11-4-1966

Report on Pacific Power & Light Company Franchise (Minicipal Measure No. 52); Report on Initiative Measure to Repeal County Home Rule Charter (Multnomah County Measure No. 4)

City Club of Portland (Portland, Or.)
REPORT
ON
PACIFIC POWER & LIGHT COMPANY FRANCHISE
(Municipal Measure No. 52)

Ordinance continuing for twenty years Pacific Power & Light Company non-exclusive franchise to furnish electricity, steam; increasing company payments to city; allowing city free use of poles, conduits; requiring separate future voter approval for various transfers, merger; continuing city regulatory authority, options; clarifying present provisions. Shall the ordinance be approved or disapproved by the voters?

To the Board of Governors,
The City Club of Portland:

Your Committee was appointed to consider and report on Municipal Measure No. 52 contained on the November 8, 1966 special election ballot. This measure would grant a new twenty-year franchise to Pacific Power & Light Company which would immediately supersede the existing franchise which otherwise would expire May 1, 1968. The measure was placed on the ballot by action of the City Council.

I. SCOPE OF RESEARCH

In the course of its investigation, the Committee, or various members thereof, consulted with numerous persons and reviewed considerable documentary materials. A list of these is attached to this report. Your Committee confined its consideration to matters pertaining to renewal of the franchise. It did not consider it to be within the scope of its assignment to review the relative merits of public and private power. No public power proposal is being advanced at the present time. The proposed franchise does not preclude later consideration of public power proposals, including acquisition by the City of the Company's properties in Portland.

II. BACKGROUND

At the present time, Portland is served by two electric utilities. Portland General Electric Company,\(^{(1)}\) which operates entirely in Oregon and primarily in the Willamette Valley, serves approximately 288,000 customers, of which approximately 95,000 are in Portland, comprising about 68 per cent of the electric loads in the City. Pacific Power & Light Company\(^{(2)}\) serves the remaining 32 per cent. PGE operates under four perpetual franchises dating back to 1890, and before, granted by the City of Portland and by the former cities of East Portland and Albina, which have since merged with the City of Portland. At the time those franchises were granted there was no law in Oregon limiting the granting of such a franchise to a term of years and there is no expiration date on any of those PGE franchises. The present Oregon law provides that a franchise cannot be granted for more than 20 years.

PP&L is the largest privately-owned electric utility in the Northwest, serving some 443,000 customers in six states. Approximately ten per cent of the Company's operations are in Portland where it operates under a term franchise originally granted to Northwestern Electric Company in 1912. Northwestern Electric

\(^{(1)}\)Hereinafter referred to as PGE.
\(^{(2)}\)Hereinafter referred to as PP&L.
Company merged with PP&L in 1947, with the latter the surviving company. The present PP&L franchise is a 20-year franchise approved by the voters of Portland in 1948. Although the existing franchise has nearly a year and a half to run, the coming November election is the last regularly scheduled election before the expiration date.

In his 1966 annual message to the Council, Mayor Schrunk recommended that the City Council attempt to negotiate as soon as practical a new franchise for PP&L, increasing its franchise tax from the present 3 per cent to 3.5 per cent of gross revenue in Portland. Following extensive negotiations with representatives of PP&L, the City Attorney's office prepared a new ordinance which was presented to the City Council on August 10, 1966. After a public hearing at which considerable testimony and arguments were received both from supporters and opponents of the franchise, and after the adoption of an amendment, the ordinance was unanimously adopted and referred by the Council to the voters.

Ordinance No. 123160 is entitled:

An Ordinance granting a franchise to Pacific Power & Light Company, a corporation, its successors and assigns to use the streets, alleys and public ways within the City of Portland for conducting and conveying electricity and steam for light, heat and power, for constructing, operating and maintaining poles, wires, conduits, steam pipes and other facilities, and fixing the terms and conditions of such grant in connection with its business of furnishing electricity and steam, for a period of twenty years.

The general provisions of Ordinance No. 123160 are as follows:

Section 1 contains the nature and terms of the grant.

Section 2 sets out the compensation to be paid to the City, which is 3.5 per cent of the gross revenues earned within the City after adjustment for uncollectible accounts.

Section 3 deals with construction and provides where the poles and similar facilities of the Company shall be placed, and requires that they shall be of good quality and workmanship and be maintained in good repair.

Section 4 provides for restoration of streets where the surface may be disturbed.

Section 5 reserves street rights for the City.

Section 6 is a covenant to save the City, its officers and employees, harmless from damages.

Section 7 provides how trees may be trimmed.

Section 8 provides for the joint use of poles and conduits by the City.

Section 9 provides that the franchise shall not be exclusive.

Section 10 relates to street vacation or abandonment, and requires the Company to restore the street, or remove its facilities therefrom.

Section 11 requires the Company to provide for effective safety control for its facilities.

Section 12 provides that, except for the Company's present Deed of Trust (Mortgage), the City's consent must be secured in case of assignment, transfer, merger, lease or mortgage of the Company's facilities in Portland, and provides further that in case of a sale, the proposed sale shall be submitted for approval by the voters of the City at a general election.

Section 13 covers regulation of the services which shall conform to best practical commercial methods.

Section 14 provides for common use of the poles or underground construction of the Company.
Section 15 contains an option to purchase, by the City, during the life of the franchise and especially provides that the franchise shall be given no value in the City's taking over the facilities of the Company. Exercise of the option must be approved by the voters.

Section 16 provides for the forfeiture of the franchise if the grantee violates the franchise provisions.

Section 17 provides for preference to the Company for additional authority upon expiration of this franchise.

Section 18 provides that the franchise is made subject to the Charter and the general ordinance provisions now in effect or hereafter made effective, specifically mentioning certain sections of the ordinances which have been passed by the City, all of which are expressly made a part of the franchise.

Section 19 provides for written acceptance of the franchise by the Company.

Section 20 provides that if approved by the voters of Portland, this franchise shall supersede any and all previously granted authority to operate.

The provisions in the proposed new franchise are generally the same as in the present franchise. One change is found in Section 2 which provides that the Company agrees to pay the City 3.5 per cent of its gross revenues earned within the City instead of the present 3.0 per cent. However, because of the application of the business tax discussed hereafter, the new franchise will not increase the total payments by the Company to the City. An important change is in Section 15, under the "option to purchase." Additional wording was inserted to clarify that if the City were to take over the properties of the Company before expiration of the franchise, it would not have to pay the Company any sum whatsoever for the rights given in the franchise for the remainder of the term.

Your Committee secured copies of Article 75, Public Utilities Section of the Ordinances of the City of Portland, and carefully considered Ordinances No. 20-7501 through 20-7508 which are generally referred to as the license tax of the City of Portland.

Among other things, Section 20-7504, as amended in July 1966, provides that utilities furnishing electrical energy or steam utilities shall pay a quarterly license fee of 3.5 per cent of gross revenues during the preceding quarter. This section further provides that the amount of license fees paid to the City under this section shall not be shown as a separate item, computation or addition to the customer's bill by any such public utility.

Section 20-7505 provides for deduction from the license fee of any franchise taxes paid. Therefore, under the proposed franchise, the total fee to be paid to the City will be the same as at present—3.5 per cent of the Company's gross revenues from business within the City. On the basis of the Company's present volume of business, this amounts to approximately $350,000 per year.

The reason the City of Portland uses the license fee to tax public utilities is that no franchise tax can be charged against the other franchised electric utility, PGE, because it operates under a perpetual franchise containing no fee or tax. This source of revenue was first used by the City in 1946. The budget of the City of Portland for the present fiscal year of 1966-67 estimates that the City will obtain $1,010,400 from PP&L and PGE under the license fee in the above ordinance. The total general budget of the City of Portland for the fiscal year of 1966-67 is $32,960,782. This includes certain special fund revenues of $3,047,408. Therefore, the revenue which the City expects to receive from these public utilities is approximately 1/33 of its gross general budget.

Since 1948 PP&L has invested approximately $41,000,000 for capital improvements within the City of Portland, and is spending another $1,600,000 in 1966, a small portion of which will be for work-in-progress that may be carried over into 1967.

PP&L's present and future power supply position appears to be satisfactory, insuring protection to domestic, commercial and industrial power users against interruption of service due to power shortages. The Company's own hydroelectric
and steam-generating capacity amounts to more than 1,360,000 kilowatts, meeting about half of its system requirements. In addition, PP&L has long-term power purchase contracts with neighboring utilities, including purchase of electrical energy supplies from Priest Rapids, Wanapum, Rocky Reach and Wells hydro projects on the Columbia River, and from the Hanford atomic power plant. The Company also has contract arrangements for power from Bonneville Power Administration. The Company is operating a large coal-fired power plant in Wyoming and has coal reserves in Wyoming, Oregon, Washington and Montana for future development. Furthermore, PP&L has its own planned power developments and will have a share of the upcoming U.S.-Canadian treaty power. Along with other public and private utilities in the Pacific Northwest, PP&L is actively exploring the field of nuclear power to meet future power needs.

III. ARGUMENTS IN FAVOR OF THE MEASURE

Arguments presented to your Committee in favor of this measure include:

1. A long-term franchise is necessary to enable the Company to obtain financing on the most favorable terms for needed improvements to continue top quality service to its customers.
2. PP&L has rendered good service at low rates.
3. PP&L is a regional company maintaining its headquarters in Portland with a local annual payroll of approximately $9,000,000.
4. The franchise contains proper safeguards, consistent with the present technology and economics of service, against misuse of streets and poles, and against unnecessary obstruction of traffic with construction and maintenance activities.
5. The franchise will not diminish the City's authority to regulate and tax.
6. The franchise offers protection against merger of the two electric utilities in Portland without voter approval.
7. The franchise is fair to the Company and to the City.

IV. ARGUMENTS AGAINST THE MEASURE

Arguments presented to the Committee in opposition to the measure include:

1. The 3.5 per cent tax rate provided in the franchise is too low and does not provide for increases if necessary.
2. The franchise does not require the Company to beautify its substations which otherwise disfigure residential or scenic areas, to accelerate the undergrounding of its system, or to provide special arboreal care in cutting back trees which threaten to interfere with lines or poles carrying power.
3. The private utilities' rates are too high and no power is given the City to control these rates.
4. The franchise does not require the Company to offer lower rates for residential electric heating which would help reduce air pollution said to result from some other kinds of heating.
5. The franchise makes no provision for reducing the cost of street lighting.
6. The term of twenty years for this franchise renewal is too long.

V. DISCUSSION

The argument that a 20-year franchise would enable the Company to obtain financing on the most favorable terms appears logical to your Committee. By being able to assure the bond buyers that the Company has the right to serve in a city the size of Portland for that period of time, the Company should be able to demonstrate stability of operations, and thus acquire money at lower rates than might otherwise be available.
Uncontroverted testimony was given to the City Council by customers of PP&L to the effect that the Company gives good service. However, there were differences of opinion on the question of low rates. This question of rates is covered under the discussion of arguments against granting the franchise.

The arguments relative to the safeguards to the City contained in the franchise agreement as well as the adequacy of the Company's operations and the City's ability to regulate and tax are not disputed. Testimony was also given that PP&L is a regional company which maintains its headquarters in Portland and participates in community affairs, even though only a small portion of its operations is in Portland.

While your Committee is pleased to note these facts, as well as the Company's $9,000,000 annual payroll in Portland, it believes that consideration should be given to them only if there are no major negative aspects to granting the franchise.

The argument that the franchise offers protection against merger of the two electric utilities in Portland without voter approval was not disputed. This amending provision was added to the franchise as originally presented to the Council after persons appearing at the hearing had argued that the franchise should contain such a provision. Your Committee believes that the requirement for approval by the voters protects the residents of the City from any future merger that might be under conditions adverse to their interests.

The argument that the franchise is fair to the Company and the City is essentially a conclusion which can be reached only after all pro and con factors have been taken into consideration.

Opponents of the measure are concerned that a fixed rate of 3.5 per cent for the franchise tax does not give recognition to possible future inflation or other changes in circumstances. As pointed out in the background material, the other franchised electric utility pays no franchise tax as such. However, both companies pay a city license fee which is presently 3.5 per cent of gross revenues within the City and against which there is permitted an offset for any franchise tax paid by a Company. This franchise will not interfere with the power of the City Council to raise the license fee and thus collect more revenue from the power companies. For this reason, your Committee concludes that the fixed franchise tax rate of 3.5 per cent does not prevent the City from recovering a proper share of its revenue from PP&L.

 Various testimony has been given in regard to beautification of PP&L's substations, or trimming trees. Both of these subjects, however, can be taken care of and have been taken care of by City ordinances.

Some citizens of Portland contend that the entire distribution facilities of PP&L should be placed underground and that the franchise should so require. Some of these citizens felt that negotiations for undergrounding the facilities or for rate schedules, should be attempted with each new franchise, and particularly when the City has a chance to confer a benefit. Your Committee consulted with Mayor Schrunk and obtained from the City Attorney's office copies of relevant ordinances which the City of Portland has passed. The work of placing electrical distribution facilities underground in various parts of the City is underway or under consideration by the Council. There are now three proposed areas where electrical public utility facilities hereafter will be placed underground. These three areas are generally referred to as the West Burnside area, the Coliseum area and the Eastside area. Other areas of the system are also being reviewed by employees of the City to accomplish removal of the present unsightly poles. Generally, the relevant ordinances provide that most of the area between the Willamette River and the Stadium Freeway will be underground by December 31, 1974. No specific date has been set for completion of undergrounding in other areas. Further, as several companies use some of the same poles, any provision in the franchise requiring undergrounding would affect companies not parties to the franchise.

Some witnesses complained to your Committee that electric utility rates in Portland are too high and therefore the franchise should be voted down at the November election. Your Committee is of the opinion that rates for electrical
energy should continue to be regulated by the Public Utilities Commissioner of Oregon. The Public Utilities Commissioner has better facilities for determining proper electric rates than the City of Portland now has or may have in the foreseeable future. Miss Marian C. Rushing, Chief Deputy City Attorney, was interviewed concerning the estimated cost to the City of Portland should it attempt to establish tariff rates for the public utilities of Portland. Miss Rushing advised the Committee that a conference was held some time ago by officials of the City of Portland, including the City Attorney's office, where it was concluded that the cost of establishing City rate regulations would be an unknown amount in excess of $100,000. This estimate does not include the expense of litigation that might have to be undertaken in connection with City rate regulation. Your Committee concludes that it would not be feasible to include rates in the franchise and that persons critical of the rates charged should take the matter up with the Public Utilities Commissioner.

Your Committee also noted that comparative rates quoted by those critical of PP&L rates are those charged by publicly-owned agencies. No effort was made by the Committee to evaluate the merits of public power as compared to private power for two reasons. First, the question of public power is not before the voters and second, the franchise contains a provision whereby the City can, at its option, acquire the properties of PP&L during the term of the franchise if the voters approve such action.

The argument was also presented to the Committee that the franchise should contain a provision requiring the Company to sell power at lower rates for residential heating. This argument contends that air pollution would be reduced by making it economically more attractive for home owners to use electricity rather than oil or gas for residential heating. This again is a rate matter which should be considered by the Public Utilities Commissioner and acted upon after considering the effect such proposed rate changes would have upon PGE as well as PP&L.

Your Committee determined, as a result of its investigation, that the most important question raised by various persons concerned is the protection to the City and the inhabitants from a merger or consolidation of the two existing electric companies, which would eliminate whatever competition the present arrangement provides. To insure that the matter was not left to the City Council, a paragraph was added to Section 12 of the franchise to provide that one utility may not acquire the assets of the other utility without approval of the voters of the City.

Another criticism of the franchise was to the effect that it should contain a provision reducing the cost to the City for street lighting. Information was submitted to the Committee showing that Portland pays more for street lighting than some other cities do. In 1965 PP&L received $78,094 and PGE $1,070,283 from the City for street lighting. Because the PP&L charge is a minor share of the total cost of street lighting, your Committee concludes that it is not a proper matter to be included in this franchise.

Your Committee considered the question of whether or not it was advisable for the City to grant a franchise for a term of 20 years. Not all persons arguing against the length of the term did so for the same reasons. Fixing a rate of 3.5 per cent of gross revenue for that long a period was one objection to the term. Others argued that it was too long, as a matter of general principle. Your Committee determined that the City was not foregoing its power to adjust revenues to be received from the Company or its power to acquire the Company's properties in Portland if such an acquisition became desirable. The term may benefit the Company and its financing arrangements and the franchise protects the City from any improper sale or merger without approval of the voters. Further, most of the criticism of PP&L would also apply to PGE which operates under a perpetual franchise. Your Committee concludes that a term of 20 years is not unreasonable.
VI. CONCLUSIONS

The Committee, having considered the information which it has assembled and the arguments which have been advanced for and against the franchise, is of the opinion that the proposed franchise should be approved.

The Committee further feels that objections and protests made to the City and to this Committee against the granting of this franchise have not been persuasive and the preponderance of evidence supports approval of the proposed franchise. The principal opposition to the measure was limited to various points or sections of the franchise, which are mentioned above.

VII. RECOMMENDATION

Your Committee therefore recommends that the City Club of Portland go on record as approving the passage of the ordinance granting a 20-year franchise to the Pacific Power & Light Company and urges a vote of “Yes” on Municipal Measure No. 52.

Respectfully submitted,

Harold A. Mackin
Ronald A. Watson
Philip Hammond, Vice Chairman
John S. Crawford, Chairman

Approved by the Research Board October 24, 1966 for transmittal to the Board of Governors.

Received by the Board of Governors October 27, 1966, and ordered printed and submitted to the membership.
APPENDIX

After analysis of the proposed franchise, the members of the Committee contacted the following persons:

- Terry D. Schrunk, Mayor, City of Portland.
- Miss Marian C. Rushing, Chief Deputy City Attorney.
- S. J. Maerz, Utility Rate Analyst, City of Portland.
- J. M. Setterberg, Budget Director, City of Portland.
- Del Bucknum, President, United Business Associates, Inc.
- Sam Moment, Consulting Economist.
- John Y. Lansing, Vice President and Assistant to the President, Pacific Power & Light Company.

The Committee also secured data and information from other employees and officers of Pacific Power & Light Company.

In addition, the Committee considered the transcription of the public hearings held by the City Council of the City of Portland, at which 25 persons appeared and are listed in the first item of the following resource materials.

Materials and Documents studied by your Committee include:

1. Transcript of the Portland City Council hearing on Pacific Power & Light Company's franchise (44 pages). Persons who spoke during the hearing were:
   - Ormond R. Bean, City Commissioner;
   - The Honorable J. E. Bennett, State Representative;
   - Glenn Blake, Secretary of Building Service Employees Union, Local No. 49;
   - William A. Bowes, City Commissioner;
   - Bob Burns, Secretary-Manager, Oregon-Columbia Chapter, National Elec. Contractors Association;
   - Del Bucknum, President, United Business Associates, Inc.;
   - Walt Conley, I.B.E.W., Local 125;
   - Stanley Earl, City Commissioner;
   - Don C. Frisbee, President, Pacific Power & Light Company;
   - Mark Grayson, City Commissioner;
   - Mrs. Louie Halkinrud;
   - Edward B. Hargreaves, Oregon Public Employees Council No. 12;
   - Raymond Kell, a commissioner of Port of Portland and Commission of Public Docks, and a legal counsel, Pacific Power & Light Company;
   - Oliver Larson, Vice President, Portland Chamber of Commerce;
   - Sam Lee, Schmitt Steel Inc.;
   - Sam Maerz, Utility Rate Analyst, City of Portland;
   - Will A. Miller;
   - Samuel Moment, Consulting Economist.
   - George Penketh;
   - Captain Homer T. Shaver, Commission of Public Docks;
   - Bill Sherman, President, Portland Willamette Co.;
   - Marian Rushing, Chief Deputy City Attorney;
   - The Honorable Howard Willets, State Representative;
   - Mort Winkel, Chairman, Multnomah County Democratic Central Committee;
   - Ralph Wittenberg, Grandma Cookie Co.

2. Public Utilities Commissioner Documents.
   - Order 37086 before the Public Utilities Commissioner of Oregon, relating to the last hearing on the tariff rates of Pacific Power & Light Company (61 pages).
   - Pacific Power & Light Company Tariff and Index, Portland Division (28 pages).
   - Public Utilities Commissioner graph covering years 1952 to 1959.

3. City of Portland Documents.
   - Article 75 in re public utilities and the license requirements of the City of Portland.
   - City Ordinance 115412 relating to Utility Facilities in the South Auditorium Urban Renewal Project Area.
   - City Ordinance 117762 relating to underground wiring in downtown business district.
   - City Ordinance 117801 relating to establishment of special underground wiring control district in the southwest business district.
   - City Ordinance 120617 relating to underground wiring in some other areas.
City Ordinance 120662 relating to underground wiring control in the downtown area.
City Ordinance 123160 which is the franchise that is the subject of this report and
the issue to be voted on in November.
A copy of the charter amendment ordinance and measure referred by the City Council
to the voters at the general election November 8, 1966, published by Ray Smith,
auditor, City of Portland.
Data from 1966-67 Budget of City of Portland concerning income from PGE and
PP&L, furnished to the committee by J. M. Setterberg.

   Document showing comparative bills for electric service as of February 1, 1962, based
   on 50, 200, 500, 1,000 and 2,000 kwh for 13 Western cities, and similar data for
   commercial and industrial power service with various blocks of power usually used
   in business enterprises.
   Memorandum to Pacific Power & Light Company employees relating to franchise
   measure on November ballot.
   Letter to Pacific Power & Light Company from American Electric Power Service
   Corporation, June 24, 1966, containing a table showing amount of use of electrical
   current by fifty operating companies, investor-owned, having 10,000 or more
   residential customers.
   “The Electric Utilities,” a pamphlet published each year by Merrill Lynch, Pierce,
   Fenner and Smith, Inc., concerning the sixty largest U.S. companies with revenues
   above $50,000,000.

5. United States Documents.
   “Pacific Northwest’s Typical Monthly Electric Bills,” December 1, 1965, a document
   issued by the U.S. Department of the Interior.
   “Generation and Sales Statistics,” calendar year 1965, with attached tables, issued
   by Bonneville Power Administration.
   Document published by U.S. Department of the Interior, December, 1965, showing
   rates for power companies in Oregon, Washington, Idaho and, apparently, all
   principal cities in Montana, based upon electric services for residences at both
   500 kwh and 1,000 kwh per month, and also upon electric service to businesses
   at 1,500 kwh and 6,000 kwh per month.


7. Correspondence from Samuel Moment to Mayor Terry D. Schrunk, August 25, 1966, and
to the Editor of the Oregonian, September 8, 1966, and accompanying three pages
of material in opposition to passage of the franchise.

8. United Business Associates, Inc., furnished the following:
   Copies of memoranda which had been sent to members of United Business Associates,
   Inc., from Del Bucknum, President, concerning the franchise, and in regard to
defeating the proposed franchise renewal.
   A photostatic copy of a letter from the Federal Power Commission, Washington, D.C.,
to Consumers’ Service Bureau, January 10, 1952 (six pages).
   Letter from Del Bucknum, President, concerning PP&L service record and rates.

9. Editorial, Portland Oregonian, August 12, 1966 and other editorial comment and news
   articles in local newspapers.
REPORT
ON
INITIATIVE MEASURE TO REPEAL
COUNTY HOME RULE CHARTER
(Multnomah County Measure No. 4)

Ballot Title
MULTNOMAH COUNTY HOME RULE CHARTER MEASURE

Purpose: To repeal the Multnomah County Home Rule Charter adopted by the legal voters at the Primary Election held on the 24th day of May, 1966.

To the Board of Governors,
The City Club of Portland:

The Committee was established to study the measure on the county ballot entitled "Multnomah County Home Rule Charter Measure" which is to be voted on at the General Election on November 8, 1966. This measure, which seeks to repeal a home rule charter approved in the May primary election, was placed on the ballot by initiative petition.

I. INTRODUCTION

The Multnomah County Home Rule Charter was approved by a majority of the voters of Multnomah County at the primary election on May 24, 1966, by a vote of 71,771 to 64,331.

The ballot measure under consideration has resulted from the filing of an initiative petition which seeks to repeal the Charter and prevent it from taking effect on January 1, 1967.

The Home Rule Charter was the subject of a prior study by a City Club committee, the purpose of which was to determine the merit of the ballot measure prior to its being voted upon at the primary election. The earlier committee recommended a "yes" vote on the Home Rule Charter. This was approved by the Club membership on May 20, 1966.

Your present Committee, formed to study the repeal measure, consists of three members of the original committee, plus an additional three members who did not participate in the former study. This Committee has made extensive use of the May report, and rather than duplicate the original effort of the other committee, it has limited itself primarily, in its review, to determining whether the data which were originally presented are still valid in the light of current available information, and to adding any new information of significance.

Your Committee has not hesitated to "borrow" from the former committee's report in writing the current report, when the data have been found to be applicable and appropriate.

II. SCOPE OF RESEARCH

The May City Club report on the Charter utilized data and views obtained from at least eighteen persons who had some official concern with the issue. Your present Committee has supplemented this earlier information through additional interviews with the following informed persons, none of whom had been interviewed by the former committee:

III. BACKGROUND OF REPEAL MEASURE

After the passage of the Charter measure in the May primary, opposition to it appeared to crystallize in the formation of three citizens' committees which circulated initiative petitions to repeal the Charter. These committees, whose arguments favoring repeal are found in the official Oregon "Voters' Pamphlet," include:

"The Committee to Retain Right to Elect our Public Officials"; President, Esther C. Hinkley, wife of a Multnomah County deputy sheriff;

"The Committee to Protect County Civil Service"; President, Luella M. Pritchett, housewife;

"The Committee to Abolish Home Rule Charter"; Chairman, Clifford F. Holt, Mayor of Wood Village.

Two legal challenges have been made to the repeal measure. The first attacks the ballot title as misleading. The Circuit Court for Multnomah County rejected this challenge, but the case was appealed to the Oregon Supreme Court and has been set for argument on November 3rd. The second legal challenge seeks to remove the measure from the ballot on the ground that the number of signatures on the initiative petition which were certified by the deadline of July 7, 1966 was insufficient. A hearing on this case commenced before a three-judge panel of Circuit Court judges on October 31.\(^2\)

The measure will remain on the ballot unless the court in either of these suits rules otherwise. Accordingly, your Committee has proceeded with its study and report.

IV. ARGUMENTS FOR CHARTER REPEAL, AND DISCUSSION

The principal arguments which were advanced to your Committee in favor of Charter repeal are:

Argument #1: The Administrative Chairman

The Home Rule Charter vests too much administrative power in the commission chairman. It offers potential for a one-man political machine in that the chairman may appoint or discharge county officers and employees. Only on the appointment of department heads does he need the consent of two additional commissioners.

Discussion: The Committee recognizes that a chairman could abuse his administrative power. However, there will be considerable protection in the constant surveillance by the other four commissioners and, in any event, your Committee believes that the enhanced accountability of the chairman to the public, and the potential for efficient problem-solving, will outweigh this hazard.

Argument #2: Increased Taxes and Costs

The grant to the commission of power to legislate on matters of local concern will result in ordinances initiating new taxes upon business, individuals and franchised utilities. Home Rule will increase the costs of county government by increasing the number of county personnel.

Discussion: The Committee grants that the commission will have the power to seek alternative sources of tax revenues. The retained powers of initiative and referendum still give the public the veto of any unpopular tax. Home Rule should provide, not an increase in county personnel, but a streamlined operational structure which should result in reduced costs of government.

\(^2\)As this Bulletin went to press, the three-judge panel ruled that the initiative measure was on the ballot illegally. However, due to the possibility of appeal by opponents of home rule, or a nullification of the court ruling, the City Club report is being printed and presented for action by the membership.
Argument #3: Services, Districts and Public Improvements

The powers granted the County under Home Rule, while broadened in some respects, are limited in others. This is particularly true with respect to sanitary service, and the general result is overall weakening of county authority. The failure to give the county a stronger hand in dealing with autonomous special districts ignores the most important way to eliminate confusion in local government.

Discussion: The Charter broadens the county's powers to provide urban and rural services. For example, it would have new power to establish county water service and fire prevention service districts, and it would have the power of revenue bond financing. The Charter clarifies the county's powers in providing sanitary services.

The referendum and remonstrance rights provided citizens by the Charter in connection with public improvements are equitable. They subject county officials to proper public accountability.

The fact that the Charter may not strengthen the hand of the county in dealing with autonomous special districts may be a serious defect. However, it is hoped that the Metropolitan Study Commission will make provisions to deal with these services in its forthcoming report. Experience indicates, however, that sewer service is the most likely candidate for metropolitan area performance. For example, the Seattle area has achieved metropolitan sewer service as a first function of its Metro Seattle government.

Argument #4: Five-man Commission

The five-man, full-time commission encourages interference in administration by the four commissioners who are supposed to concentrate on legislative matters. This result will come about because there isn't enough legislative work to keep these four full-time legislative commissioners busy. In spite of the explicit provision in the Charter against board members other than the chairman giving orders to county employees, the authority of these commissioners to review budgets will guarantee their ability to interfere in the making of administrative decisions.

Discussion: The Committee is of the opinion that having five commissioners will certainly provide representation for a wider range of interests than does the present three-man commission structure, and this is an important advantage. It has also been argued that the full-time service provision will permit much needed attention to county policy, planning matters, and service districts. The Committee concludes that the strong chairman and four full-time legislative commissioners is superior to the present arrangement.

Argument #5: Civil Service

The Charter permits the commissioners to destroy the county civil service system if they wish to do so. The appeals procedure provided is cumbersome and is not sufficiently independent of the commissioners.

Discussion: The Charter explicitly protects the civil service rights of civil service employees. In view of these provisions of the Charter, and the provision of state law, the Committee does not believe that the commissioners would have the legal power to destroy the county civil service system. In addition, any commissioners who attack the system would be accountable to the voters in the next election. The Committee concludes that the Charter provisions preserve the county civil service system. If additional safeguards are needed, they may be provided by amendment. By improving the organizational structure and administrative machinery, the morale of county employees should be improved and the appeal of county service to able persons should be increased.

Argument #6: Reduction in Number of Elected Officials

The Charter deprives the voters of their right to elect the sheriff, treasurer, assessor, surveyor, clerk, constable and district court clerk. It replaces these elected officials with eight department heads appointed by the chairman.

Discussion: This is true, of course. However, democracy isn't necessarily promoted by the election of non-policy making county officials. It is impossible for
citizens to be acquainted with the qualifications of a long list of county officials whom they have been called upon to elect. The duties of the elected officials which will be transferred to new departments headed by appointive officials are primarily technical and managerial in character, rather than policy-making. A career civil servant is apt to be better qualified than a successful political candidate.

An extremely important and valuable feature of the Charter is the centralization of executive authority in the elected chairman as chief executive officer. The reduction in the number of elective administrative officials is an essential step to the accomplishment of this objective. The new arrangement centralizes and simplifies administrative responsibility and accountability. The departmental structure described in the Charter is simpler and more rational than the present structure. It groups related functions in a way that should bring about more efficient and economical management of the county’s business.

The Committee concludes that the reduction in the number of elected officials is therefore desirable and will make the county government more responsive and, when coupled with the new executive arrangement, will permit more effective and economical management.

**Argument #7: City-County Cooperation**

Establishment of county home rule will reduce city-county cooperation. It will build a wall around the City of Portland and create a “doughnut city” with even more power to duplicate common functions. City-county consolidation would be a better remedy.

**Discussion:** The Committee rejects this argument. The reduction in the number of elected officials, the resulting much clearer responsibility of the county commissioners, and, particularly, the strengthening of the executive functions, should increase city-county cooperation. The voters can more readily insist on cooperation where and when they want it. Your Committee does not feel that home rule will hinder city-county cooperation or consolidation. In any event, no proposed city-county consolidation is on the ballot.

**Argument #8: Metropolitan Area Government**

The establishment of home rule in the county will hinder establishment of metropolitan area government. The public will not be interested in change two years from now if the changes provided by the Charter are retained. The costs of dismantling those county urban functions which are to be transferred to a metropolitan area government will be too great.

**Discussion:** The Committee does not agree that the retention of the Charter will obstruct future change toward some form of metropolitan government. If changes are made and citizens become accustomed to them, further changes and improvements will be encouraged. Because the Charter has not given the county the same authority as a city might have over the special service districts, and because it retains the county service districts, it leaves much for a metropolitan plan to accomplish. A better-managed, more responsible county government should facilitate efforts toward a metropolitan area solution.

In any event, the metropolitan plans will not eliminate basic county governmental functions. These are going to be in existence regardless of the outcome of the Metropolitan Study Commission’s work. Therefore, more efficient and economical county government will be needed far into the future.

The Committee concludes that the Charter should advance metropolitan solutions rather than obstruct them.

**V. SUMMARY AND DISCUSSION OF ARGUMENTS AGAINST CHARTER REPEAL**

Proponents of the effort to update and improve local government through retention of the County Home Rule Charter adopted last May have set forth the following arguments against repealing this Charter:
1. The Charter provides an immediate opportunity to improve government operation in this metropolitan area. Multnomah County should be allowed to assume leadership in inter-governmental cooperation.

2. The increased efficiency in government operation gained by enabling the county to work more cooperatively with other local government agencies and to avoid duplication of services more than offsets professional salaries advocated for qualified administrators.

3. The Charter eliminates many elective positions which should be filled by technically-qualified career administrators instead of persons whose only qualification may be successful political activity during their term of office and before each election.

4. The Charter groups into logical departments the operations of the county of similar nature which have heretofore been scattered through several branches of county government. Conversely, it also eliminates the archaic system of having the sheriff responsible for the operation of three major unrelated departments: Tax collection, civil process, and law enforcement.

5. The ability of the county to finance through issuance of revenue bonds, in addition to its former limited bonding powers, increases the county's ability to develop county-wide services and capital improvements.

6. The Charter provides the county with the independence to decide for itself how it wishes to be administered, and to implement change by decision of its own residents, and make its own ordinances, rather than being required to go to the State Legislature for statutory changes.

The May report of the City Club committee presented a comprehensive discussion of the present form of county government, and the form of government which will be developed under the Home Rule Charter. Its report set forth all the details of the structure of government under both systems. Charts prepared by the official Home Rule Charter Committee showing the organizational structures under the two forms of government are included in the present report.

Your Committee recognizes that the Home Rule Charter for Multnomah County is not an ideal or faultless document of local government. However, it is satisfied that Multnomah County will have improved government under the Charter, as opposed to the existing structure. It appears to your Committee that the issue no longer is whether or not this is the best possible Charter, but rather, will the Charter give us more responsive, progressive and efficient county government than that which now exists? Your Committee concludes that it will.

If this Charter were repealed, how many years would it take—and would it be possible, in any event—to reorganize and streamline government in Multnomah County? Your Committee does not consider that county government has necessarily been bad in the past. It served what was essentially a rural society. However, the 1970's are approaching and no changes have been made to accommodate the present urban society. The pressures of the metropolitan area must be met with a form of government which can act to meet the needs of the times, yet which, in determination of policy and in its execution, preserves essential democracy and local controls. Your Committee believes the Charter will do this for Multnomah County.

In this time of ferment, transition and pressure in the central city, and in this time of movement of population throughout the metropolitan area, the problems of the traditional county can no longer be separated from the problems of the core area. Cooperation between city and county governments must be enhanced and effected. The Committee is not satisfied with present efforts at cooperation. It concludes that the Charter will give this county a form of government in which responsibility is fixed and accountability is apparent and under which responsible persons can move toward solution of the problems of the entire county.

Your Committee finds no basis for support of the view that the voters “did not know what they were voting for” in May, as charged by the advocates of repeal.

The Charter was the product of many months of conscientious effort by a Home Rule Charter Committee made up of persons of recognized capability who had been selected by the Board of County Commissioners. The objective of that
committee was "to develop a system of charter government which would improve efficiency and increase responsiveness to the voters." Your Committee is cognizant of the possibility that there may be flaws in some provisions of the Charter. However, such flaws may be corrected by amendment as they become evident.

VI. CONCLUSIONS

The Committee concludes that:

1. Delegation of authority and responsibility to an executive commission chairman supported by four legislative commissioners will encourage efficient and progressive government.
2. The right to exercise legislative power will give Multnomah County the privilege of self-determination in matters of local concern.
3. Reorganization of county departments will improve their operation by consolidation of related functions under qualified civil servants who will not be distracted by the necessity of frequent campaigning for political office.
4. Home Rule will encourage orderly development of service districts and public improvements.
5. Home Rule will promote city-county cooperation and improve the climate for metropolitan area government.
6. Such deficiencies as may exist in the Charter may be subsequently corrected by amendment, and are not of sufficient seriousness to justify repeal.

VII. RECOMMENDATION

Therefore your Committee recommends that the City Club go on record against repeal of the County Home Rule Charter and urges a vote of "No" on Multnomah County Measure No. 4.

Respectfully submitted.

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Approved by the Research Board October 27, 1966 and submitted to the Board of Governors.

Received by the Board of Governors October 31, 1966 and ordered printed and submitted to the membership.