report on those areas. In addition to the plan described in its report, the Council concluded that there is a need in Multnomah County for "additional permanent correctional facilities."

III. ARGUMENTS IN FAVOR OF THE MEASURE

1. The levy provides a good balance between jail beds and alternatives to incarceration, with most of the funds being targeted for less costly but potentially effective alternatives.
2. There are no more county jail beds now than there were 10 years ago, while convictions have substantially increased.
3. Existing facilities which are currently closed would be reopened at a reasonable cost, increasing the availability of jail bed space for offenders. Construction of a new regional jail in the near future might become unnecessary, thereby saving the taxpayers money.
4. The measure would allow the Courthouse Jail to be reopened, providing additional space to hold nonviolent misdemeanants. Those misdemeanants would not then have to be placed with felons.
5. Claire Argow is a better place than the Justice Center for the rehabilitation and training of women offenders.
6. Multnomah County would be able to comply more effectively with the terms of recent federal court orders requiring that the county relieve prison overcrowding.
7. Funding would be provided to allow placement of offenders with chronic mental or alcohol problems in programs which are better equipped to treat those individuals than the criminal justice system.

8. The Sheriff would be afforded more options for the placement of defendants awaiting trial, while judges would have more options in the sentencing of offenders.
9. The furlough program, which prematurely releases offenders and results in limited post-release supervision, could be scaled back or even eliminated.
10. Judges would be better able to impose sanctions, such as jail time, on misdemeanants or felons who violate probation or who do not comply with conditions of their sentences.
11. Use of the three-year serial levy would be an appropriate method of financing the contemplated programs. The County Commissioners have determined that available funds are currently insufficient to fund those programs.
12. The measure only increases property taxes \$17.00 per year for a house assessed at \$59,520, which is a bargain considering that funding of community corrections would be almost doubled, allowing an additional 4,000 individuals to be placed in such programs.

IV. ARGUMENTS IN OPPOSITION OF THE MEASURE

1. There would be no overcrowding in Multnomah County jails if community corrections money had been spent as intended, because the programs provided by the measure would have already existed.
2. The passage of any property tax limitation measure on the November, 1984 ballot might eliminate funding of this measure on July 1, 1985. Money spent between July, 1984 and July, 1985 would be wasted.
3. One third of the measure is allocated to additional jail beds, which is an extremely expensive method of dealing with social problems.
4. There is no guarantee that the serial levy funds would be spent as the Justice Coordinating Council recommended.
5. Adequate studies have not been performed to determine if the start-up or operating cost estimates for the facilities and programs are realistic. There has not been an adequate determination made of the number and type of jail and alternative facilities and programs which are, or in the future would be, needed by Multnomah County.
6. There is no reason to reopen Claire Argow as a women's jail, as there are not enough women prisoners in Multnomah County to fill that space.
7. Excess bed space at Claire Argow would most likely be filled with convicted prostitutes, which is costly and does not begin to solve the problem of prostitution.

8. Court approval would be needed to expand the usage of the Courthouse Jail beyond a 48 hour hold. There is no assurance that such approval would be forthcoming, since only \$33,000 is budgeted for remodeling.
9. A serial levy is an inappropriate source for funding the county's operating expenses. No consideration has been given to the funding of any of these correction facilities or programs after the three-year levy would expire.
10. The county correctional system cannot be adequately managed until the State of Oregon takes a leadership role in revising the corrections system and relieving prison overcrowding on the state level.
11. The measure would increase the property tax burden to the average homeowner at a time when many homeowners are demanding a reduction in property taxes.

V. DISCUSSION

A. The Facilities and Programs Funded Under the Measure

1. Claire Argow Center (20% of the levy)

Claire Argow would be reopened, providing 60 beds for women in pre-trial detention and sentenced status. This would permit relocation of the 35-45 women now occupying one 32-bed module and one 16-bed half-module of the Justice Center, freeing those beds for male inmates. Start-up costs are estimated at \$62,000, with annual operating expenses budgeted at \$1,003,850. Reopening of Claire Argow is the single most costly aspect of the measure, accounting for 20% of the money to be spent. However, this is the least expensive way to open up beds in the Justice Center. It would permit more effective use of a Justice Center module which is not now being fully utilized. Any extra beds at Claire Argow could be available on a contract basis for use by other counties.

2. Courthouse Jail (10%)

The Courthouse Jail would be reopened, providing 60-70 jail beds at an estimated annual operating expense of \$458,750. The proposed use would be for male misdemeanants, with a 30 day maximum sentence. Court order now prohibits incarceration at the Courthouse Jail for more than about 48 hours, but the Sheriff's Office is confident that this would be lifted once additional showers and toilets are added, a detention area is converted into a dayroom, and means are provided for transporting inmates to the Justice Center for daily exercise.

Your Committee believes that the \$33,000 estimate for renovations is low and the provision of an exercise program is unlikely to cause the court to permit 30 day holds. Nonetheless, it is believed that the 48 hour limitation would be expanded. The jail would provide space for holding misdemeanants so that intermingling with sentenced felons would not

longer be necessary. It would also give courts the option of sentencing misdemeanants to short jail terms, which judges say is necessary for some offenders to take the corrections system seriously. The jail would also provide space for 48 hour holds of those electing this option of the recent DUII legislation.

3. Work Release/Restitution Center (12%)

The work release center now based at MCCI would be relocated to an urban location reportedly providing a centrally located base from which it would be easier to find work. Your Committee believes that the presence of vacated beds at MCCI would improve the effectiveness of the work release program because the possibility of a return to incarceration would encourage cooperation. MCCI could thus be used entirely as a sentenced offender holding facility, which is its designed use.

4. Mental Health Urgency Center (16%)

This center would be offered as an option for pre- and post-trial detainees as an alternative to remaining within the criminal justice system. If at any time during mental health treatment the individual is deemed inappropriate for the center, he or she could be returned to incarceration or otherwise dealt with by the courts.

The proposed 28 bed facility would provide diagnosis, shelter, food and clothing while social and mental health services and housing alternatives are considered. Use would be limited to 4 days for diagnosis and up to 14 days as a temporary shelter. A treatment plan would be established describing the services needed to maintain and treat each patient, and designating the contracting agency, if any, to which the person was being assigned. Follow-up would assure that each patient was complying with the plan and that the plan continued to be appropriate.

According to Justice Services, the center could handle up to 1,100 persons per year. In 1982, 3,000 persons booked in Multnomah County were identified as needing mental health, alcohol or drug treatment services. Your Committee believes that this center could channel many of these persons out of the corrections system and into a more appropriate treatment program so that they could eventually be integrated back into society.

5. Alcoholism Treatment Center (17%)

The proposed 60 bed facility would provide extended (4 month average) residential and out-patient services for chronic alcoholics found guilty of misdemeanors and ordered to participate in the center's programs. Services at the center would emphasize family involvement, physical rehabilitation, and participation in self-help organizations such as Alcoholics Anonymous. After treatment at the center, when appropriate, the person would be referred to continued treatment in

alcohol-free housing, an out-patient program, or a nursing home. Testimony indicated that numerous pre- and post-sentenced persons in the system could benefit from such a program.

6. Pre-trial Release Supervision (3%)

This portion of the measure would provide increased funding for pre-trial contracted services, permitting the supervised release of defendants who might otherwise have to be held in jail pending trial and disposition. Your Committee believes that job placement, counseling, and temporary shelter provided under the program might make continued criminal activity less likely.

7. Pre-trial Close Street Supervision (2%)

Two persons would be added to the three person Sheriff's Office staff now providing close supervision of defendants released prior to trial. This would increase the capacity of the small but effective close street supervision program, providing yet another pre-trial release option.

8. Sentencing Sanctions (3%)

Additional contracts with existing service providers would give the sentencing judge a greater range of sanctions to impose as conditions of probation or other release agreements. Services could include in-patient drug and alcohol treatment, mental health, alcohol and drug counseling, job placement, training, and related opportunities for successful transition. Such services would be available to defendants released from secure custody, from the residential treatment centers, and to those placed on probation. This flexibility could increase the success of existing probation programs and could permit release where previously not appropriate.

9. Day Labor/Community Service (3%)

This program would give judges the option of sentencing defendants to supervised, 8 hour per day service in public works projects, providing an inexpensive yet worthwhile sanction. A two month average length of involvement by three work crews of 10 persons each would produce substantial public service. The program would also give the county additional experience upon which to base similar operations necessary to implement the 80 hour community service option of the DUII legislation.

10. Diversion and Prevention Services for Juveniles (3%)

The Juvenile Services Commission would be designing specific programs to help keep juveniles from entering or re-entering the criminal justice system.

11. Youth Sobering Program (3%)

A 10-bed regional facility would be established at the Donald E. Long Home for an average 48 hour hold to sober up highly intoxicated or drugged juveniles. At least 625 youths would benefit from this program annually.

12. District Attorney Funding (3%)

It is anticipated that the funds would be used to hire three deputy district attorneys and one office assistant. Prosecution of defendants would, according to testimony, therefore be more timely and consequently more effective.

B. Reasons for County Corrections Overcrowding

There are a number of reasons why county corrections facilities are overcrowded. First, there are substantially more offenders entering the corrections system than there were ten years ago, but there has been no increase in jail beds. The sentencing of offenders to county facilities who normally would be sentenced to a state prison has also increased the number of inmates in the system. Furthermore, sentences are more harsh now, even though the time actually spent in jail has not increased because of the shortage of bed space.

Your Committee feels that another reason for overcrowding at the county level is that insufficient resources have been committed to alternatives to incarceration which would have substantially reduced the need for jail space. Despite past efforts at establishing alternatives, county jails still hold some offenders who could be monitored with methods that are less expensive and more effective than incarceration.

C. Effects of Overcrowding

The shortage of jail space obviously affects the jail time served by a sentenced offender. Very few misdemeanants serve any jail time either prior to trial or after conviction. All three state judges interviewed testified that the inability to sentence misdemeanants to any jail time, meant that some individuals would not be deterred from misdemeanor activity.

Another effect of overcrowding is that it adversely affects the operation of the alternatives to incarceration now in effect. For example, the inmate involved in a work release or restitution program is less likely to comply with the requirements of that program if he knows that he will not be sent back to jail even if he does not do what is required of him. Overcrowding also makes it difficult to jail offenders who fail to appear at scheduled hearings, thereby disrupting the entire system and causing the offender to take the criminal justice system less seriously than if a jail sanction were available for failure to appear.

A further result of overcrowding is the initiation of the temporary furlough program, which permits premature, unsupervised release of offenders. While this program is necessary

to comply with court orders limiting inmate population at the facilities, it serves neither the interests of the inmate nor the public and should be discontinued as soon as possible.

One advantage of the overcrowding of recent years is that corrections officials have come to realize that many of those inmates who are released as a result of overcrowding, do just fine in integrating back into society. This realization has caused and will continue to cause the re-evaluation of other inmates, particularly if the programs and facilities of this measure are made available.

D. Financial Considerations of the Measure

Testimony before your Committee indicated that a three-year serial levy is a common way to fund facilities and programs such as those proposed by this measure, although various witnesses questioned the appropriateness of using levys to fund operations expenses. The City Club has usually opposed the use of serial levies to provide funding for operations, because they tend to further concentrate revenue collections on property taxes, which is believed inadvisable.

The annual cost in additional taxes is approximately 28.5 cents per \$1,000 of assessed property value, or \$17.00 per year for the owner of a house assessed at \$59,520. Your Committee believes that this money would be well spent because of the potentially wide ranging effect passage of the measure would have on county corrections. There is no present plan for operations funding once the levy runs out, but it is believed that this period is sufficiently long that an informed decision could be made whether future funding of such programs is advisable.

The measure does not establish any new jail beds, but rather reopens those which have been closed in the past. The Sheriff, the Justice Coordinating Council, and Justice Services all believe that new jail beds are needed sometime soon. Your Committee believes this measure is fiscally responsible because it would at least postpone the need for such new beds. Because of the cost of \$70,000 to \$100,000 per maximum security bed, your Committee believes that new beds should only be added to the system as a last resort.

E. The Effect of Passage of a Property Tax Limitation Measure

It is likely that a property tax limitation measure will be placed on the ballot this fall. Your Committee interviewed witnesses as to the possible effect that passage of such a measure would have upon the three-year levy proposed by the present measure. Although the issue might have to be decided by the courts, testimony indicated that passage of a property tax limitation would most likely eliminate funding and result in closure of the facilities opened by the measure. An override vote could be taken in May of 1985 to reinstate the serial levy, but not only would a majority of those voting on the measure have to concur, but more than 50% of the registered

voters in Multnomah County would have to participate in such an election in order to constitute an effective override.

VI. CONCLUSIONS

Your Committee believes that the arguments in favor of this measure outweigh those against. The measure presents a balanced approach with substantial portions being directed to inexpensive and potentially effective alternatives to incarceration such as mental health and alcohol treatment facilities, and for enhanced pre- and post-trial supervision programs, which would reduce the need for jail cells. While there is no guarantee that these alternatives would be funded as proposed, it is believed that actual funding would approximate the proposal because of the careful, conscientious work done by the Justice Coordinating Council and its acceptance by the Multnomah County Commissioners.

Many well informed witnesses testified that even with diversion of offenders through such facilities and programs, additional jail space is needed. The measure would provide such space at a reasonable cost by reopening existing jails rather than constructing new facilities.

Your Committee believes that jail bed additions to MCCI, which corrections officials hope would be built in the next few years, would not be needed if the facilities and programs funded by this measure were effectively implemented. The continued shortage of jail beds, or at least the absence of excess beds, in combination with the availability of alternative programs, forces corrections officials to search for the least expensive, most efficient method of dealing with each offender. The measure could therefore result in a substantial savings to taxpayers over the long run since alternatives can be provided for a fraction of the cost of incarceration.

The temporary furlough program now in effect is a necessary one to prevent the population caps from being exceeded. However, your Committee believes that it is neither in the public's nor the offenders' best interest to permit this type of totally unsupervised release. The offender has been told that he will spend a certain amount of time in jail. When he learns that this time has been substantially shortened, the jail sanction is not likely to provide as much of a deterrent to subsequent crime as it would have if he had to fulfill the entire sentence. The totally unsupervised, almost surprise release is likely to catch the offender off guard, and could possibly lead him out to the street without plans for his future. This is likely, your Committee believes, to lead to subsequent criminal behavior which would only cycle the offender through the system again. It is in the public's interest to provide a phased release including counseling, work release, intensive supervision, or the like, to reduce the likelihood of a return to crime. Such phased release would be more likely if this measure is passed.

Your Committee is concerned about the perceived public pressure to increase the use of jails to address social prob-

lems. This need is evidenced by Portland's city ordinance passed last year mandating minimum jail sentences for prostitutes and by the DUII legislation going into effect this July. Both of these measures were passed, your Committee believes, without adequately addressing whether jail sentences would meaningfully reduce the incidence of prostitution and driving under the influence. Such mandatory sentences could result in the release of inmates convicted of other more dangerous crimes. Prostitutes and those convicted of driving under the influence might be more benefitted by treatment and counseling, than those who must be released to make space for them. If expansion of alternatives and treatment capabilities over the next three years proves to be successful, then the trend toward increasing reliance upon jails might be reversed.

Your Committee also believes that corrections problems are not entirely solvable on a county basis and must be addressed on the state level. The Governor and the legislature must exercise leadership in developing and implementing a statewide program for relieving overcrowding and for diverting offenders from jail space into alternatives unless public safety requires incarceration.

VII. RECOMMENDATION

Your Committee recommends a "Yes" vote for Ballot Measure No. 5 on May 15, 1984.

Respectfully submitted,

Ellen Bachman
Kristi Halvorson
Catherine Holland
Susan Issacs
David Olson
Douglas Seymour
Milan Stoyanov
Peter Heuser, Chairman

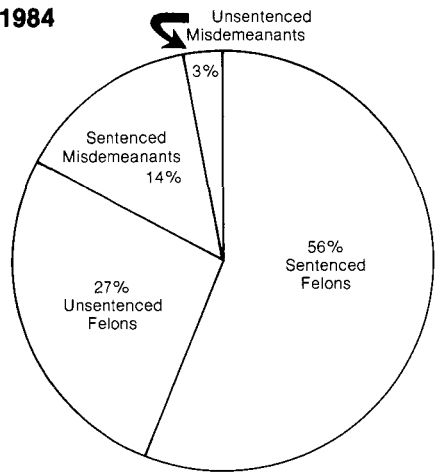
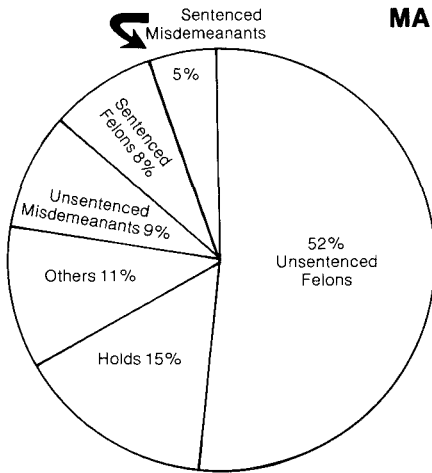
Approved by the Research Board on March 29, 1984 for transmittal to the Board of Governors. Received by the Board of Governors on April 9, 1984 and ordered published and distributed to the membership for consideration and action on May 4, 1984.

**APPENDIX A
References**

**(Reference 1)
JUSTICE CENTER**

**(Reference 2)
MCCI**

MARCH 1, 1984



Men & Women	%	Status
38	52%	Unsented Felons
38	8%	Sented Felons
43	9%	Unsented Misdemeanant
22	5%	Sented Misdemeanant
66	15%	Holds-Parole U.S. Marshall
40	9%	OutState Fugitives
8	2%	Others
<u>58</u>	<u>100%</u>	TOTAL

Men	%	Status
49	27%	Unsented Felons
97	56%	Sented Felons
7	3%	Unsented Misdemeanant
25	14%	Sented Misdemeanant
<u>1</u>	<u> </u>	Other
<u>179</u>	<u>100%</u>	TOTAL
OTHER:		
30		Furlough
17		Intensive Supervision
<u>47</u>		TOTAL

(3) The records of the Multnomah County Circuit Court indicate that the number of convicted felons more than doubled between 1973 and 1983. Corresponding figures relating to misdemeanor convictions in District Court are not available. During this period certain crimes were elevated from misdemeanor to felony status so it is unlikely that the total combined convictions have actually doubled. Nonetheless, there has been a very real increase in the number of offenders passing through the criminal justice system.

(4) Class C felons carry a sentence of from 1 to 5 years.

APPENDIX B

Persons Interviewed

Judge Philip T. Abraham, Multnomah County Circuit Court
 Rosemary Anderson, Director, Portland Opportunities Industrialization Center Inc.
 Michael H. Balter, Mental and Emotional Disability Program Director, Multnomah County
 Judge Frank L. Bearden, Presiding Judge, Multnomah County District Court
 Charles Bernard, Multnomah County Circuit Court
 Dennis Buchanan, Multnomah County Executive
 Herbert G. Callison, Executive Director, The Villages; author of Introduction to Community-Based Corrections
 Judge Charles S. Crookham, Presiding Judge, Multnomah County Circuit Court
 Don Clark, Executive Director, Burnside Consortium and former Multnomah County Executive
 Jerome S. Cooper, Oregon District Attorneys Association
 Lynn Davenport, Director, Association for Retarded Citizens
 Bill Dawkins, Oregon Taxpayers Union
 Jean DeMaster, Director, Burnside Projects, Inc.
 Sandra Duffy, Justice Coordinating Council
 David Fuks, Aide to Commissioner Caroline Miller
 Captain Joseph Golden, Sheriff's Office, Director of Jail Space at Justice Center
 Jim Hennings, Director, Metropolitan Public Defenders
 Marilyn Jackson, Burnside Merchants
 Theodore John, Aide to Mayor Frank Ivancie
 Stephen Kanter, Professor, Northwestern School of Law, Lewis & Clark College
 Peter Kiefer, Multnomah County District Court
 Mark Kramer, Metropolitan Public Defenders
 Jerome LaBarre, Attorney
 John Leahy, Multnomah County Counsel
 Harley Leiber, Director, Multnomah County Community Corrections
 Rebecca Marshall, Vice President, Foster & Marshall/American Express
 Terry Mattock, Oregon Tax Foundation
 Mark Morrell, Corrections Committee, Multnomah County Bar Association
 Deke Olmsted, Director, Multnomah County Department of Justice Services
 Fred Pearce, Sheriff, Multnomah County
 Carole Pope, Director, Our New Beginnings
 Judge James A. Redden, U.S. District Court, Oregon District
 Richard Roberts, Attorney, Ragen, Roberts, O'Scannlain, Robertson & Neill
 Kris Olson Rogers, Chair, City Club Prostitution Enforcement Study
 Rabbi Emanuel Rose, Chairperson, Justice Coordinating Council
 Mike Schrunk, Multnomah County District Attorney
 Robert Skipper, Chief of Corrections, Multnomah County Sheriff's Office
 Ron Still, Chief, Portland Police Bureau

Jan Vandehye, Administrative Analyst, Multnomah County District Court
Robert Watson, Administrator, Corrections Division, State of Oregon
James P. Wilcox, Multnomah County Tax Assessor
Sergeant William Woods, Sheriff's Office

APPENDIX C

Bibliography

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NOTES

Report on
BONDS TO REBUILD AND EXPAND PORT DOCKS
Tri-County Measure 26-3

Title: "Shall the Port of Portland issue up to \$40 million of General Obligation bonds to rebuild Marine Terminal 2?"

Purpose: "Proceeds from the bond sale will be used to modernize Terminal 2. It will pay for buildings, equipment, docks and expand the yard. This project is designed to improve service to local business and shippers, and to protect local marine-related jobs. It is also designed to help the Port compete for increased world trade and attract additional steamship lines. The bonds will mature within 20 years."

I. INTRODUCTION

A. Use of Proceeds

Terminal 2 was built in 1927 and is north of the Fremont Bridge on Northwest Front Avenue. The southern half of the terminal was rebuilt in 1968 by using the proceeds of a \$12.5 million general obligation bond issue.

The estimated cost of the May 1984 measure's planned improvements is \$46.6 million. Proceeds from the sale of general obligation bonds would provide \$40 million, and interest on the investment of the bond proceeds during the construction period would provide an additional \$6.6 million. The Terminal 2 expansion is intended to permit the Port to better handle its container, breakbulk and dry bulk cargoes.

The northern half of Terminal 2 is outmoded and its physical condition is poor. It cannot accommodate heavy marine equipment and the present slips are not designed to handle large cargo ships now in service. The facility has only limited use at the present time. Proposed improvements would:

- * Fill the present slips to create 18 new acres of paved storage space,
- * Build two modern ship berths,
- * Build a warehouse,
- * Purchase new crane and cargo handling equipment, and
- * Build a modern gate facility to expedite cargo receipt and delivery.

B. Estimate of Financial Effect

The current tax base of the Port and debt service levies cost 19 cents per \$1,000 of assessed value in Clackamas and Washington Counties and 24 cents per \$1,000 in Multnomah County. The Port estimates that, for property owners in the Tri-County area, this bond measure would add 13 cents per \$1,000 of assessed value per year, continuing over 20 years.

C. Scope of Committee's Work

Your Committee interviewed Port of Portland officials, shippers, carriers, other Port representatives, a representative of the Oregon Department of Economic Development, and a bond counselor (See Appendix A, Persons Interviewed). We made exhaustive study of materials provided by the Port of Portland, including the 1981 Marine Terminals Master Plan, a report of a Citizens Task Force which recommended a development plan for the year 2000, and the 1983 Update, which considered reconstruction of Terminal 2. Other major studies reviewed by the Committee included the 1980 Oregon Ports Study, conducted by Ogden Beeman and Associates, and the Final Report on Port & Water Transportation Planning Study for the State of Oregon, produced by Pacific NW Laboratories/Battelle Institute. The Columbia/Snake River System report on river system potential was prepared by the Port of Portland for the Columbia and Snake River Ports in 1982. Another planning study reviewed was the 1980 Port System Study for the Public Ports of Washington State. Two studies conducted by John J. McMullen Associates for the Port of Portland in 1974 on the ship repair market, and in 1976, on a development program for the Swan Island ship repair yard, were also reviewed (see Appendix B, Bibliography).

II. HISTORY

The Port of Portland, formed by the Oregon Legislature in 1891 for the purpose of dredging a clear channel between Portland and Astoria to assure safe navigation, was combined with the Commission of Public Docks in 1971, and today operates as a municipal corporation. The object of the Port is to promote the maritime, shipping, aviation and industrial interests of the Portland metropolitan area.

The Port owns and operates the Portland International Airport, two general aviation airports, a ship repair yard, five marine terminals, a dredge, two industrial development parks and other land held for sale.

The Port is governed by a nine-member Board of Commissioners. The Commissioners, appointed to four-year terms by the Governor, serve without pay and establish Port policy and programs in conjunction with the Executive Director of the Port and the Port staff.

Principal funding sources are charges to users, revenue bonds, installment sales contracts, general obligation bonds (issues in excess of \$3 million per year require voter approval), grants and a general property tax levy. The general obligation bond authority of the Port has been fixed by the legislature and can be exceeded only upon voter approval or further legislative action. In addition to these financing al-

ternatives, the Port may, without voter approval, sell revenue bonds. As of June 30, 1983, the Port has a bond and contract indebtedness of:

General Obligation Bonds

\$82.3	Shipyard and Dry dock improvements
<u>31.2</u>	Other General Obligation Bonds (sold under the limit of \$3 million per year without voter approval)
<u>\$113.5 Million</u>	

Revenue Bonds

<u>\$57.5 Million</u>	Portland International Airport
-----------------------	--------------------------------

Contracts Payable

\$10.4	Berth 603 project
2.4	Portland-Troutdale Airport
1.2	Front Street Office Building
.7	Portland-Troutdale Airport Water & Sewer Assessments
<u>.1</u>	Other
<u>\$14.8 Million</u>	
<u>\$184.8 Million</u>	Total
=====	

III. MARINE TERMINALS

The dominant business of the Port of Portland is its marine terminal operations. In 1982-83, these operations accounted for 46% of the Port's operating revenue and 54% of its operating expenses (excluding depreciation).

The Port has five marine terminals designed to handle different cargo:

<u>Terminal</u>	<u>Type of Cargo*</u>
1	General cargo
2	General cargo
4	Grain, Steel, Dry Bulk, Autos, Liquid Bulk
5	Grain Elevators
6	General container cargo, Auto Dock

* General cargo is cargo carried by regularly scheduled vessels including container cargo, breakbulk cargo and neobulk cargo (steel, lumber, pulp and plywood). Breakbulk is cargo not containerized and is generally in small lots. Dry bulk is primarily minerals and ores, fertilizers, and sand and gravel. Liquid bulk is primarily animal and vegetable oils and petroleum.

Of the approximately \$29.3 million of marine terminal revenue in 1982-83, the Port of Portland estimates the revenue by commodities as follows:

<u>Revenues by Commodity (1982-83)</u>	<u>Percent</u>
Containers	47%
Breakbulk	14%
Dry Bulk	11%
Autos	10%
Steel	8%
Other	10%

Of approximately 1.4 million tons shipped in 1981 (1982-83 figures were not available), approximately 150,000 tons were breakbulk. Of this, approximately 124,000 tons originated from the Tri-County area. This local breakbulk cargo was distributed as follows:

<u>County</u>	<u>Firms</u>	<u>Tons</u>
Washington	77	9,624
Multnomah	373	70,987
Clackamas	71	43,693

A summary of the economic effect of the terminals was noted in the Master Plan and is as follows:

<u>Terminal</u>	<u>Types of Cargo</u>	<u>Employment</u>	<u>Economic Impact*</u> (in millions)
1 & 2	General Cargo	1,008	\$63.8
4	Steel, grain, dry bulk, autos, liquid bulk	328	15.7
6	Containerized general cargo, auto dock	<u>970</u>	<u>47.3</u>
	Total General Cargo	2,326	\$126.8 =====

* In the 1976 Community Economic Impact study, economic impact was defined to be that level of economic activity expressed in terms of gross product, value added, employment, payroll, and tax contributions generated by the movement of cargo through the Port of Portland's marine terminals. The economic impact of the terminals was partitioned into primary (direct) and induced (indirect) economic impacts. Primary impacts were defined as the first-round dollars brought into the local economy to or by those involved in the chain of movement and usage of the cargoes. Induced impacts were defined as the multiplied effects of the first-round dollars as they are spent over and over again in the local economy.

A summary of the financial information for the marine terminals for the last four years is as follows:

Port of Portland Summary Report
(In Thousands)

	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>
Gross Revenues*	\$29,252	\$27,956	\$27,153	\$27,232
Expenses	<u>28,889</u>	<u>26,449</u>	<u>26,264</u>	<u>25,501</u>
Operating Profit*	363	1,507	884	1,731
Depreciation	<u>4,187</u>	<u>3,535</u>	<u>3,071</u>	<u>3,089</u>
Net Income (loss)	<u>\$(3,824)</u>	<u>\$(2,027)</u>	<u>\$(2,182)</u>	<u>\$(1,358)</u>

*It is necessary to define some terms:

Gross Revenues: All fees and charges levied by the Port but excluding receipts.

Operating Profit: Net revenues available to the Port after paying direct out-of-pocket costs but before depreciation and return on investment.

As can be seen, the marine terminals generate operating income, but do not produce a sufficient profit to recapture the cost of capital assets nor provide a return on investment. According to the Master Plan, this segment will be unable to generate sufficient revenues to cover depreciation and provide a return on investment. What this means to the taxpayer is that the direct users of the service are not paying the full cost of the capital assets they use. As a result, the taxpayer pays for the capital improvements at the various marine terminals.

In May 1982, the Port Commission authorized a \$42 million general obligation bond measure to be voted on November 2, 1982, to finance repair and reconstruction of the Port's marine terminals 1 and 2. Because of a concern that it would be ruled unconstitutional should Measure #3 (the property tax limitation measure on the same ballot) pass, the Port measure was withdrawn before it reached the voters.

IV. ECONOMIC IMPACT

The Port contends, and our analysis indicates, that marine terminals cannot provide sufficient revenue to repay the capital investment. The Port believes that the Terminal 2 remodeling project would increase efficiency and lead to an operating profit.

In order to assess the potential impact of two factors on Terminal 2 revenues (inflation and rate of growth of activities at the terminal), your Committee created a financial model. Growth rates of 0 percent to 4 percent were selected, based upon our review of the various marketing studies which indicated probable growth in that range. Average inflation rates assumed over the 20 years projected in the model ranged

from 4 percent to 6 percent. The base figures used were taken from the Port's Master Plan (proposed in late 1980).

The results of the analysis are as follows:

	<u>Gross Revenues</u>	<u>Operating Profit</u>
<u>4% Inflation</u>		
0% Growth	\$ 96,795,084	\$(4,490,631)
1% " "	108,332,779	4,399,768
2% " "	121,467,306	14,626,146
3% " "	136,427,242	26,388,760
4% " "	153,473,476	39,917,024
<u>5% Inflation</u>		
0% Growth	108,332,779	(4,803,475)
1% " "	121,467,306	4,695,866
2% " "	136,427,242	15,659,149
3% " "	153,473,476	28,307,921
4% " "	172,903,620	42,896,082
<u>6% Inflation</u>		
0% Growth	121,467,306	(5,234,414)
1% " "	136,427,242	4,929,538
2% " "	153,473,476	16,698,818
3% " "	172,903,620	30,318,582
4% " "	199,056,944	46,069,868

We can see that while the results are relatively insensitive to the rate of inflation, they are very sensitive to the rate of growth of activity at the terminal.

If the proposed remodeling were not done, one might reasonably assume that the impact would be a 0 percent growth rate. This can be compared with the growth rate and inflation rate of any one of the alternative scenarios selected. For example, if we assume a 5 percent inflation rate and 3 percent growth in terminal activity, the impact of the project would be:

Impact at 5% Inflation and 3% Growth

	<u>Gross Revenues</u>	<u>Operating Profit</u>
Remodel (3% Growth)	\$153,473,476	\$28,307,921
No remodel (0% Growth)	<u>108,332,779</u>	<u>(4,803,475)</u>
Effect of Project	\$45,140,697	\$33,111,396
	=====	=====

Your Committee does not feel qualified to predict the growth rate or inflation rate that would be appropriate for this analysis. Even at 4 percent growth and 6 percent inflation, however, the project would result in only about \$51 million in additional profit.

The cost to taxpayers of Measure 26-3 would be \$40 million plus interest, for a total of approximately \$86 to \$90 million over 20 years.

The question asked by your Committee was, "What is the pay back to the community for its investment?" The Majority and Minority of your Committee have reached different answers to this question.

V. ARGUMENTS ADVANCED IN SUPPORT OF THE MEASURE

1. Without improvements to Terminal 2, the competitive position of the Port would be eroded and existing direct jobs and potential new jobs would be jeopardized.
2. According to Port figures, for every dollar received in revenue at Terminal 2, \$20 are received directly by the community, particularly by stevedores, steamship and tug-boat companies, truckers, banks, insurance companies, and importers and exporters.
3. Because of the travel time and cost of coming upriver, it is important to minimize berthing conflicts and turnaround time by having excess berthing capacity available to attract carriers to Portland. This measure would provide needed capacity.
4. Terminal 2 improvements would more efficiently serve the 400-500 exporters and importers within the Tri-County area who generate local payroll and help pay the tax burden.
5. Should a property tax limitation be enacted, the Port might never have another chance to ask for voter approval of a major general obligation bond issue.
6. The amount of local taxes required to finance the project would be more than offset by the money returned to the community from direct and indirect users of the facility.
7. In order to hold its share of the international market, as well as grow, the Port must have proper facilities. Terminal 2 is obsolete and needs improvement to be effective. This proposal provides the most benefit for the least cost.
8. The Port's Master Plan study recommended modernization of Terminal 2 as its top priority.

VI. ARGUMENTS ADVANCED IN OPPOSITION TO THE MEASURE

1. The cost of providing the projected jobs is too high to justify passing it on to the taxpayer.
2. The economic benefit would go primarily to shippers, carriers and those who work on the docks, but the property taxpayers in the Tri-County area would bear the expense.
3. Originally, financing for the project was to come from surplus revenues from a major new drydock and not from public funds. The drydock has not generated these revenues.

4. Numerous marketing studies do not support a massive capital expenditure in modernizing general breakbulk cargo handling at this time. Breakbulk cargo is a rapidly diminishing part of the shipping industry, currently accounting for no more than 5 to 10% of the total marine terminals' volume.
5. Current facilities are adequate for breakbulk cargoes through the year 2000. Rebuilding a dock to attract more breakbulk cargo is not sound business practice when breakbulk cargo is handled at a loss.
6. This capital-intensive remodeling of a facility to be used to relieve overflow from other terminals does not make economic sense.
7. In view of measures on the same ballot to fund acknowledged critical needs and a possible property tax limitation measure on the November ballot, the expenditure of \$40 million to serve the smallest part of the Port's business is unwise.
8. The Port offers no convincing evidence that the benefits would justify the total cost to the taxpayer.

VII. MAJORITY DISCUSSION & CONCLUSION

The Port of Portland is a major economic asset to the Tri-County area (Multnomah, Clackamas and Washington Counties). Despite being only half-functioning, Terminal 2 generates \$2 million annually to the Port, which results in an economic impact in the community estimated at \$48 million. Modernization of the north side of Terminal 2 is estimated to generate 230 million new dollars in the community over the 20-year life of the bond issue. While the terminal would be paid for in 20 years, it would continue to serve the shipping needs of this region for at least 50 years.

Activity at marine terminals generates a considerable economic benefit to the community. The Port estimates that for every \$1 it receives in revenue from Terminal 2 activity, the direct economic impact on the community is \$20. According to the 1976 Community Economic Impact study, that ratio is about \$10 for every \$1.

When a ship comes in, dollars flow to stevedores, bar and river pilots, tug companies, linesman, customs and steamship agents, port captains, ship provisions, the Pacific Maritime Association, ship chandlers, and support services such as accountants and typists, bankers, freightforwarders, truckers, and railroad and barge transporters.

In addition, there is an incalculable yet important indirect effect of marine-related dollars in the community. For a \$4.5 million annual investment over 20 years, the citizens of the Tri-County area can help insure that these dollars will continue to be generated in their communities.

Given the competitive nature of cargo handling, failure to modernize Terminal 2 could jeopardize existing business and jobs by increasing the likelihood that shippers would stop calling in Portland, giving greater advantage to other ports in the region. In addition, remodeling of Terminal 2 would provide the expanded facilities needed to encourage and accommodate future growth in marine activity.

The Terminal 2 modernization is a necessary improvement of a public facility and should be viewed as needed infrastructure, very much like a bridge or a road. In modernizing this obsolete facility, the Port would be fulfilling its mission to provide modern maritime access for the Tri-County area to the world.

The design of the modernized Terminal 2 would give the Port the maximum degree of cargo handling flexibility to meet the widest possible range of future shipping needs, and is designed to accommodate the new generation of longer ships. The completed terminal is expected to serve as a reliever facility for Terminals 1 and 4, and as backup for the Terminal 6 container complex which is expected to reach capacity within 5 years. Modernization of Terminal 2 is the next step in a long-range series of improvements to Port facilities as indicated in the Master Plan.

The Port bond issue is the only local economic development issue on the primary ballot and should be seen as one way the Portland area can both encourage and participate in economic growth.

For Portland to remain competitive, it is impractical to expect the marine terminals to pay for both capital and operating expenses. The Majority believes that Terminal 2 improvements are a good investment. The Port has traditionally sought general obligation bonding for capital improvements and, indeed, this is the method used by other ports in the Northwest and throughout the United States. Last year the Port of Seattle levied \$18 million in taxes whereas the Port of Portland levied \$5.6 million.

Later in this report, the Committee Minority will argue that the Port's major new drydock, built in the late 1970s, has not generated revenues as originally projected. The Majority, however, would point out that the drydock has been able to ride out the downturn in the economy without losing money, has protected existing ship repair jobs and has created 400 new ship repair jobs. Improvement in the general economic picture makes the future of the drydock more optimistic.

Modernization of Terminal 2 is the top capital priority of the Port. If this modernization project is not approved in the primary election, it runs the very real risk of not being done because of a possible tax limitation measure on the November general election ballot. Even if a tax limitation measure fails, delay on the needed project would result in higher costs, potentially higher interest rates and a delay in use of the facility.

The dollars generated by Terminal 2 stay primarily in the Tri-County area, paying wages, buying fuel and ship provisions, and generating tax dollars. It is entirely appropriate that those who benefit most should pay the tax. For approximately \$10 annually per family living in an \$80,000 house, Tri-County taxpayers would be making a sound investment in their economic future.

VIII. MAJORITY RECOMMENDATION

The Majority of your Committee recommends the City Club of Portland favor a "YES" vote on Tri-County Measure 26-3 in the May 15 primary election.

Respectfully submitted,

John Bakkensen
Al Benkendorf
Paula Bentley
Audrey Booth
Conrad Hutterli

IX. MINORITY DISCUSSION & CONCLUSION

A. General

While we could not find organized opposition to the measure, there were a number of people, knowledgeable about the Port's activities, who were opposed to the measure. Members of your Committee individually talked with approximately a dozen people who were directly connected with the Port's marine activities. While providing information to us, these witnesses would not allow us to use their names or company affiliations. Most of these individuals, however, said they were solidly against the measure.

B. The Master Plan as the Basis for Measure 26-3

The arguments advanced by the Port, as well as the Majority of the Committee, are based on the Master Plan proposed in early 1981 by a Citizens Committee selected by the Port. In studying the Master Plan, we believe there are valid concerns that should be raised.

Out of the 33 members of the Citizens Committee, 19 had direct financial interest in Port activities. Most of the remaining members were indirectly affected by the level of Port activity. Representatives of the longshoremen, shippers, users and other people directly affected by the level of activity at the Port were selected for this Committee. Therefore, it is not surprising that the Citizens Committee selected the most ambitious and most expensive of the recommendations included in the report.

The Master Plan report refers to a number of cargo studies and in each case the Citizens Committee used the largest projected growth figures. However, the Citizens Committee also said that in order to determine the economic desirability of

an investment at any given time in marine activity, additional studies should be undertaken. But the Port made no new studies for Measure 26-3; rather, it only reviewed its forecast from 1979 and prior periods.

C. Economic Development

Port officials have indicated there is a 20 to 1 ratio of economic impact to the community from direct marine activity. The 20 to 1 ratio was introduced to your Committee by Port officials late in our deliberations. The ratio was never substantiated and conflicts with testimony made by others.

We recognize that there is certainly some economic impact on the community for each dollar that comes to the Port. However, it is difficult for us to determine what this effect is. While we tried to obtain information from the Port as to the effect on the community of not doing the project, the information was not available, or was not provided to us. At the same time, your Committee's economic model (Section IV, Economic Impact) indicated to the Minority that this project could not generate sufficient revenues to pay back the community for the estimated \$90 million cost.

C. Marketing

We reviewed a number of marketing studies covering the last twenty years of marine activity at the Port of Portland and throughout the Pacific Northwest. These studies indicate that for specific lines of cargo such as containers, there is growth. For general breakbulk cargo, however, the market has shown a very low rate of growth or a decline. In its arguments to us, the Port indicated that the breakbulk aspects of cargo coming to Terminal 2 are extremely important to the community and to local job opportunities. Despite these statements made by the Port, the Minority could find no evidence to indicate a growing market in the breakbulk category to support modernization of Terminal 2. In addition, the Minority believes the modernization would result in an expensive facility utilized only for overflow from other Port facilities which the Port also plans to expand in the future.

In 1976, the Port presented to the Tri-County taxpayers its proposal for a major new drydock. As part of the justification for approval of \$86 million in general obligation bonds to build the drydock, the Port predicted the drydock would generate sufficient revenues to modernize the harbor without having to come back to the voters to ask for more money. To date, the drydock has not generated sufficient revenues to pay debt service, much less provide the surplus revenues for other harbor improvements. This leads the Minority to question the Port's projections of cargo growth for Terminal 2. Admittedly, no one could have planned on the recession that certainly hurt drydock revenues; however, recessions are cyclical and have been on the economic scene for a number of years.

The Minority believes that the Port of Portland is obligated to prove the desirability of this particular issue. In our opinion, the Port has not proved its case.

X. MINORITY RECOMMENDATION

The Minority of your Committee recommends the City Club of Portland favor a "NO" vote on Tri-County Measure 26-3.

Respectfully submitted,

Olive Barton, Chairman
Paulette Peynet
Robert G. Yingling, Jr.

Approved by the Research Board on April 16, 1984 for transmittal to the Board of Governors. Received by the Board of Governors on April 19, 1984 and ordered published and distributed to the membership for consideration and action on May 4, 1984.

APPENDIX A

Persons Interviewed

Margery Abbott, Senior Environmental Planner, Port of Portland
John Anderson, Director, Oregon Department of Economic Development
Lloyd Anderson, Executive Director, Port of Portland
Greg Baker, Manager, Ports Division, Oregon Economic Development Commission
Phil Bogue, University Relations, PSU and Chairman, "Save our Docks" Committee (proponents of Measure 26-3)
Vern Chase, Marketing Manager, Port of Valdez
Roland Cornelius, International Shipping Co.
Holly Land, Vice President, General Steamship Corporation Ltd.
E. Kimbark MacColl, historian
Rebecca Marshall, Vice President, Foster Marshall/American Express, Inc.
Peter Norwood, Manager, Marine Division, Port of Portland

APPENDIX B

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MAY 15th PRIMARY ELECTION "BOX SCORES"

	Committee Recommendation		Club Vote		Your Vote		Election Results	
	YES	NO	YES	NO	YES	NO	YES	NO
State Measure No. 1 (State May Borrow or Lend Money for Public Works Projects)	X		_____	_____	_____	_____	_____	_____
State Measure No. 2 (Increases Motor Vehicle License & Registration Fees)	X		_____	_____	_____	_____	_____	_____
METRO (Continues Serial Levy Dedicated to the Zoo)	X		_____	_____	_____	_____	_____	_____
Multnomah County No. 3 (Serial Tax Levy for Library Services)	X		_____	_____	_____	_____	_____	_____
No. 4 (Charter Amendment Establishing A Library Commission)	X		_____	_____	_____	_____	_____	_____
Majority	X		_____	_____	_____	_____	_____	_____
Minority		X	_____	_____	_____	_____	_____	_____
No. 5 (Serial Levy for Justice Services)	X		_____	_____	_____	_____	_____	_____
Port of Portland, Tri-County Measure No. 26-3 (Bonds to Rebuild and Expand Port Docks)	X		_____	_____	_____	_____	_____	_____
Majority	X		_____	_____	_____	_____	_____	_____
Minority		X	_____	_____	_____	_____	_____	_____

Use this chart to keep track of how the Club voted, how you will vote, and how the public voted. Many members find this useful when going to the polls.

DON'T FORGET! VOTE MAY 15th!